

Tuesday, 31 October 2023 | update

Ryvu Therapeutics: hold (downgraded)

RVU.PW; RVU.WA | Biotechnology, Poland

Lowering RVU120 Valuation Post ESMO

We are updating our valuation of Ryvu Therapeutics to reflect the new RVU120 Phase 2 development plan, which assumes four studies in blood cancers but no plan to start a study in solid tumors. After taking this into account we reduce our target price from PLN 81 to PLN 65 per share, implying 2% upside.

RVU120 – ESMO data from Phase 1 study in solid tumors, Phase 2 to focus on blood cancers only

At ESMO 2023, Ryvu presented updated data from dose escalation of RVU120 in solid tumors, which has enrolled 39 patients in 75-400mg dose cohorts. In terms of efficacy, there have been no responses, 12 patients achieved stable disease. There have been no dose limiting toxicities, but due to gastrointestinal tract effects at 375/400mg the dose has been reduced to 300 mg. At the same time, Ryvu announced that, given the outcomes and the budget, there is no longer a plan to start a Phase 2 study of RVU120 in solid tumors.

In the Phase 1 study of RVU120 in AML/MDS, a dose of 250mg is currently investigated, and the next disclosure is planned at the ASH 2023 in December. Ryvu plans to initiate four Phase 2 studies in hematologic indications: (1) In two genetically defined AML/HR-MDS in monotherapy (we had been hoping for a study in an all-comers population), (2) In AML in combination with venetoclax (in line with the previous plan), (3) In lower-risk MDS (an investigator-initiated trial announced in October), (4) In myelofibrosis as monotherapy/combination (a new study).

Valuation-wise, we no longer include RVU120 in solid tumors in our valuation, while previously we valued the project at PLN 16/share. We incorporate the new indications in blood cancers (myelofibrosis, lower-risk myelodysplastic syndrome) into our model, but we also reduce our estimate of potential sales in AML, as currently no monotherapy study is planned in all comers population. As a result, we raise our valuation of RVU120 in hematocology from PLN 13 to PLN 16 per share.

Synthetic lethality – higher chance for a partnering deal?

In synthetic lethality, taking into account the data presented at AACR-NCI-EORTC, Ryvu seems on track to advance its MTA-cooperative PRMT5 inhibitors program to preclinical studies, although with a few-month delay vs. the previous plan. Still, we believe there will be strong interest in partnering transactions following data presented by Mirati and Amgen from their Phase 1 studies of MTA-cooperative PRMT5 inhibitors. We value the PRMT5 inhibitors program at PLN 8/share, assuming a deal could be signed in 2024E.

rNPV-Based Target Price at PLN 65/share

Our rNPV model points to a target price of PLN 65/share, including RVU120, valued at PLN 16/share, the BioNTech collaboration (STING agonist and several novel targets) at PLN 12/share, STING agonist ADC (partnering with Exelixis) at PLN 7/share, SEL24 (MEN1703) at PLN 5/share, MTA-cooperative PRMT5 inhibitors at PLN 8/share. The main risks to our valuation include failures and delays in R&D projects, competition, and macro risks.

(PLN m)	2021	2022	2023E	2024E	2025E
Revenues	35.4	68.4	65.9	293.3	405.6
Norm. EBITDA	-43.0	-43.3	-81.4	-79.2	-92.0
Norm. Net income	-56.1	-61.6	-86.0	-89.1	-103.5
Net Cash	83.2	99.7	232.8	164.0	66.2
P/E (x)	nm	nm	nm	nm	nm
EV/EBITDA (x)	nm	nm	nm	nm	nm

Source: Ryvu, mBank, E - mBank estimates

current price*	PLN 63.50
target price	PLN 65.00
mCap	PLN 1,468m
free float	PLN 957m
ADTV (3M)	PLN 0.9m

*Price as of October 30, 2023, 5:00 PM

Shareholder structure (by equity/votes)

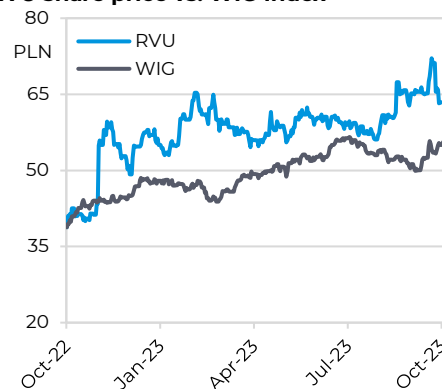
Paweł Przewięźlikowski, CEO	17.6/27.8%
PTE Allianz	9.2/7.8%
BioNTech	8.3/7.1%
Allianz TFI	8.3/7.0
NN OFE	8.2/7.0
Tadeusz Wesołowski*	5.9/5.1%
Others	42.5/38.2%

*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) about to enter Phase 2 in DLBCL, 5 disclosed projects in the discovery phase; 5 ongoing collaborations. There are around 150 scientists (c. 90 PhDs) currently working at Ryvu's own R&D Center for Innovative Drugs (laboratory space of 3,150 m²) in Kraków.

RVU share price vs. WIG Index



name	target price		recommendation	
	new	old	new	old
Ryvu	65.00	81.00	hold	buy

name	current price	target price	upside
Ryvu	63.50	65.00	+2.4%

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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)
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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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 issued the following recommendations for Ryuu Therapeutics in the 12 months prior to this publication:

Ryuu Therapeutics (Beata Szparaga-Wańniewska)

Rating	buy	buy	buy	buy
Rating date	2023-10-02	2023-07-03	2023-04-03	2023-02-02
Target price (PLN)	81.00	81.00	80.00	80.00
Price on rating day	65.20	60.40	59.20	53.40



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