

OncoArendi Therapeutics

OATD-02 on track to the clinic

OncoArendi's share price has fallen 24% YTD for no apparent reason. We maintain our expectations that the OATD-02 project will enter the clinic next year and a deal could be signed in this project in 2024E. We value the project at PLN 10.7/share. We value the GLPG4716 project at PLN37.9/share and expect a minor milestone from Galapagos in 2022E. We also note the company's net cash position remained at a high level of PLN101m in 3Q21. We maintain our BUY rating with a fair value of PLN 55/share (unchanged).

GLPG4716/OATD-01 (idiopathic pulmonary fibrosis). The company's most advanced project is GLPG4716 outlicensed to Galapagos, a potential first-in-class chitinase inhibitor which has completed a Phase 1 study in healthy volunteers and is currently being tested in an additional drug-drug interaction study with nintedanib and pirfenidone in healthy subjects. Although the estimated completion date of the interaction study was delayed from October 2021 to June 2022, we continue to assume a 95% probability of its successful completion. In 2022E, we forecast OncoArendi will receive a milestone of EUR 3m from Galapagos. We expect the Phase 2 study in idiopathic pulmonary fibrosis (IPF) to start in 2022E (in line with Galapagos' plan) and to be completed in 2024E. If the results are positive (probability of success: 39%) we assume OncoArendi will receive a milestone of EUR 12m.

OATD-02 (immunooncology). OATD-02, a potential best-in-class arginase (ARG1&2) inhibitor for the treatment of various cancers is to enter the clinic next year. OncoArendi expects the first patient to be enrolled in 3Q22, while the study is to take 18-24M. Around 40 patients with selected advanced malignancies are to participate in the study. According to the management, OATD-02 could be partnered after initial data from the Phase 1 study (one year from commencement of the study). While the first-in-class ARG1 inhibitor INCB001158 has shown disappointing results in solid tumors, we believe OncoArendi's compound has a strong competitive advantage due to its ARG2 inhibition and assume a 90% probability the project will enter a Phase 1 study in 2022E. We assume that a partnering agreement is signed in 2024E after completion of Phase 1 (probability of success: 69%) - we assume an upfront payment of USD 30m, and biodollar value of USD 208m.

Early-stage projects - potential upside to our valuation. According to our methodology, in our valuation we do not factor in projects without sufficient in vivo data. Therefore, we incorporate some costs and capex related to YKL40 antagonist, DUBs platform, SMR platform, and the new antiviral project, but do not include commercialization of these projects into our valuation.

Figure 1. OncoArendi: Financial forecasts (PLNm)

	2019	2020	2021E	2022E	2023E	2024E
Revenues	2.0	124.9	0.9	15.4	8.8	103.7
Norm. EBITDA	-3.2	73.9	-10.2	-4.4	-13.1	45.1
Norm. net income	-2.7	64.3	-9.8	1.0	-12.6	45.7
PER (x)	nm	8.4	nm	537.4	nm	12.1
EV/EBITDA (x)	nm	5.7	nm	nm	nm	9.3

Source: Company, IPOPEMA Research

Biotechnology & Healthcare

OncoArendi Therapeutics

BUY

FV PLN 55

40% upside

Price as of 9 December 2021 PLN 39.30

Maintained

Share data

Number of shares (m)	14.1
Market cap (EUR m)	116.0
12M avg daily volume (k)	22.0
12M avg daily turnover (EUR m)	0.2
12M high/low (PLN)	62.20/36.30
WIG weight	0.09%
Reuters	OAT.WA
Bloomberg	OAT.PW

Total performance

1M	-0.9%
3M	-16.1%
12M	-16.4%

Shareholders

Marcin Szumowski*, CEO	7.7%
Michał Sołowow (Black Forest SICAV)	30.0%
NN PTE	5.6%
Others	56.7%

*directly and indirectly

Analyst

Beata Szparaga-Waśniewska, CFA
 beata.szparaga@ipopema.pl
 + 48 22 236 94 14

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Buy	Above 10%
Hold	In between (and including) -10% and 10%
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	Number	%
Buy	19	76%
Hold	6	24%
Sell	0	0%
Total	25	100%

Rating History – OncoArendi Therapeutics

Date	Recommendation	Fair Value	Price at recommendation	Author
2019-10-15	BUY	20	11.20	Beata Szparaga-Waśniewska
2020-12-08	Under review	na	47.50	na
2021-09-02	BUY	55	45.25	Beata Szparaga-Waśniewska
2021-12-13	BUY	55	39.30	Beata Szparaga-Waśniewska