BRYAN, GARNIER & CO

CORPORATE RESEARCH

8th April 2016

Nicox

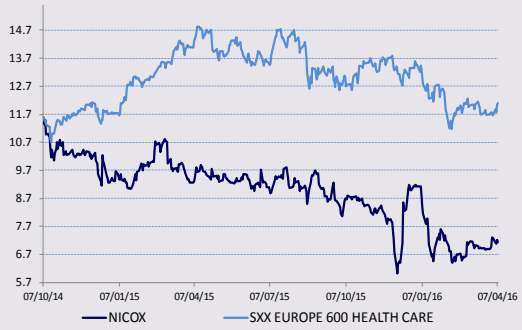
A visible decrease in pressure…

Healthcare

Fair Value EUR14 (price EUR7.14) **CORPORATE**

Bloomberg	COX FP
Reuters	NCOX.LN
12-month High / Low (EUR)	9.9 / 6.0
Market capitalisation (EURm)	163
Enterprise Value (BG estimates EURm)	150
Avg. 6m daily volume ('000 shares)	95.40
Free Float	98.9%
3y EPS CAGR	67.3%
Gearing (12/14)	-6%
Dividend yield (12/15e)	NM

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	5.99	9.90	10.82	17.85
EBIT(EURm)	-21.78	-24.41	-17.44	-24.69
Basic EPS (EUR)	-0.23	-1.07	-0.76	-1.08
Diluted EPS (EUR)	-0.23	-1.07	-0.76	-1.08
EV/Sales	26.29x	15.16x	15.55x	11.06x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
P/E	NS	NS	NS	NS
ROCE	-18.7	-19.1	-15.8	-28.7



We are initiating coverage of Nicox with a Fair Value of EUR14.0. In our view the market is clearly underestimating the potential of latanoprostene bunod (LBN) in glaucoma (BG peak sales: around EUR600m from a conservative stance) and the group's risk-reward profile is fairly attractive following the share-price decline.

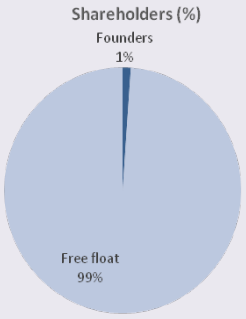
- **Why invest now?** Nicox is clearly on the verge of a major turning point with the potential approval of latanoprostene bunod (LBN) in monotherapy, aiming to reduce intra-ocular pressure (IOP) in patients suffering from open-angle glaucoma or ocular hypertension (deadline given for the FDA's green light: 21st July 2016).

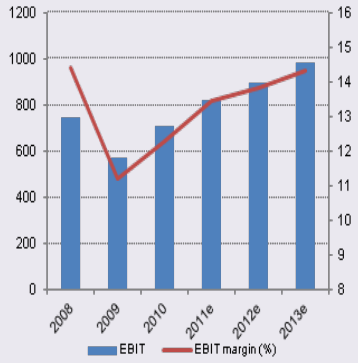
- **LBN: set to trigger a future re-rating.** Phase III results published in 2014 bode well and it is very probably for this reason that Nicox' partner, Valeant/Bausch+Lomb, sees peak sales potential of USD1.0bn for the product. Admittedly, our forecasts are far more conservative than the big pharma's, but we are still forecasting very high potential (~EUR600m given that 1/ LBN could be the most efficient prostaglandin analogue for reducing IOP in glaucoma, 2/ we do not expect Rho inhibitors to take the market by storm.

- **Initiation with a FV of EUR14.0**. Although we forecast considerable upside potential already (around 100%), our valuation could be increased massively if the FDA approves LBN and AC-170 (EUR20.0, implying upside potential of more than 190%).

Analyst:
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Analyst Team:
Eric Le Berrigaud
Hugo Solvet





Company description

Nicox is a biopharmaceutical company specializing in ophtalmics

Simplified Profit & Loss Account (EURm)	2013	2014	2015e	2016e	2017e	2018e	2019e
Revenues	0.44	6.0	9.9	10.8	17.8	31.0	48.9
Change (%)	*-%*	*1,273%*	*65.4%*	*9.3%*	*64.9%*	*73.7%*	*57.8%*
R&D	3.6	4.4	4.4	4.9	5.3	5.9	6.5
Adjusted EBITDA	(11.0)	(21.8)	(24.4)	(17.4)	(24.7)	(1.3)	15.7
EBIT	(11.0)	(21.8)	(24.4)	(17.4)	(24.7)	(1.3)	15.7
Change (%)	*-%*	*-97.9%*	*-12.1%*	*-28.6%*	*-41.6%*	*-94.8%*	*-%*
Financial results	(0.41)	0.23	0.0	0.0	0.0	0.0	0.0
Pre-Tax profits	(11.4)	(21.5)	(24.4)	(17.4)	(24.7)	(1.3)	15.7
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.05)	0.17	0.0	0.0	0.0	0.0	4.7
Net profit	(18.1)	(22.9)	(24.4)	(17.4)	(24.7)	(1.3)	11.0
Restated net profit	(18.1)	(22.9)	(24.4)	(17.4)	(24.7)	(1.3)	11.0
Change (%)	*-%*	*-26.1%*	*-6.7%*	*-28.6%*	*-41.6%*	*-94.8%*	*-%*
Cash Flow Statement (EURm)							
Operating cash flows	(21.6)	(27.6)	(24.4)	(17.4)	(24.7)	(1.3)	11.0
Change in working capital	(1.0)	2.8	(2.4)	(0.03)	3.5	6.6	9.0
Capex, net	0.26	0.13	0.74	0.80	0.90	1.0	1.1
Financial investments, net	5.3	3.1	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	NM	NM	NM	NM	NM	NM	NM
Net debt	(50.2)	(5.9)	(13.2)	5.0	34.1	43.0	42.1
Free Cash flow	(20.8)	(30.5)	(22.7)	(18.2)	(29.1)	(8.9)	0.93
Balance Sheet (EURm)							
Tangible fixed assets	3.6	81.7	82.4	83.2	84.1	85.1	86.2
Intangibles assets	7.3	10.8	10.8	10.8	10.8	10.8	10.8
Cash & equivalents	52.4	22.6	29.9	11.7	(17.4)	(26.3)	(25.4)
current assets	9.0	16.1	11.2	11.1	18.3	31.8	50.2
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	72.2	131	134	117	95.8	101	122
L & ST Debt	2.2	16.7	16.7	16.7	16.7	16.7	16.7
Others liabilities	8.6	10.5	8.0	7.9	11.6	18.6	28.0
Shareholders' funds	61.4	104	110	92.1	67.5	66.2	77.2
Total Liabilities	72.2	131	134	117	95.8	101	122
Capital employed	63.5	122	128	111	85.9	84.6	95.6
Ratios							
Tax rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROE (after tax)	(29.56)	(22.01)	(22.28)	(18.92)	(36.60)	(1.95)	14.24
ROCE (after tax)	(28.57)	(18.69)	(19.07)	(15.77)	(28.74)	(1.52)	11.50
Gearing	(81.78)	(5.67)	(12.01)	5.47	50.61	65.00	54.54
Pay out ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of shares, diluted	66.17	99.48	22.90	22.90	22.90	22.90	22.90
Data per Share (EUR)							
EPS	(0.27)	(0.23)	(1.07)	(0.76)	(1.08)	(0.06)	0.48
Restated EPS	(0.27)	(0.23)	(1.07)	(0.76)	(1.08)	(0.06)	0.48
% change	*-%*	*-16.1%*	*-363%*	*-28.6%*	*-41.6%*	*-94.8%*	*-%*
BVPS	0.93	1.05	4.79	4.02	2.95	2.89	3.37
Operating cash flows	(0.33)	(0.28)	(1.07)	(0.76)	(1.08)	(0.06)	0.48
FCF	(0.31)	(0.31)	(0.99)	(0.80)	(1.27)	(0.39)	0.04
Net dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company Data; Bryan, Garnier & Co ests.

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1. Investment Case

Why the interest now?

The reason for writing now

The company is clearly on the verge of a major turning point with the potential approval of LBN in glaucoma treatment (deadline given for the FDA's green light: 21st July 2016). The positive impact that this news could generate is far from negligible given that the product has been presented as a potential blockbuster by Nicox' partner Bausch+Lomb.

Cheap or Expensive?

Valuation

Our FV works out to EUR14.0 per share, bearing in mind that this figure could be increased by EUR6.0 if LBN and AC-170 are approved by the various regulatory authorities.

When will I start making money?

Catalysts

The main catalyst that we see is obviously the FDA's approval of latanoprostene bunod in monotherapy aimed at reducing intra-ocular pressure in patients suffering from open-angle glaucoma or ocular hypertension. Following this, we believe that the share should benefit from a very significant re-rating.

Could I lose money?

Risks to our investment case

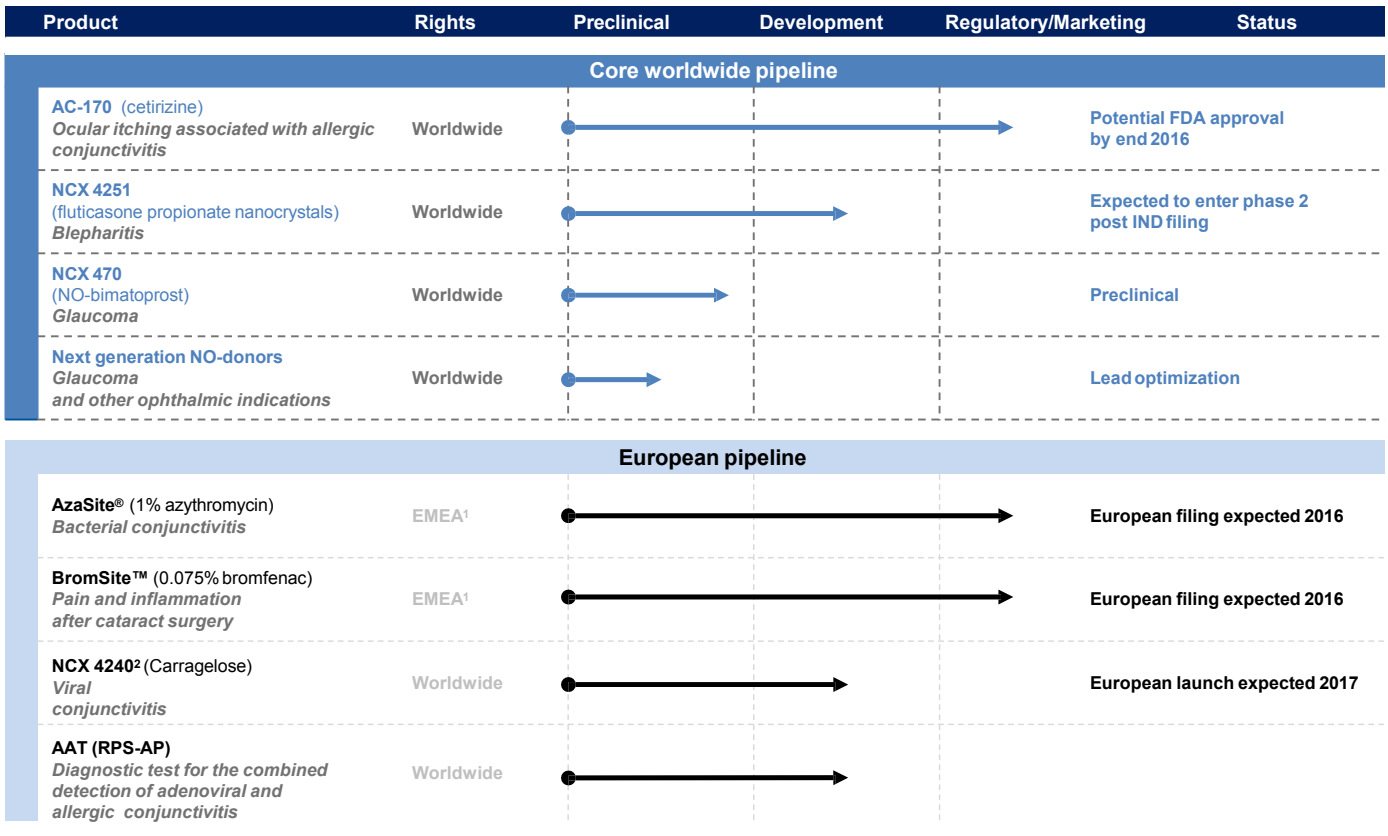
Our SOTP is primarily built on LBN. Non-approval of the project by the FDA would have a major negative impact on our valuation.

2. Why invest now?

The group has not disappointed in recent months

The Nicox share price has clearly come under pressure in recent months. However, the group has not disappointed in our view: 1/ publication of excellent Phase III data for its main component (latanoprostene bunod), 2/ presentation of the product as a potential blockbuster worth USD1bn by the group's partner Valeant/Bausch+Lomb… As such, it would appear that the market gives no credit to the potential success of LBN. Has it drawn a simple parallel with the group's difficult recent past or are risks proven? Have the two group's management teams underestimated the competitive backdrop? Given that the large majority of Nicox's value lies in this product, we have decided to make it the focal point of this report. That said, note that the company is developing several other candidate drugs, among which we would highlight AC-170, a new formulation of cetirizine (an antihistamine normally administered orally), currently being assessed for itching associated with allergic conjunctivitis.

Fig. 1: Nicox – Commercial and development pipeline (excluding LBN)



Source: Nicox

The pipeline is obviously not restricted to these two products, but we have chosen to make them the two pillars of our investment case and hence, of our valuation, either because sales potential of the other assets is not high enough (AzaSite, Bromsite), or because their story is complicated and warrants caution (naproxcinod), or there is a lack of clinical efficacy data (NCX4251).

3. The glaucoma market

3.1. What is glaucoma?

Glaucoma is an eye disease characterised by the destruction of the optic nerve following a sharp increase in intraocular pressure (IOP)

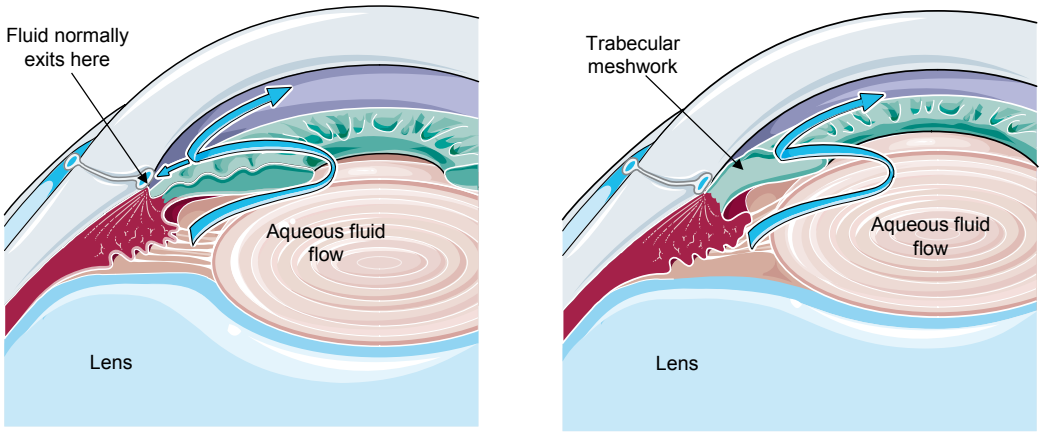
Glaucoma is an eye disease characterised by the gradual destruction of the optical nerve. In the vast majority of cases, this degeneration follows a significant increase in intraocular pressure (which normally varies between 12 and 22mmHG in healthy persons). It is generally difficult to note the visual impairment caused by glaucoma since deficits in the vision range take a very long time to emerge and both eyes are not always affected in the same way, such that one eye can make up for the other.

Several factors can trigger this eye problem, although it generally stems from an upset in aqueous fluid flow (the clear liquid that protects the crystalline and nourishes the cornea) via a filter known as the trabeculum. However, two forms of the diseases have been identified, or at least are the most prevalent:

- **Open-angle glaucoma (the most frequent type).** In this case, the cause is often genetic, or the trabeculum has been altered and prevents aqueous humour from entering the blood circulation (this is what increases IOP massively, over the entire ocular sphere).

- **Closed-angle glaucoma**. Here, it is not the trabeculum that is concerned, but the anatomy of the eye more generally. Access to the filter is more difficult if not impossible, and causes the same intraocular pressure.

Fig. 2: Various forms of glaucoma



Open-angle Glaucoma

- 90% of cases
- Slow clogging of the drainage canals, resulting in increased eye pressure
- Has a wide and open angle between the iris and the cornea
- Symptoms and damage are not noticed

Closed-angle Glaucoma

- Caused by blocked drainage canals, resulting in a sudden rise in intraocular pressure
- Has a closed-angle angle between the iris and the cornea
- Symptoms and damage are very noticeable

Source: Bryan, Garnier & Co ests.

- In much rarer cases, glaucoma is not caused by an increase in IOP (glaucoma with a neurological or vascular component). However, we do not discuss this type since it requires very specific treatments.

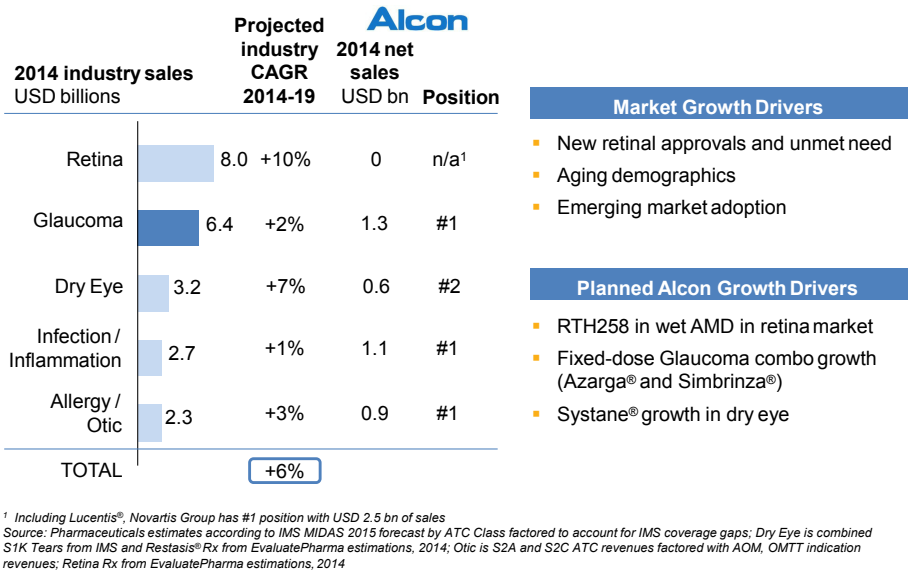
Untreated, glaucoma results in a sharp decline in eyesight, and even total blindness. It is the second cause of blindness after age-related macular degeneration (AMD).

3.2. A market of more than EUR6.0bn

A market worth almost EUR6.0bn and growing in low single digits given the lack of innovations and the advent of generics

The drug treatment market for glaucoma is currently worth EUR6.4bn and is set to show low single-digit growth over 2014-19 based on data presented by Novartis. The lack of genuine innovations underway during this last decade and the advent of generics have probably contributed to this lack of dynamism. That said, we ask ourselves whether these estimates are not somewhat conservative given the forthcoming arrival of new modalities (fixed-dosage combinations, prolonged liberation implants).

Fig. 3: Change in ophthalmology pharma market



[1] Including Lucentis®, Novartis Group has #1 position with USD 2.5 bn of sales
Source: Pharmaceuticals estimates according to IMS MIDAS 2015 forecast by ATC Class factored to account for IMS coverage gaps; Dry Eye is combined S1K Tears from IMS and Restasis® Rx from EvaluatePharma estimations, 2014; Otic is S2A and S2C ATC revenues factored with AOM, OMTT indication revenues; Retina Rx from EvaluatePharma estimations, 2014

Source: Adapted from Novartis Meet the management presentation (June 2015)

A market dominated by prostaglandin analogues

Two reference treatments: prostaglandin analogues and beta-blockers

For the moment, treatment of glaucoma above all involves prostaglandin analogues and beta-blockers. Without going into the details of the mechanism behind these various compounds, we would nevertheless note the following points:

- **Beta-blockers** are also used in various cardiac pathologies given their ability to fix onto receptors of certain stress hormones (adrenalin, noradrenalin), blocking their actions and favouring a reduction in cardiac frequency and arterial pressure. Under the framework of glaucoma treatment, beta-blockers are among the various first-line alternatives.

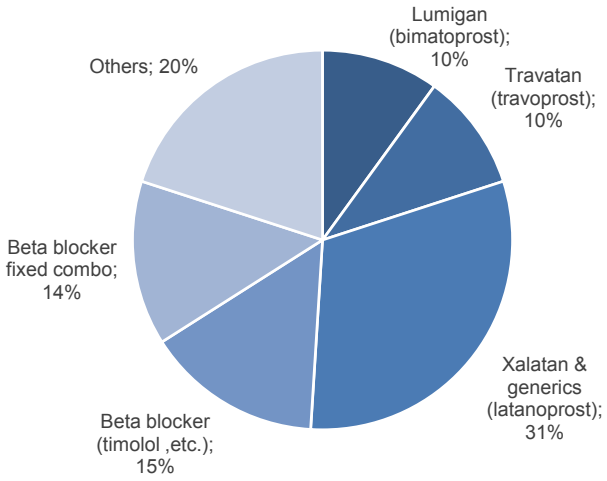
- **Prostaglandin analogues** are clearly the option the most used from a first-line treatment perspective in view of their ability to drastically reduce IOP with a far more satisfactory safety profile than beta-blockers. Based on the latest figures from IMS, note also that these approaches represent half of the prescriptions given out in the US (17 million out of a total of more than 33 million).

Fig. 4: Examples of drug treatments for glaucoma

Company	Compound	Mechanism	Administration
Oak Pharma	Betimol (timolol)	Beta-blocker	Eyedrop
Novartis	Betopotic (betaxolol)	Beta-blocker	Eyedrop
Pfizer	Xalatan (latanoprost)	Prostaglandin analogue	Eyedrop - Once daily
Novartis	Travatan (travopost)	Prostaglandin analogue	Eyedrop - Once daily
Allergan	Lumigan (bimatoprost)	Prostaglandin analogue	Eyedrop - Once daily
Oak Pharma	Zioptan (tafluprost)	Prostaglandin analogue	Eyedrop - Once daily
Novartis	Simbrinza (brinzolamide/brimonidine)	Prostaglandin analogue	Eyedrop - 3x daily
Allergan	Alphagan (brimonidine)	Alpha-adrenergic agonist	Eyedrop
Novartis	Iopidine (apraclonidine)	Alpha-adrenergic agonist	Eyedrop

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 5: Glaucoma – market shares of various treatments – volumes (2014)



Source: IMS

4. LBN: a potential blockbuster

4.1. A differentiated prostaglandin analogue

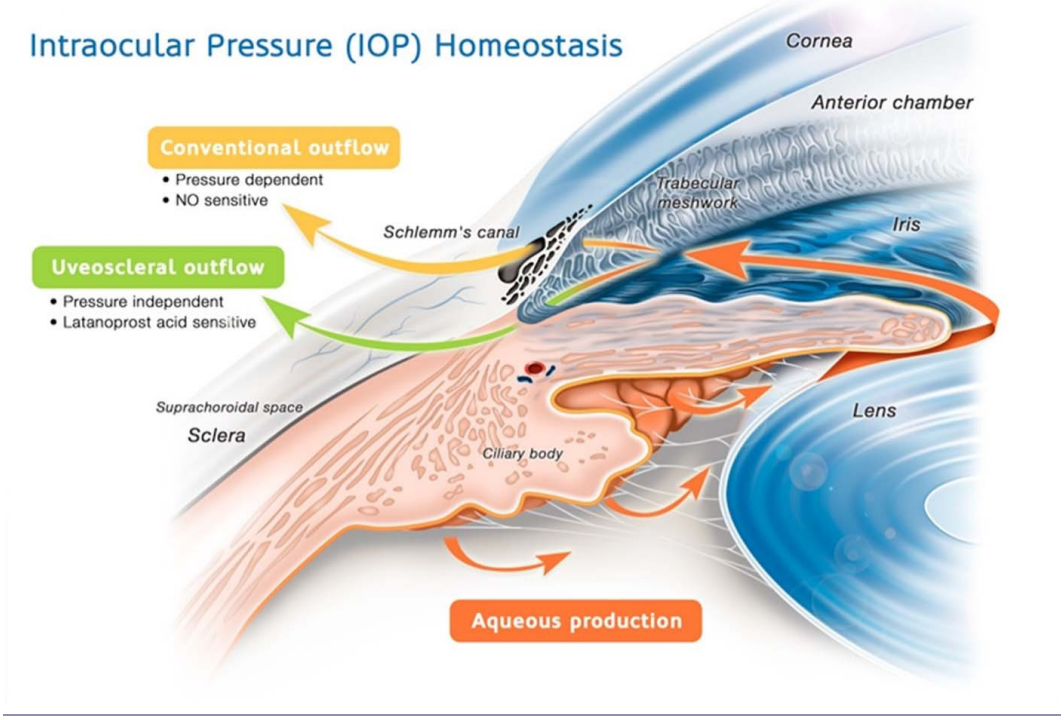
Latanoprostene bunod (LBN), a differentiated prostaglandin analogue

Latanoprostene bunod is a nitric oxide-donating prostaglandin F2-alpha analogue (NO). The Nicox compound reduces intraocular pressure using two action mechanisms that also set it apart from other assets in this therapeutic class:

- **By stimulating excretion of aqueous humour via the uveoscleral path**, which is a secondary outflow path (also less conventional). More precisely, small quantities of this liquid can leak out as it crosses the iris and the sclera, and this is notably how Xalatan (latanoprost) treats the disease.

- **By increasing the outflow speed via the trabeculum and the Schlemm's canal** thanks to the generation of nitric oxide (which is also the differentiating factor stemming from Nicox' expertise). Beyond this finality, note that several studies suggest that patients suffering from glaucoma tend to have far lower than normal levels of NO (Galassi et al, 2004).

Fig. 6: Latanoprostene bunod – action mechanism



Source: Nicox

4.2. Convincing Phase II/III results

The efficacy and safety profile of lanatanoprostene bunod has notably been established thanks to three comparative clinical trials: 1/ a Phase IIb dose-finding trial against another prostaglandin analogue (latanoprost as it happens), and 2/ two Phase III trials against beta-blocker timolol.

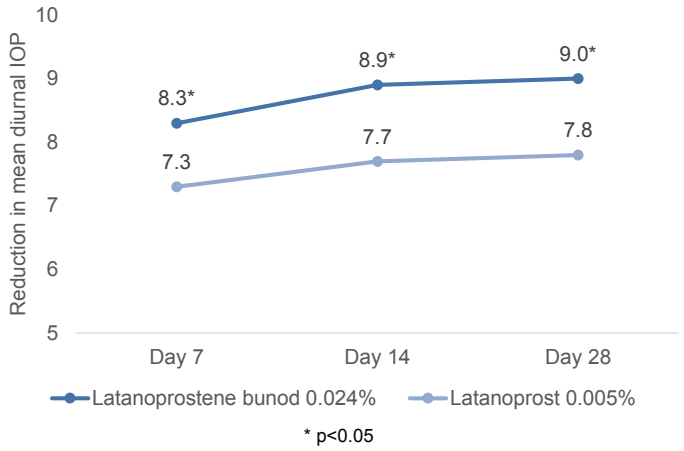
Phase IIb: more efficient than the current star prostaglandin analogue

Phase IIb: convincing data relative to latanoprost

A Phase II trial with an escalating dose initiated in 2010 aimed at comparing various LBN doses with the currently most-used prostaglandin analogue (latanoprost 0.005%). 413 patients were recruited via 23 sites in Europe and the US.

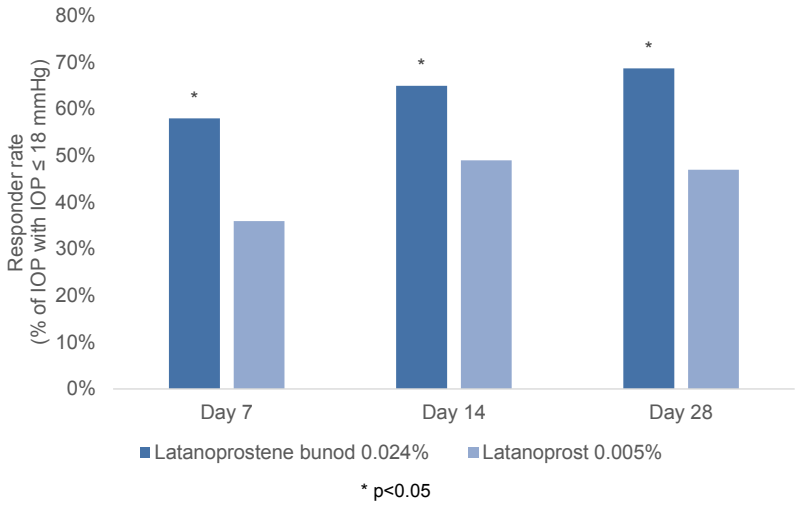
The primary endpoint was to reduce mean diurnal IOP and was reached with the 0.024% dose on the 28th day bearing in mind that 1/ if we look at the data more generally, efficacy was fairly clearly correlated with the dosage administered, 2/ the number of patients responding (i.e. when IOP fell below the 18 mmGH threshold) in the 0.024% arm was also higher from a statistical viewpoint. Note importantly that whatever the arm considered, baseline IOP stood at 26.01-26.25 for the average, and at 25.67 and 25.83 for the mean.

Fig. 7: LBN 0.024% vs latanoprost – Reduction in intraocular pressure



Source: Company data; Bryan, Garnier & Co ests.

Fig. 8: LBN 0.024% vs latanoprost – Response rate



Source: Company data; Bryan, Garnier & Co ests.

Side effects were slightly more numerous in the active arm relative to the baseline (19.3% for LBN 0.024% vs 12.2% for latanoprost) but we would also point out that 1/ the number of cases of ocular

and conjunctival hyperaemia was not considerably different, 2/ administration of LBN resulted more in irritations irrespective of the dose in question, but their incidence remained fairly low nevertheless (3.6% in the active 0.024% arm). Cases of dry eye were also reported, but their number was not necessarily correlated to the dose administered.

Fig. 9: LBN safety profile vs latanoprost

	LBN 0.024% (n=83)	LBN 0.040% (n=81)	Latanoprost 0.005% (n=82)
Number of subjects with ≥ 1 TEAE	20 (24.1%)	23 (28.4%)	10 (12.2%)
Number of subjects with ≥ 1 treatment-related TEAE	16 (19.3%)	19 (23.5%)	10 (12.2%)
Eye disorders			
Ocular hyperaemia	2 (2.4%)	4 (4.9%)	7 (8.5%)
Conjunctival hyperaemia	4 (4.8%)	3 (3.7%)	0 (0%)
Eye irritation	3 (3.6%)	5 (6.2%)	0 (0%)
Punctate keratitis	2 (2.4%)	2 (2.5%)	1 (1.2%)
Dry eye	2 (2.4%)	0 (0%)	0 (0%)
Abnormal sensation in eye	0 (0%)	0 (0%)	0 (0%)
Eye pain	0 (0%)	2 (2.5%)	0 (0%)
Photophobia	2 (2.4%)	0 (0%)	0 (0%)
Administration site conditions			
Instillation site pain	10 (12%)	14 (17.3%)	5 (6.1%)
Instillation site pruritus	0 (0%)	2 (2.5%)	0 (0%)

TEAEs were defined as adverse events occurring on or after the first dose date

Source: Company Data; Bryan, Garnier & Co ests.

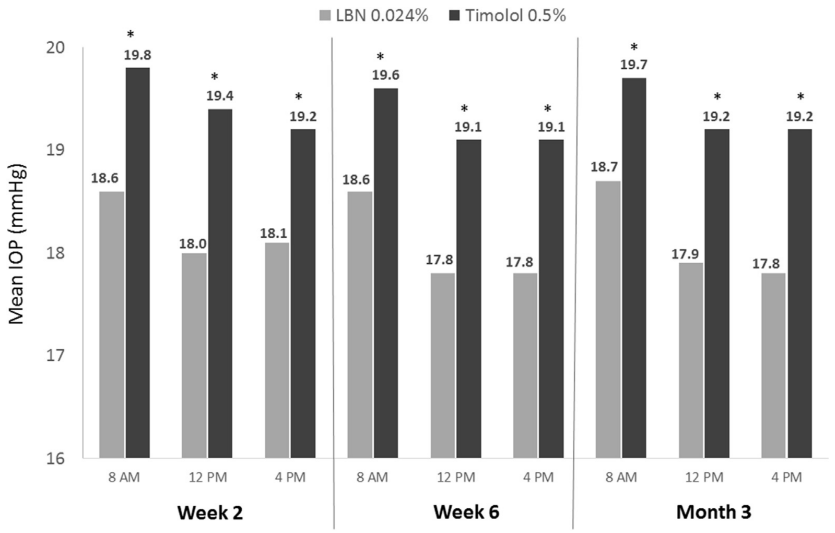
- **Phase III trials: confirmation of the product's potential**

A higher reduction in IOP than timolol (beta-blocker) in two Phase III trials

Two Phase III trials (APOLLO and LUNAR) helped confirm the efficacy and safety profile of LBN in 840 open-angle glaucoma or ocular hypertension patients, but this time in comparison with timolol 0.5% (the active compound most used at present during clinical trials in glaucoma). The reduction in average intraocular pressure stood at between 7.5 and 9.1 mmHg relative to the baseline values (above 25 theoretically) between two and 12 weeks. This effect even proved to be superior to that seen in the comparison arm ($p<0.05$). Thanks to this, the company was able to conclude that **the primary endpoint in both studies had been reached.**

However, if we go into slightly more detail in the APOLLO study, we note that 1/ the proportion of responding patients (defined as those (i) with intraocular pressure below 18 mmHG and (ii) having benefited from a reduction of less than 25%) was 22.9% within the experimental arm vs 11.3% for the control arm ($p=0.005$), 2/ the side effects noted were fairly similar between the two groups (see Fig. 11) and one single patient receiving LBN left the study due to side effects caused by the treatment.

Fig. 10: APOLLO - LBN vs timolol – reduction in intraocular pressure (IOP)



Source: Weinreb et al, 2016

Fig. 11: APOLLO – Safety profile of LBN vs timolol

	LBN 0.024%		Timolol 0.5%	
	Study eye (n=283)	Fellow treated eye (n=276)	Study eye (n=135)	Fellow treated eye (n=134)
≥ 1 ocular TEAE	38 (13.4%)	40 (14.5%)	16 (11.9%)	17 (12.7%)
≥ 1 treatment-related ocular TEAE	31 (11.0%)	31 (11.2%)	12 (8.9%)	12 (9.0%)
Eye irritation	11 (3.9%)	10 (3.6%)	3 (2.2%)	3 (2.2%)
Conjunctival hyperaemia	8 (2.8%)	10 (3.6%)	2 (1.5%)	3 (2.2%)
Eye pain	4 (1.4%)	7 (2.5%)	3 (2.2%)	1 (0.7%)
Dry eye	3 (1.1%)	2 (0.7%)	1 (0.7%)	1 (0.7%)
Foreign body sensation in eyes	3 (1.1%)	5 (1.8%)	0 (0.0%)	0 (0.0%)
Instillation site pain	3 (1.1%)	2 (0.7%)	2 (1.5%)	3 (2.2%)

Source: Company Data; Bryan, Garnier & Co ests.

4.3. A choice partner: Bausch + Lomb

"This product has peak sales potential of ~USD500m in the US alone and ~USD1.0bn+ globally […] We are pleased with the Phase III programme top line results and look forward to continuing to advance the LBN programme as part of this commitment" Mr Pearson, CEO de Valeant.

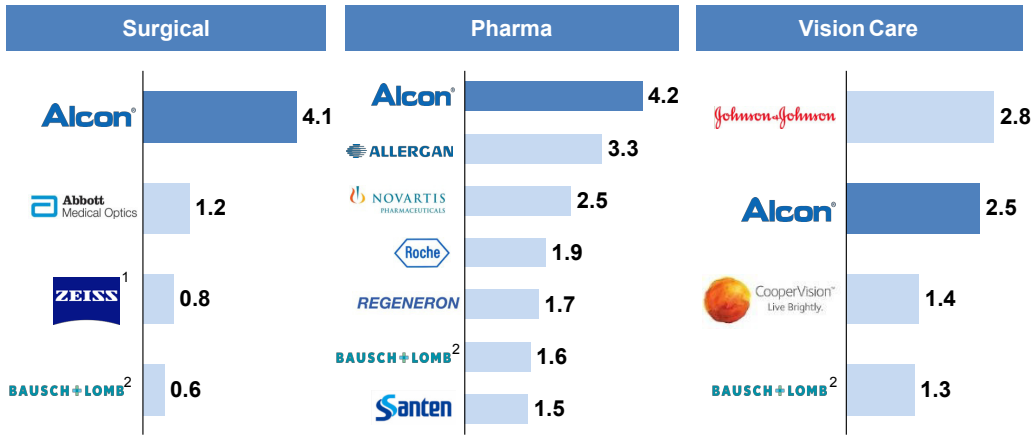
Why would LBN be a strategic product for Bausch+Lomb? The answer to this is twofold: 1/ the big pharma group has no other advanced prostaglandin analogue in its pipeline, 2/ theoretically, LBN could become one of the US laboratory's most significant products alongside brodalumab (an anti-IL17RA focused on severe to moderate psoriasis treatment).

Some could say that the current situation at Valeant is risky. While the share price could admittedly suffer from some volatility, this does not change the product's fundamentals. LBN's safety and efficacy profile has been fully established during various studies, thereby implying that the asset could be fairly liquid in a worst-case scenario. We understand by this that an eventual deterioration or bankruptcy at the partner should not affect the product's potential, and that other

groups could show some interest if an auction had to take place (even though the financial terms might not be the same however).

If we leave this worst-case scenario to one side, it is important to see to what extent LBN could be a key asset for Valeant. A few months ago, the pharma group's management team held an investor day to present its short and medium-term growth strategy. It was fairly interesting to see that the focus had been placed particularly on the prospects for this product.

Fig. 12: Main players in the ophthalmology market (2014)



Source: Adapted from Novartis – Meet the management presentation (June 2015)

4.4. Potential sales of EUR600m

Potential sales of EUR600m with the FDA set to give its answer before 21st July 2016

We estimate that LBN's global sales could reach EUR600m. In detail, we have retained the following assumptions:

- Now that the FDA has accepted the group's filing for marketing approval, we expect an answer by the 21st July 2016. If this proves positive, the product's marketing could therefore start as of H2 this year.

- We have assumed an average price per prescription of USD125 for the US and EUR80 for Europe and Japan. In concrete terms, this would position the product at a similar level to those of prostaglandin analogues such as Lumigan (bimatoprost) or Travatan (travoprost). Given that its efficacy is apparently superior to these generic products, we believe this price positioning should result in optimal penetration.

- We have also applied an assumption of 8% market share for all regions. While cumulative data will obviously be a first support factor in the product's rising momentum, the presence of a partner with significant marketing clout is clearly the key factor in our assessment.

Fig. 13: LBN sales forecasts in open-angle glaucoma

EURm	2016	2017	2018	2019	2020	2021	2022
Glaucoma - Number of prescriptions	**87.0**	**87.9**	**88.7**	**89.6**	**90.5**	**91.4**	**92.4**
- US	33.0	33.3	33.7	34.0	34.3	34.7	35.0
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
- Europe7	38.0	38.4	38.8	39.2	39.5	39.9	40.3
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
- Japan	16.0	16.2	16.3	16.5	16.6	16.8	17.0
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost per patient prescription - US (USD)	120.0						
Cost per patient prescription - US (EUR)	109.1						
Cost per patient prescription - Europe and ROW (EUR)	70.0						
EUR/USD	1.1						
Market shares - US	0.1%	1.5%	3.0%	5.0%	7.0%	8.0%	8.0%
Market shares - Europe	0.0%	0.2%	1.5%	3.0%	5.0%	6.5%	8.0%
Market shares - Japan	0.0%	0.2%	2.0%	4.0%	6.0%	8.0%	8.0%
LBN - Revenues (EURm)	**3.6**	**62.2**	**173.7**	**313.8**	**470.6**	**578.6**	**626.7**
% growth y-o-y		n/s	n/s	81%	50%	23%	8%
- US	3.6	54.5	110.2	185.5	262.2	302.7	305.7
% growth y-o-y		n/s	n/s	68%	41%	15%	1%
- Europe7	0.0	5.4	40.7	82.2	138.4	181.7	225.9
% growth y-o-y		n/s	n/s	102%	68%	31%	24%
- Japan	0.0	2.3	22.9	46.2	69.9	94.2	95.1
% growth y-o-y		n/s	n/s	102%	52%	35%	1%

Source: Company Data; Bryan, Garnier & Co ests.

5. What are the main rivals to LBN?

5.1. Rhopressa: success a distant hope?

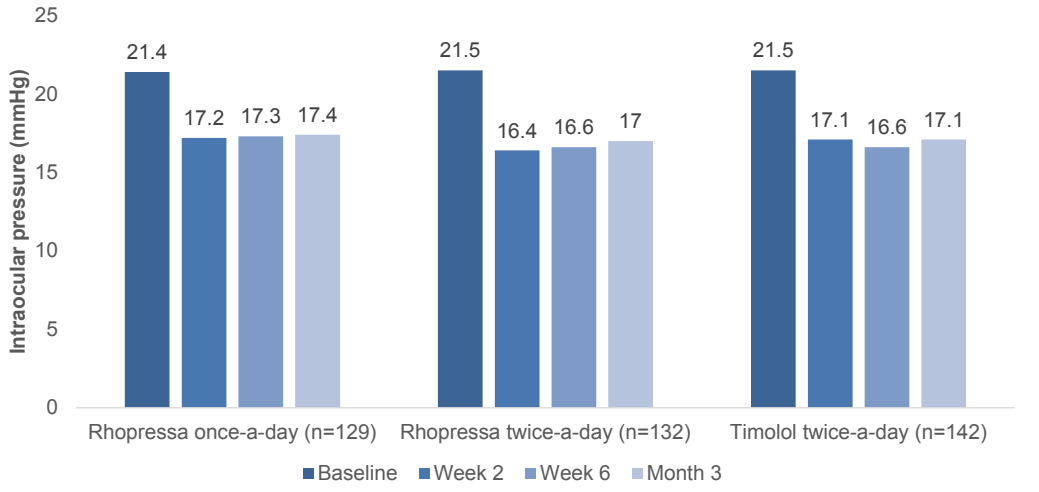
Rhopressa: a fairly unsatisfactory efficacy and safety profile

Rhopressa is a rho kinase inhibitor developed in glaucoma by the company Aerie Pharmaceuticals (market cap of around USD400m). Without questioning the outlook for this drug, we believe that a number of factors warrant some caution:

- A first Phase III study named ROCKET 1 initiated in 2014, notably aimed to show a non-inferiority of Rhopressa relative to timolol, with the primary endpoint being a reduction in IOP after two weeks, six weeks and 90 days. The first per-protocol reading was a failure and only a modification in the IOP inclusion allowed the primary endpoint to be reached (and history also repeated itself with another study named ROCKET 2). Apart from the fact that this could drastically reduce the addressable population, we do not know what scientific argument would validate a revision of this extent.

- Cases of ocular hyperaemia (excessive inflow of blood into the eye) are noted fairly frequently with other candidates in this therapeutic class, and Rhopressa is no exception to the rule. The problem is far from irrelevant since the list of Rho inhibitors halted due to this side effect is long…

Fig. 14: Rhopressa – Etude ROCKET 2 – IOP to baseline < 25 mmHg



Source: Aerie Pharmaceuticals

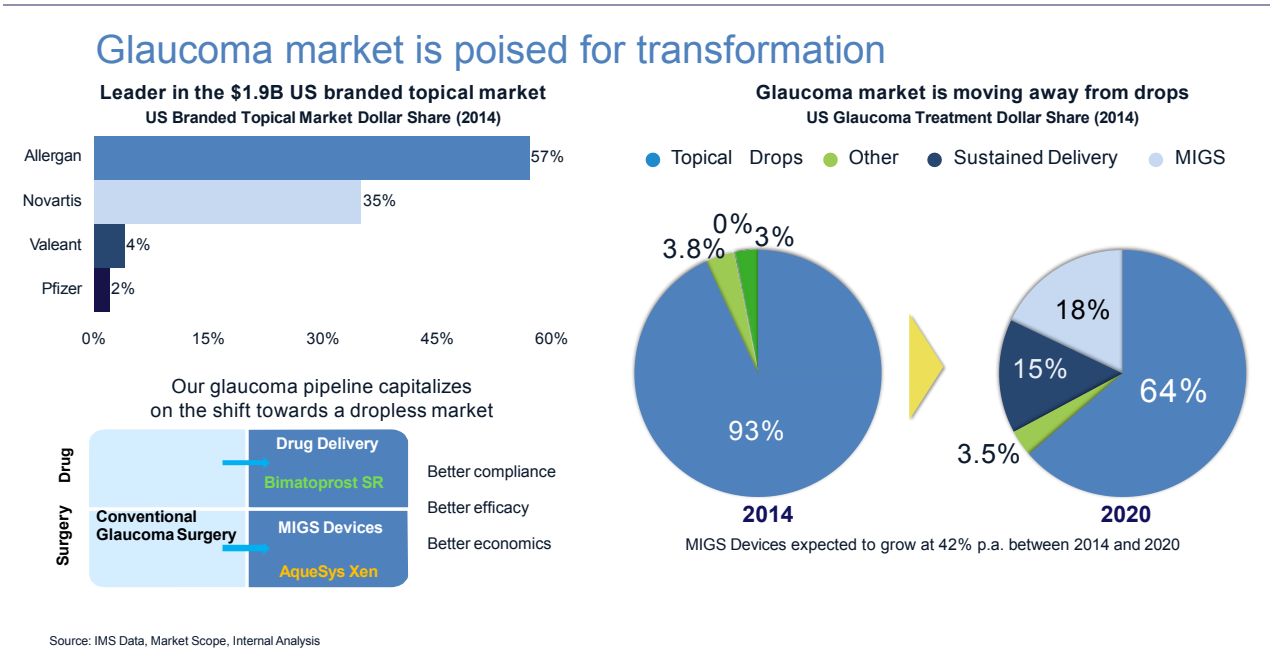
5.2. Prolonged liberation implants: a second-line option?

Prolonged liberation implants: a more patient-friendly future alternative?

Allergan is currently developing a biodegradable implant enabling slow and prolonged liberation of bimatoprost over a four/six-month period according to the dosage chosen. Very recently, Allergan published the first four-month data from a Phase I/II trial set to last almost 24 months and to integrate 75 patients. The results showed in particular that 1/ efficacy of these implants is similar to that of topical alternatives (reduction in IOP of between -7.2 and -9.5 relative to the baseline vs. -8.4 for the control group), 2/ the safety profiles also seem fairly similar. It remains to be seen what share of patients responded (IOP < 18 mmGH).

The advantages of prolonged liberation are numerous, and have been verified in other indications: best patient compliance, reduction in relapse risk, better control by health-care professionals. This could explain why the company is forecasting sales of USD500-750m (bearing in mind that long-action medicines tend to benefit from a premium).

Fig. 15: Potential change in glaucoma market according to Allergan



Source: Allergan 2015 R&D Day

Fig. 16: Sales potential of products developed by Allegan

Peak sales of new products up to $15B

Product	TA	Indication	Launch	Peak sales
ABICIPAR	Eye Care	Age Related Macular Degeneration	2020	~$1,000–2,000+
RAPASTINEL	Psychiatry	Depression	2020	~$1,000–2,000+
BOTOX PIPELINE	–	–	–	~$1,000–2,000+
ORAL CGRP	Neurology	Migraine	2019	~$1,000–2,000
VIBERZI	GI	IBS-D	2015	~$750–1,000
ESMYA	WH	Uterine Fibroids	2017	~$500–1,000
RELAMORELIN	GI	Gastroparesis	2018	~$500–1,000
VRAYLAR	CNS	Bipolar Schizophrenia	2015	~$500–1,000
KYBELLA	Aesthetics	Chin Fullness	2015	~$500–1,000
BIMATOPROST SR	Eye Care	Glaucoma	2018	~$500–750
XEN45	Eye Care	Glaucoma	2016	~$500–750
TAVILERMIDE	Eye Care	Dry Eye	2019	~$500–750
SARECYCLINE	Derm	Severe Acne	2017	~$250–300

Source: Allergan 2015 R&D Day

A second-line alternative given its eventual pricing and the lack of perspective on long-term safety

However, **we also believe that this type of approach should initially be reserved to non-responsive patients and/or those with a very poor adherence to treatments in view of** 1/ their relative price (indeed, we believe that this approach should be slightly more costly than drops) and 2/ possible uncertainty on the long-term safety profile (especially since ocular injections need to be undertaken and repeated for many years). From our viewpoint, a genuine change in paradigm is only likely to be felt once macro-economic studies covering several years become available (i.e. in five/seven year' time).

If we were to draw a rapid parallel with other therapeutic segments, we could note for example that several long-action alternatives are currently on the market for schizophrenia treatment, and have been in place for more than 10 years. However, their market share only approaches 10%, whether in Europe or the US (see Fig. 17).

Fig. 17: Market share of LAI for schizophrenia treatment

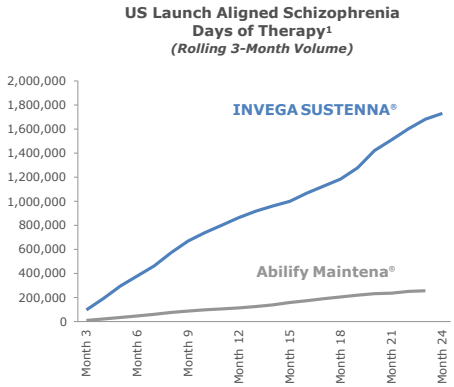
INVEGA SUSTENNA®: #1 Prescribed Long-Acting Atypical Antipsychotic Therapy for Schizophrenia[1]

Competitive Strength

- Strong market leader in Long-Acting Therapies (LAT), reaching >100K patients with schizophrenia in 2014[2]
- Growing faster than total APS market, schizophrenia APS segment, orals and LATs[1]
- 3 Month INVEGA TRINZA™ represents a significant new treatment, as the only antipsychotic administered 4 times a year
  - ~90% of target physicians surveyed believe INVEGA TRINZA™ will be better received by their patients than LATs currently on the market[3]

Opportunity for Growth

- Significant unmet need as only 10% of patients are being treated with an LAT in US[1] and 13% in EU G5[4]
- Average time from diagnosis to initiation of INVEGA SUSTENNA® treatment in the US is >11 years[5]



1. IMS Health, Premier & Symphony Health data calculated into Days of Therapy, Jan. 2015.
2. IMS Health, Premier & Symphony Health data calculated into Days of Therapy, Jan. 2015; IMS Persistency study, Dec. 2013.
3. Internal market research.
4. Harmony tracker Wave 2.
5. Internal Market Research, Patient Record Review.

ONCE-MONTHLY INVEGA SUSTENNA® paliperidone palmitate extended-release injectable suspension 39mg, 78mg, 117mg, 156mg, 234mg

Source: Janssen, 2015 Analyst Day (May)

6. AC-170: the second potential approval this year

6.1. An intelligent reformulation of a well-known molecule

AC-170: an anti-histamine administered topically. First indication: allergic conjunctivitis

AC-170 is a topical formulation of anti-histamine drug cetirizine, developed as a treatment for itchy eye associated with allergic conjunctivitis. Without going into too many mechanical details, we would simply note that cetirizine is an H1 receptor antagonist present on the surface of immune cells such as mastocytes (which are important mediators of the allergic reaction.) By fully occupying these receptors, it prevents the histamine from attaching itself and consequently from triggering a pro-inflammatory cascade.

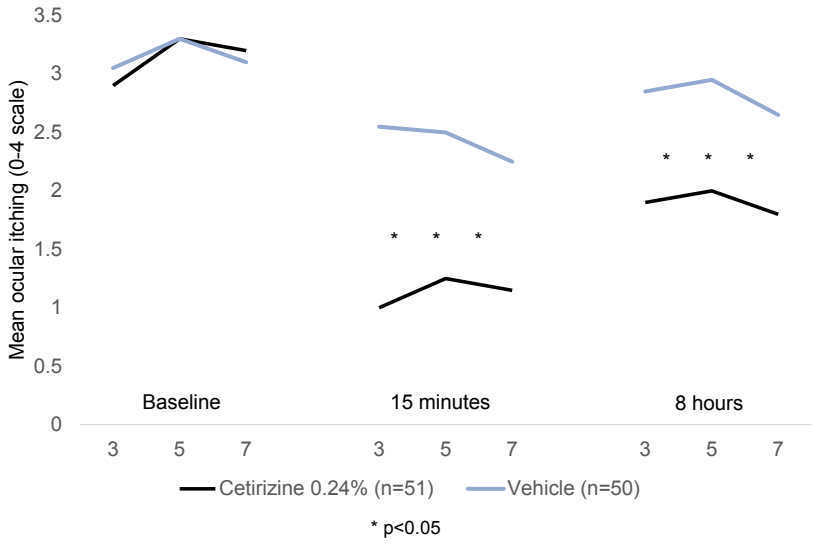
- **Clinical data bodes well**

By opting for this active principle, Nicox benefits especially from 1/a perspective of more than 10 years on the efficacy and safety profile of this type of approach (Zyrtec by UCB/JNJ for example, has been on the market since 2005), and 2/ exposure to a market of almost USD900m in the US, where the majority of cetirizine forms are syrups.

A clear superiority compared with the placebo in terms of reducing ocular itching

In addition, Phase III results obtained for AC-170 have been pretty good. In detail, 101 patients suffering from allergic conjunctivitis were recruited and randomised. In terms of efficacy, note that the score for ocular itching at three, five and seven minutes post-challenge was improved to a statistically significant extent ($p<0.001$) relative to the control arm (AC-170 0.0%). In addition to this, it would seem that frequency and severity of side effects were fairly similar between the two arms of the study.

Fig. 18: AC-170 – Efficacy results



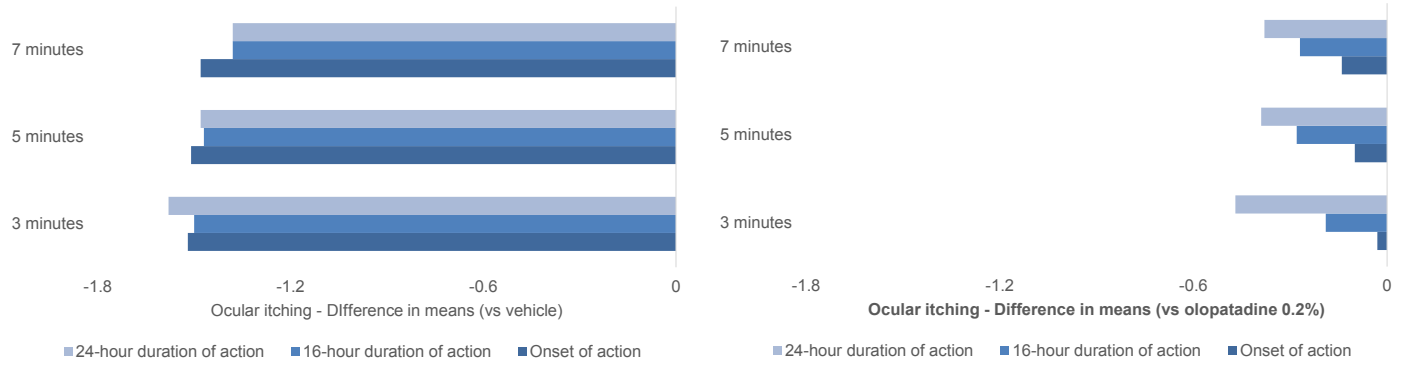
Source: Company data; Bryan, Garnier & Co ests.

■ **However, competition from Novartis could mask the product**

Pazeo by Novartis: a serious rival already on the market

Note however that Alcon/Novartis has been marketing Pazeo for some months now, this being in reality a higher dose of hydrochloride olapatadine (0.77% vs. 0.2%). That said, Phase III data showed superiority relative to the placebo, but also to the 0.2% dose of the active ingredient, 2/ the number of side effects did not differ between the various arms of the study (see Fig. 20).

Fig. 19: Pazeo –Phase III efficacy results



Source: G Torkildsen et al, 2015

Fig. 20: Pazeo –Phase III results (side effects)

	Olopatadine 0.77% (n=66)	Olopatadine 0.2% (n=68)	Vehicle (n=68)
Discontinued because of AE	2 (3.0%)	0 (0.0%)	1 (1.5%)
- Treatment-related	0 (0.0%)	0 (0.0%)	0 (0.0%)
- Not treatment-related	2 (3.0%)	0 (0.0%)	1 (1.5%)
Patients with one more treatment-emergent AE	6 (9.1%)	5 (7.4%)	5 (7.4%)
Patients with one more treatment-emergent AE related to treatment	1 (1.5%)	0 (0.0%)	1 (1.5%)
Treatment-related AE			
- Vision blurred	0 (0.0%)	0 (0.0%)	1 (1.5%)
- Headache	1 (1.5%)	0 (0.0%)	0 (0.0%)

Source: Company Data; Bryan, Garnier & Co ests.

In addition to having a clinical trial comparing the product to an arm including an active compound, we note that the reduction in itching seems slightly higher and more lasting with Pazeo. If we add to this the fact that Patanol and Pataday have suffered competition from generics in recent months, we believe that Novartis should focus especially on marketing for Pazeo.

We have no precise guidance concerning this product's exact potential, apart from the fact that it should be "significant" within Alcon's allergy product pipeline. At first glance, we estimate that it should be capable of generating revenues of around USD200-300m (compared with USD600m combined for Patanol and Pataday).

Fig. 21: Pazeo sales potential

- Relief of **ocular itching** associated with allergic conjunctivitis
- **24-hour** relief from single dose
- Significant product extension in **Alcon's USD 0.6 billion allergy portfolio**
- **Expands allergy portfolio** beyond Patanol® and Pataday®; **products are facing LOE[1] beginning in 2015**

[1] LOE: loss of exclusivity

Source: Novartis, Meet the management (June 2015)

6.2. Heading for sales of EUR60m

Given the positioning and quality of clinical data, we believe that AC-170 should nevertheless generate sales of almost EUR60m in Europe and the US, while bearing in mind that a partner will probably be needed to market the product in the US given that Nicox has a lack of infrastructure in the region (it remains to be seen whether the company's strategy in this respect could evolve in coming months).

Annual prevalence of allergic conjunctivitis is very high in mature markets (around 20%e), although not all patients are prescribed medicine aimed at relieving their itching. Assuming that only 10% of these (the most severe cases) are prescribed medication, we have then assumed a penetration rate of 6% at peak, as well as average pricing per patient of USD100 in the US and EUR60 in Europe.

Fig. 22: Sales forecasts for AC-170 in allergic conjunctivitis

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ocular allergy prevalence	**134.0**	**135.3**	**136.7**	**138.1**	**139.4**	**140.8**	**142.2**	**143.7**	**145.1**
- US (in millions)	65.0	65.7	66.3	67.0	67.6	68.3	69.0	69.7	70.4
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
- Europe7 (in millions)	69.0	69.7	70.4	71.1	71.8	72.5	73.2	74.0	74.7
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Patients receiving eye drops prescription	10%								
Cost per patient - US (USD)	100.0								
Cost per patient - Europe (EUR)	60.0								
Market shares - US	0.0%	0.1%	0.7%	1.5%	2.5%	3.5%	5.0%	5.5%	6.0%
Market shares - Europe	0.0%	0.0%	0.2%	1.5%	3.0%	4.0%	5.0%	5.5%	6.0%
AC-170 - Revenues (EURm)	**0.0**	**0.6**	**5.1**	**15.5**	**28.3**	**39.1**	**53.3**	**59.3**	**65.3**
% growth y-o-y		n/s	n/s	207%	82%	38%	36%	11%	10%
- US	0.0	0.6	4.2	9.1	15.4	21.7	31.4	34.8	38.4
% growth y-o-y		n/s	n/s	116%	68%	41%	44%	11%	10%
- Europe7	0.0	0.0	0.8	6.4	12.9	17.4	22.0	24.4	26.9
% growth y-o-y		n/s	n/s	658%	102%	35%	26%	11%	10%

Source: Company Data; Bryan, Garnier & Co ests.

A potential priority revenue in the US that we have not factored into our estimates

Another important point to note is that the company seems fairly confident that it can obtain an eventual priority review for this product given the presence of paediatric patients in the Phase III studies. On our side, we have adopted a slightly more cautious stance and are assuming that marketing approval is unlikely to be delivered before H1 2017. Concerning Europe, we understand that a few small modifications could be necessary in order to adapt the file to EMA requirements. We are cautiously factoring in a filing one year later and marketing approval in H1 2018.

7. A bonus option for naproxcinod

7.1. Naproxcinod or the company's former spearhead

Naproxcinod: a non-steroid anti-inflammatory drug initially developed in osteoarthritis…

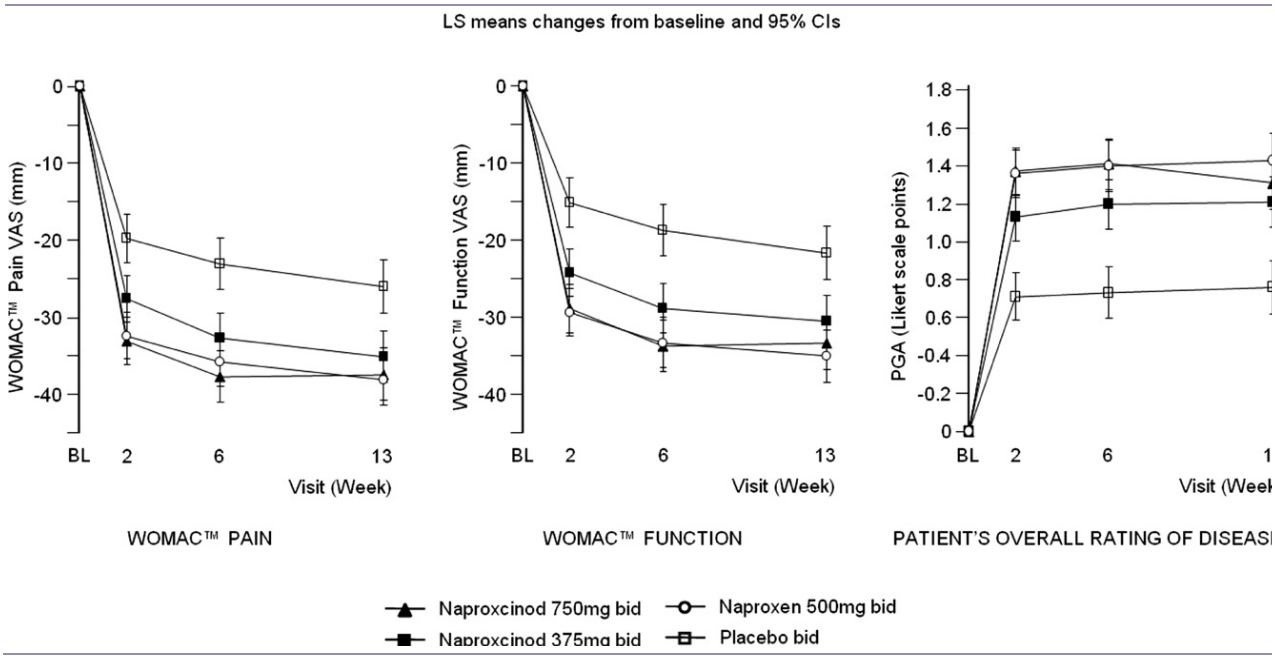
Naproxcinod is a COX inhibiting nitric-oxide donator, belonging to the family of non-steroid anti-inflammatory drugs. Initially developed as a treatment for osteoarthritis in the knee and hip, this compound was the company's spearhead until 2010, when the FDA refused marketing approval. More precisely, the agency recommended that long-duration trials be carried out to assess the eventual negative effects of the drug in terms of cardiovascular and gastro-intestinal events.

… which was refused marketing approval by the FDA in 2010

This could have been because the US regulator was criticised massively following the approval of Merck's Vioxx (rofecoxib), an anti-inflammatory drug that caused a number of strokes and heart attacks. Whatever the case, we note that the previous package of clinical trials was fairly dense. Three Phase III studies including 2,700 patients were carried out and in three cases, the various primary assessment criteria were reached (pain and physical function on the WOMAC scale, general assessment by the patient of the state of their disease).

In safety terms, data generally showed a similar profile to that of other NSAIDs (e.g. naproxene). We would even point out that hypertension risks were not necessarily more significant in treatment with naproxcinod (whereas this was the main risk noted with this therapeutic class), and were even slightly inferior in patients already presenting abnormally high arterial pressure.

Fig. 23: Naproxcinod – Efficacy results from Phase III 301 trial in knee osteoarthritis



Source: TJ Schnitzer et al 2010, OARSI

Fig. 24: Naproxcinod – Safety results from Phase III 301 trial in knee osteoarthritis

Preferred term	Naproxcinod 750mg (n=229)	Naproxcinod 375mg (n=240)	Naproxen 500mg (n=225)
Any adverse event	**47.2%**	**40.8%**	**56.4%**
Nausea	3.5%	2.5%	5.8%
Dyspepsia	5.2%	2.9%	4.0%
Dizziness	5.2%	1.3%	1.3%
Constipation	1.7%	2.1%	4.9%
Headache	0.9%	4.6%	2.7%
Diarrhea	2.6%	1.7%	4.0%
Oedema peripheral	2.6%	0.8%	4.0%
Arthralgia	2.2%	3.3%	1.3%
Injury	0.4%	2.9%	1.3%
Sinusitis	1.3%	0.0%	2.7%
Upper respiratory tract infection	0.9%	2.5%	2.2%
Abdominal pain	2.2%	0.0%	1.8%
Bronchitis	2.2%	2.1%	1.3%
Contusion	0.4%	2.1%	2.2%
Cough	0.9%	0.8%	2.2%
Rash	2.2%	0.8%	0.9%
Stomach discomfort	1.7%	0.4%	2.2%
Urinary tract infection	1.7%	0.4%	2.2%

Source: TJ Schnitzer et al 2010, OARSI

7.2. A rescue agreement with Fera Pharmaceuticals?

Fera has acquired some of Naproxcinod's rights in order to pursue its development

However, the story is not over for this drug candidate! A few months ago, **Nicox indeed announced the signing of a partnership agreement with Fera Pharmaceuticals** (a US biotech group, known among other things, for having sold a portfolio of ophthalmic products to Perrigo in 2013) concerning the development and marketing potential of this compound in the US. In the very short term, Fera should resume discussions with the FDA in order to determine what additional information should be provided before submitting an NDA (new drug application).

In addition to this, we would note the following points:

- Nicox could receive up to USD35m in the form of commercial milestone payments, as well as royalties equivalent to 7% of sales generated in the US. In addition, Fera is set to shoulder all spending related to R&D, manufacturing and marketing of Naproxcinod. Rights outside the US would however, be retained by Nicox.

- Assuming that this candidate is approved and then marketed outside the US thanks to data generated by Fera, Nicox would then have to pay royalties (of an undisclosed amount) to its partner.

- The agreement covers all the potential indications with the exception of those related to ophthalmology and Duchenne's muscular dystrophy.

Fig. 25: Naproxcinod – Main terms of deal with Fera

Area	Terms
US	- Commercial milestone payments from Fera to Nicox: USD35m
	- Royalties to Nicox: 7% of US revenues
	- R&D along with sales & marketing costs supported by Fera
Rest of the world	- Nicox retains rights outside the US
	- Undisclosed level of royalties from Nicox to Fera if approved outside the US based on Fera's data
Therapeutic area	- Nicox retains rights on ophthalmic indications and Duchenne disease

Source: Company Data; Bryan, Garnier & Co ests.

An opportunity that we have not priced in

We are deliberately cautious today and have not included eventual growth prospects associated with naproxcinod. However, we could change our mind if Fera really did obtain marketing approval for the project. That said, it is still difficult to predict the timing of the prospective catalyst pending feedback from the FDA in terms of the next steps to take (need to undertake further Phase III trials? What observation duration for the safety profile?).

For purely indicative purposes, we have nevertheless modelled peak sales for this candidate. Under this framework, we have also assumed that 1/ the indication chosen is osteoarthritis in patients also suffering from arterial hypertension, given that this is the setting in which naproxcinod obtained the best results from a safety viewpoint (at least compared with another non-steroid anti-inflammatory drug like naproxene), 2/ further clinical trials will be needed to provide new arguments on the toxicity profile of the procedure in this setting, 3/ pricing should be similar to that of naproxene for which generics are currently available, and 4/ marketing approval is not likely before 2020.

Fig. 26: Indicative sales forecasts for naproxcinod in osteoarthritis (hypertension patients) in the US

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Osteoarthritis (knee and hip) prevalence	**20.0**	**20.2**	**20.4**	**20.6**	**20.8**	**21.0**	**21.2**	**21.4**	**21.7**	**21.9**
- US (in millions)	20.0	20.2	20.4	20.6	20.8	21.0	21.2	21.4	21.7	21.9
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Patients with arterial hypertension	20%									
Cost per patient - US (USD)	500.0									
Cost per patient - US (EUR)	454.5									
EUR/USD	1.1									
Market shares - US	0.0%	0.0%	0.0%	0.0%	1.0%	2.0%	4.0%	6.0%	8.0%	10.0%
Naproxcinod - Revenues (EURm)	**0.0**	**0.0**	**0.0**	**0.0**	**18.9**	**38.2**	**77.2**	**117.0**	**157.5**	**198.9**
% growth y-o-y		n/s	n/s	n/s	n/s	102%	102%	52%	35%	26%
- US	0.0	0.0	0.0	0.0	18.9	38.2	77.2	117.0	157.5	198.9
% growth y-o-y		n/s	n/s	n/s	n/s	102%	102%	52%	35%	26%

Source: Bryan, Garnier & Co ests.

8. Valuation

8.1. Initiation with a FV of EUR14.0

We are initiating coverage of the stock with a Fair Value of EUR14.0. As for other biotechnology companies in our coverage, we have used a sum-of-the-parts calculation to value Nicox. More precisely, we have factored in free cash flows relative to the various candidate drugs, as well as the indications for which they are developed. Whether for LBN or AC-170, we have also used a discount rate of 13.0%.

In view of LBN's potential relative to other products in the pipeline, it is not really surprising that this candidate represents almost 70% of our FV. Note also that we have taken net cash at end-September 2015 (EUR34.5m) and that this represents slightly more than 10% of our FV.

Fig. 27: BG valuation

Drug candidates	Indications	Stage	WACC (%)	NPV (EURm)	PoS (%)	r-NPV (EURm)	Per share (EUR)
LBN (latanoprostene bunod)	Glaucoma	MAA submitted	13.0%	271.0	80%	216.8	9.5
AC-170 (cetirizine)	Allergic conjunctivitis	MAA submitted	13.0%	88.3	80%	70.6	3.1
Naproxcinod	Osteoarthritis	Phase III	13.0%	0.0	n/a	0.0	0.0
Acquired products	Ophthalmic drugs	Marketed	10.0%	0.0	100%	0.0	0.0
= Enterprise value				**359.2**	**80%**	**287.4**	**12.6**
(+) Net cash (as of Q3 15)				34.5	100%	34.5	1.5
= Equity value				**393.7**	**82%**	**321.9**	**14.1**

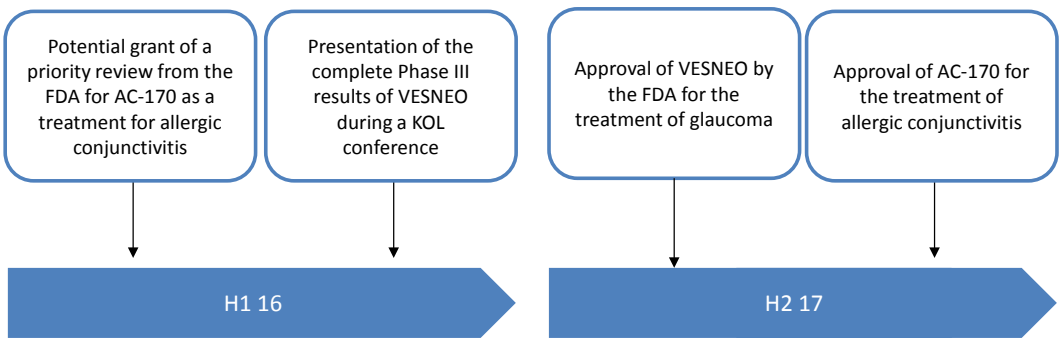
Source: Company Data; Bryan, Garnier & Co ests.

8.2. How far can our FV go?

FV of EUR20 in an optimistic scenario!

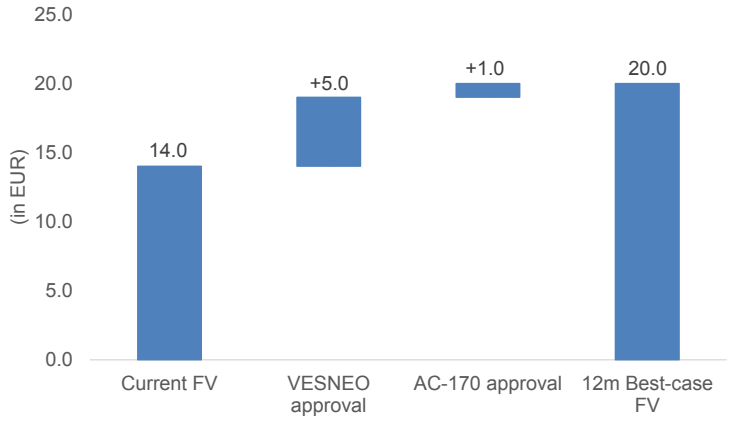
As always, it is important to see what our valuation could be in an ideal scenario. Unsurprisingly, the majority of re-rating potential is found in LBN in glaucoma. More precisely, we would lift our FV by EUR0.5 per share after 1/ increasing our probability of success from 80% to 100% and 2/ reducing our WACC from 13% to 10% given that the commercial risk would be carried by a big pharma group.

Fig. 28: Transforming newsflow in the short term



Source: Bryan, Garnier & Co ests.

Fig. 29: BG valuation in an ideal scenario



Source: Bryan, Garnier & Co ests.

Given that the main risk should be a Complete Response Letter (CRL) from the FDA, it is fairly difficult to calculate a FV in a pessimistic intermediary scenario. Could this mean a lack of patients in the two phase III trials previously undertaken. Or the need for further safety details? The decision by Valeant/Bausch+Lomb to finance eventual additional trials will clearly depend on the type of eventual defaults highlighted by the FDA. Whatever the case, we should bear in mind that downside could be high (-EUR9.5 per share in a scenario whereby B+L would abandon the project following an overly demanding CRL).

8.3. What alternative scenario?

The company is therefore on the verge of a major turning point with the likely marketing of a powerful blockbuster. Given that Nicox could rapidly exceed its breakeven point thanks to Bausch+Lomb royalties, we wonder whether it would not be better off refocusing, especially on new generation nitric-oxide donating compounds.

A first step was taken in this direction with the announcement of the assessment of various strategic options concerning the European businesses: a full or partial sale, joining forces with a partner/JV or quite simply a restructuring. The aim is to considerably reduce cash burn. For the moment we consider that the most likely scenario remains the setting up of a JV or partnership, given that this would help maintain a commercial structure, and hence sell products for which Nicox still has all of the rights (AC-170 in particular).

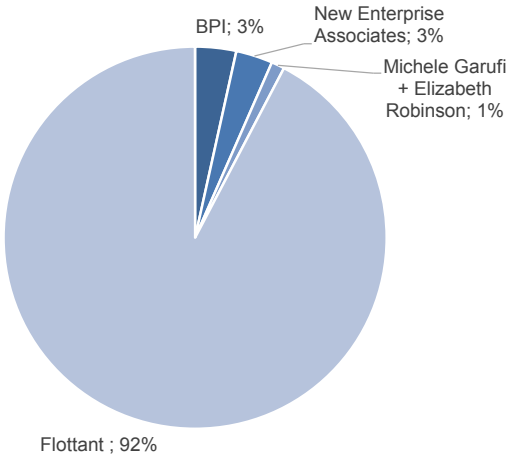
A speculative scenario implying Valeant cannot be ruled out either. However, we believe that it is not very likely at present at least, 1/ as long as LBN has not been approved by the various regulators, and 2/ as long as sales have not reached a significant level on the scale of this partner (EUR100-200m?).

9. Shareholding structure and management

Shareholding structure

Like all other companies having floated a few years ago (1999 as it happens), the shareholding structure does not include investors such as venture capitalists. Other important points to note are that: 1/ retail remains dominant in the company's free float, but the share of institutional investors seems to be on an upward slope, 2/ the share of US institutionals is also rising thanks to the private placements undertaken in the region.

Fig. 30: Shareholding structure (30th March 2015)



Source: Nicox

Company management

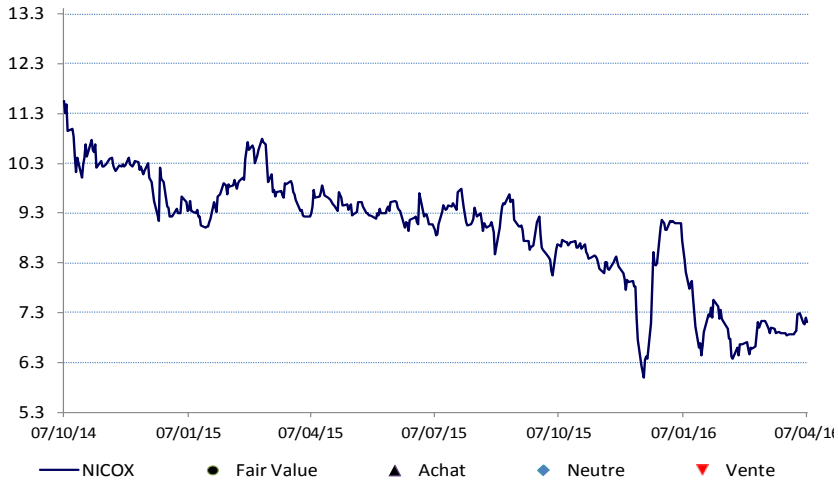
Michele Garufi (CEO, founder) is a graduate in pharmaceutical chemistry from Milan university and also has a pharmacists diploma. Before founding Nicox, Michele was Vice-Chairman of the international division and director of licence activities at Recordati Italie, as well as CEO of the company's Spanish subsidiary. Prior to this he was director of Italfarmaco's international division, assistant to the Chairman of Medea Research and technical director at one of the Italian subsidiaries of Lipha group. During his career, he has also been a Board member at Novuspharma, Novexel, Lica and Scharper.

Michael Bergamini (Chief Scientific Officer, Executive Vice President) has more than 30 years of experience in the pharmaceuticals industry specialised in ophthalmology. He has been a biomedical R&D director and is a leader in preclinical and clinical fields and in project management. Mr Bergamini played a key role in the discovery, translational research, development, registration and the launches in the US and other countries, of around 12 pharmaceutical products and numerous medical equipment. Dr Bergamini has a Doctor's in Pharmacology (Biomedical Sciences from New York's City University, has published 35 articles in reading committee reviews, taken part in the writing of scientific books and filed more than a 12 patents.

Sandrine Gestin (CFO) has more than 25 years of experience in accounting and finance. She joined Nicox in 1999 where shes has occupied a number of positions including those of accounting director, financial controller and more recently, director of finances. Mrs Gestin played a key role in building Nicox' financial department, especially by implementing IFRS accounting rules and the financial IT system. Before joining Nicox, Mrs Gestin worked for 10 years at IBM France handling consolidation of foreign subsidiaries. Mrs Gestin has a Master's in Accounting and Financial Techniques and Sciences from the IAE (*Institut d'Administration des Entreprises*), in Nice, France.

Price Chart and Rating History

Nicox



Target Price	
Date	**Target price**
08/01/15	Under review
29/01/13	EUR3.7
17/01/13	EUR3.2
01/06/12	EUR3

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY — Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL — Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL — Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 00% NEUTRAL ratings 0% SELL ratings 00%

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Please see the section headed "Important information" on the back page of this report.

BRYAN, GARNIER & CO

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

New Delhi
The Imperial Hotel Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA