# Genkyotex

**Buy ➔ | Target 2.90 EUR**
Price (27/10/2017) : 1.70 EUR| Upside : 71 %

| | Est.chg | 2017e | 2018e |
|---|---|---|---|
| EPS | | ns | ns |

## Future worldwide specialist in fibrosis

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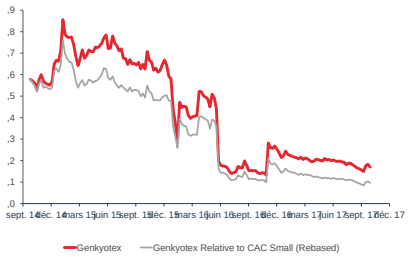


*Source ; Oddo BHF Securities, Fininfo*

| Capital | |
|---|---|
| **GKTX FP \| GKTX.PA** | |
| Market Cap (EURm) | 132 |
| Enterprise value (EURm) | 139 |
| Extrema 12 months | 1.30 - 3.25 |
| Free Float (%) | 9.6 |

| Performance (%) | 1m | 3m | 12m |
|---|---|---|---|
| Absolute | 8.3 | -11.9 | 16.4 |
| Perf. rel. Country Index | 6.1 | -14.4 | 1.1 |
| Perf. rel. CAC Small | 5.7 | -15.3 | -12.8 |

| P&L | 12/17e | 12/18e | 12/19e |
|---|---|---|---|
| Sales (EURm) | 0.0 | 0.0 | 0.0 |
| EBITDA (EURm) | -27.2 | -16.2 | -38.4 |
| Current EBIT (EURm) | -27.3 | -16.2 | -38.5 |
| Attr. net profit (EURm) | -27 | -16 | -39 |
| Adjusted EPS (EUR) | -0.35 | -0.21 | -0.49 |
| Dividend (EUR) | 0.00 | 0.00 | 0.00 |
| P/E (x) | ns | ns | ns |
| P/B (x) | ns | ns | ns |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 |
| FCF yield (%) | ns | ns | ns |
| EV/Sales (x) | ns | ns | ns |
| EV/EBITDA (x) | ns | ns | ns |
| EV/Current EBIT (x) | ns | ns | ns |
| Gearing (%) | ns | ns | ns |
| Net Debt/EBITDA(x) | 0.3 | ns | ns |

**Next Events**

***Genkyotex is a listed biotech since 2017 following its reverse take-over of Genticel. A worldwide specialist in NOX inhibitors it aims to become a leader in fibrotic pathologies such as the very attractive NASH market. We are initiating coverage of the stock on Buy, with a target price of € 2.9, pointing to upside of 70%.***

### At the leading edge of NOX science

Genkyotex's defining feature is its thorough knowledge of NOX, the enzymes responsible for oxidative stress in humans. The company was founded 11 years ago by three international experts in the field. Today, it is still one of the very few companies with a real capacity to discover these compounds. It is also one of the rare NOX biotech companies to have reached the human testing phase. Finally, it is, to our knowledge, the only NOX company in the world to specialise in fibrotic diseases such as NASH. Genkyotex has already built up a considerable body of encouraging preclinical data. It is preparing to deliver its first clinical data for liver fibrosis in H1 2018.

### Fibrosis a potential market worth $ 6bn in 2022e

In targeting fibrosis, Genkyotex is looking to carve out a position on a fledgling but potentially massive market. The principal indications that could be targeted by the group (NASH and PBC in the liver, diabetic nephropathy, pulmonary fibrosis) represents, according to EvaluatePharma, a potential market of $ 6bn in 2022 (growing at a pace of 24% per annum). In our view, the advantage of targeting a market that is largely still not addressed is that the competitive field is still relatively open. By way of example, in NASH, only cenicriviroc (Allergan/Novartis) and selonsertib (Gilead), still in development, clearly have mechanistically anti-fibrotic properties. All of the other treatments that are currently in clinical trials (anti-metabolic, anti-inflammatory) would not actually be competing but would rather round out treatment by the future anti-fibrotic products like Genkyotex's GKT831.

### Valuation: € 2.9 per share, 70% upside

We value Genkyotex via the sum of its cash position and the indications of its main compound, GKT831. We are excluding, for the time being, the group's second compound, GKT771 (too early) and the agreement on Vaxiclase with Serum Institute (a legacy from the former Genticel which milestones are difficult to model). In the event of clinical success and regulatory approval, GKT831, could, on our estimates, generate peak sales (2029e) of € 230m in PBC (assuming it becomes commercially available in 2021), € 2.7bn in NASH (assuming it becomes commercially available in 2024e) and € 1.9bn in diabetic nephropathy (assuming it becomes commercially available in 2024). We value Genkyotex at € 2.9 per share (€ 0.4 for PBC, € 0.3 for nephropathy, € 2.2 for NASH, -€ 0.1 for cash). The stock offers upside of 70%, on our estimates.

### Main risks

Genkyotex is a company with strong potential but still in the fledging stage. Whilst the rewards could be significant in the event of a blue-sky scenario materialising (potentially x8 out to 2023), the principal risk remains the failure of clinical trials (GKT831 has mainly been tested in the pre-clinical trial stage to date). In the longer term, the company's capacity to effect its transition towards the commercial phase must also be monitored. The stock's main risks are detailed on page 10.

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