

Thursday, 2 February 2023 | research report

## Ryvu Therapeutics: buy (new)

RVU.PW; RVU.WA | Biotechnology, Poland

### Advancing the Oncology Pipeline with SPO Proceeds

Ryvu Therapeutics ("Ryvu" or the "company") is a biotechnology company focused on developing oncology therapies. The company currently has two projects in clinical phase, seven projects in drug discovery, and five ongoing collaborations. Ryvu's Development Plans for 2022-2024, published in August 2022, among others aim to advance RVU120, a selective CDK8/CDK19 inhibitor, to pivotal trials in acute myeloid leukemia (AML), and to Phase 2 in solid tumors. The company plans to spend PLN 535m in 2H'22-2024 on clinical studies of RVU120, Phase 1 study of another program, and on strengthening the Synthetic Lethality Platform.

In December the company has successfully completed an SPO and raised PLN 243m net.

We initiate coverage of Ryvu with a buy recommendation and a target price of PLN 80/share, implying 47% upside potential.

#### A Biotech Company Focused on Oncology

Ryvu Therapeutics is currently working on nine disclosed innovative projects (over 12 molecular targets), including two projects in clinical studies – SEL24 (MEN1703), PIM/FLT3 inhibitor, currently in Phase 2 study in IDH-mutated AML, and RVU120, CDK8/19 inhibitor in Phase 1b study in AML/MDS and Phase 1 part of a Phase 1/2 study in solid tumors. Ryvu is also working on two discovery platforms: Synthetic Lethality and Immuno-Oncology.

The goal of Ryvu is to sign one partnering deal per year. So far, the company has signed eleven partnering contracts with a total biodollar value of c. USD 1.5bn and upfront payments of USD 37m, including the latest collaboration with BioNTech, sealed in November 2022 for EUR 40m in upfront payment and equity investment, with EUR 876m biodollar value and single-digit royalties.

#### SPO Funds to Finance 2022-2024 Development Plans

The company's targets include completing Phase 1 studies in RVU120 and advancing clinical development to Phase 2 (in solid tumors – in 2Q23, in AML – in 3Q23), supporting the development of SEL24 (MEN1703), led by Menarini, advancing one program into Phase 1 clinical study, and strengthening the Synthetic Lethality Platform. Ryvu plans to spend PLN 535m in the 2H'22-2024 period, to be financed from cash, venture debt from the EIB (PLN 104m), milestones and grants (PLN 79m) and other sources including equity (authorized capital), partnering deals and additional grant funding.

In December the company closed a secondary public offering of 8.5m Series J shares (21% of the current capital) with net proceeds of PLN 243m. BioNTech acquired 1.9m shares at PLN 49/share, remaining shares were priced at PLN 55/share.

#### rNPV-Based Target Price at PLN 80/Share

Our rNPV model points to a target price of PLN 80/share, including RVU120, valued at PLN 27/share, the BioNTech collaboration (STING agonist and several novel targets) at PLN 12/share, STING agonist ADC (partnering with Exelixis) at PLN 8/share, SEL24 (MEN1703) at PLN 5/share, MTA-cooperative PRMT5 inhibitors at PLN 4/share. The main risks to our valuation include failures and delays in R&D projects, competition, and macro risks.

(PLN m)	2020	2021	2022E	2023E	2024E
Revenues	37.0	37.1	135.2	99.9	175.2
Norm. EBITDA	-23.3	-42.3	32.0	-90.2	-30.6
Norm. Net income	-36.0	-54.8	15.3	-95.8	-35.0
Net Cash	153.8	83.2	103.1	251.0	209.0
P/E (x)	nm	nm	65.4	nm	nm
EV/EBITDA (x)	nm	nm	28.0	nm	nm

Source: Ryvu, mBank, E - mBank estimates

current price*	PLN 54.40
target price	PLN 80.00
mCap	PLN 1,258m
free float	PLN 812m
ADTV (3M)	PLN 0.5m

\*Price as of January 31, 2023, 5:00 PM

#### Shareholder structure (by equity/votes)

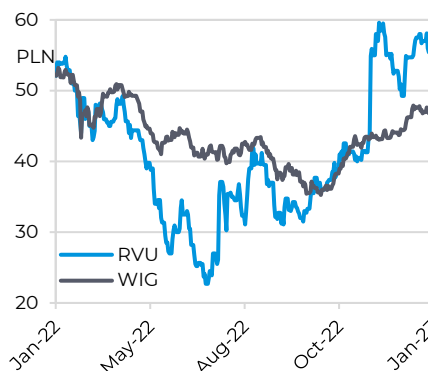
Paweł Przewięźlikowski, CEO	17.7/27.9%
BioNTech	8.3/7.1%
Allianz TFI	7.3/6.2%
PTE Allianz	6.6/5.6%
NN OFE	6.6/5.6%
Bogusław Sieczkowski	3.6/5.1%
Tadeusz Wesołowski*	5.9/5.1%
Others	44.0/37.4%

\*Directly and indirectly

#### About Ryvu Therapeutics

Ryvu Therapeutics' business model is focused on own research projects into innovative drugs in oncology. The company was established in 2007 by Mr. Paweł Przewięźlikowski, CEO and Mr. Bogusław Sieczkowski (currently the CEO of Selvita). Ryvu Therapeutics' pipeline consists of 2 projects in clinical studies: RVU120 in Phase 1 in AML and solid tumors, SEL24 (MEN1703) in Phase 2 in IDH-mutated AML, 5 disclosed projects in the discovery phase; 5 ongoing collaborations. There are around 150 scientists (c. 80 PhDs) currently working at Ryvu's own R&D Center for Innovative Drugs (laboratory space of 3,150 m<sup>2</sup>) in Kraków.

#### RVU share price vs. WIG Index



name	target price		recommendation	
	new	old	new	old
Ryvu	80.00	-	buy	-

name	current price	target price	upside
	Ryvu	54.40	80.00

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**List of abbreviations and ratios used by mBank:**

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases) - Lease Payments  
**EBITDA margin** - EBITDA/Sales

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
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**SELL** – we expect that an investment will bear a loss greater than 15%  
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**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

**mBank did not issue any recommendations for Ryvu Therapeutics in the 12 months prior to this publication.**

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