BRYAN, GARNIER & CO

CORPORATE RESEARCH

26th July 2016

Nicox

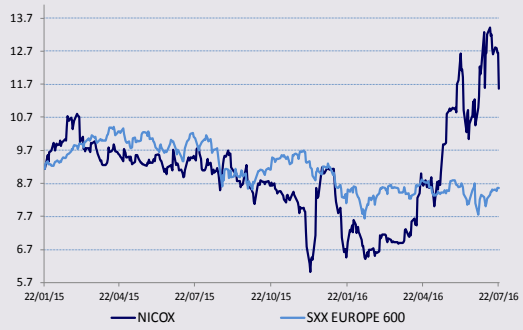
Don't turn a blind eye to opportunities

Healthcare

Fair Value EUR14(price EUR11.20) **CORPORATE**

Bloomberg	COX FP
Reuters	NCOX.LN
12-month High / Low (EUR)	13.4 / 6.0
Market capitalisation (EURm)	256
Enterprise Value (BG estimates EURm)	257
Avg. 6m daily volume ('000 shares)	212.7
Free Float	98.9%
3y EPS CAGR	-19.2%
Gearing (12/15)	-12%
Dividend yield (12/16e)	NM

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	9.90	7.00	1.72	9.15
EBIT(EURm)	-24.41	-13.75	-17.45	-12.86
Basic EPS (EUR)	-1.07	-0.60	-0.76	-0.56
Diluted EPS (EUR)	-1.07	-0.60	-0.76	-0.56
EV/Sales	24.58x	36.76x	157.64x	31.14x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
P/E	NS	NS	NS	NS
ROCE	-19.1	-12.0	-18.0	-15.3



We reinstate our FV of EUR14.0. We take into account the receipt of complete response letter (CRL) regarding the NDA for latanoprostene bunod (LBN) due to manufacturing issues, and thus a delay in its potential approval. But as the letter made no specific comments on its efficacy and safety profile, we believe it is more likely to be approved… And as such, we have increased our PoS from 80% to 90% for the US-only part of the filing.

- **We reinstate our FV of EUR14.0 following LBN's CRL.** Admittedly, such news is quite negative, at least because of the delay in the approval of the product (BG assumption: 12 months). But as: 1/ the FDA's letter made no specific comments with regards to the quality of the clinical package (be it on the efficacy or the safety side); and 2/ the very main issues were rather related to the manufacturing process… we believe it is more likely to be approved. And as such, we have increased our PoS to 90% vs 80% for the US part of the filing.
- **But our FV would be lifted to EUR17.0 in the case of US approval of LBN**. There is a chance that LBN might be approved pretty quickly if: 1/ Valeant manages to resubmit very shortly after having addressed all the deficiencies in the CRL; and 2/ the FDA grants a Class 1 status for the resubmission). And if this proves to be the case, we would add +EUR4.0 to our FV.
- **Naproxcinod is a free call option**. We are quite conservative in our estimates, as we give no value to naproxcinod … Although this former figurehead might be revived thanks to the inking of a collaboration agreement with Fera. But should we decide to include it, our FV would be revised up by +EUR7.0 (solely by retaining the US prospects in osteoarthritis, and all other things being equal).

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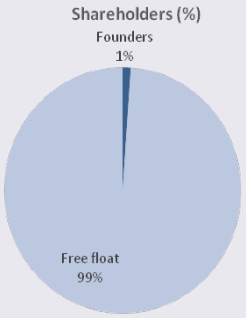

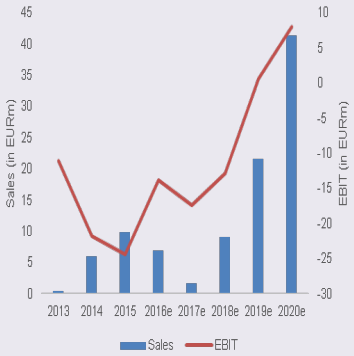

Company description

Nicox is a biopharmaceutical company specializing in ophtalmics

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Revenues	0.44	6.0	9.9	7.0	1.7	9.2	21.6	41.5
Change (%)	*-%*	*1,273%*	*65.4%*	*-29.3%*	*-75.5%*	*433%*	*136%*	*91.9%*
R&D	3.6	4.4	4.4	5.3	10.6	18.0	21.6	23.8
Adjusted EBITDA	(11.0)	(21.8)	(24.4)	(13.8)	(17.4)	(12.9)	0.63	8.0
EBIT	(11.0)	(21.8)	(24.4)	(13.8)	(17.4)	(12.9)	0.63	8.0
Change (%)	*-%*	*-97.9%*	*-12.1%*	*-43.7%*	*-26.9%*	*-26.3%*	*-%*	*1,185%*
Financial results	(0.41)	0.23	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax profits	(11.4)	(21.5)	(24.4)	(13.8)	(17.4)	(12.9)	0.63	8.0
Exceptionals	0.0	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	0.19	2.4
Net profit	(18.1)	(22.9)	(24.4)	(13.8)	(17.4)	(12.9)	0.44	5.6
Restated net profit	(18.1)	(22.9)	(24.4)	(13.8)	(17.4)	(12.9)	0.44	5.6
Change (%)	*-%*	*-26.1%*	*-6.7%*	*-43.7%*	*-26.9%*	*-26.3%*	*-%*	*1,185%*
Cash Flow Statement (EURm)								
Operating cash flows	(21.6)	(27.6)	(24.4)	(13.8)	(17.4)	(12.9)	0.44	5.6
Change in working capital	(1.0)	2.8	(2.4)	(0.55)	(4.8)	0.37	0.62	0.99
Capex, net	0.26	0.13	0.74	0.80	0.90	1.0	1.1	1.2
Financial investments, net	5.3	3.1	0.0	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	0.0
Other	NM	NM	NM	NM	NM	NM	NM	NM
Net debt	(50.2)	(5.9)	(13.2)	0.85	14.4	28.6	29.9	26.5
Free Cash flow	(20.8)	(30.5)	(22.7)	(14.0)	(13.5)	(14.2)	(1.3)	3.4
Balance Sheet (EURm)								
Tangible fixed assets	3.6	81.7	82.4	83.2	84.1	85.1	86.2	87.4
Intangibles assets	7.3	10.8	10.8	10.8	10.8	10.8	10.8	10.8
Cash & equivalents	52.4	22.6	29.9	15.9	2.3	(11.9)	(13.2)	(9.7)
current assets	9.0	16.1	11.2	10.1	0.18	0.94	2.2	4.3
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Total assets	72.2	131	134	120	97.4	85.0	86.1	92.7
L & ST Debt	2.2	16.7	16.7	16.7	16.7	16.7	16.7	16.7
Others liabilities	8.6	10.5	8.0	7.4	2.3	2.7	3.4	4.4
Shareholders' funds	61.4	104	110	95.8	78.4	65.5	66.0	71.6
Total Liabilities	72.2	131	134	120	97.4	85.0	86.1	92.7
Capital employed	63.5	122	128	114	96.8	84.0	84.4	90.0
Ratios								
Tax rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROE (after tax)	(29.56)	(22.01)	(22.28)	(14.35)	(22.26)	(19.62)	0.66	7.86
ROCE (after tax)	(28.57)	(18.69)	(19.07)	(12.04)	(18.02)	(15.31)	0.52	6.25
Gearing	(81.78)	(5.67)	(12.01)	0.88	18.35	43.66	45.32	36.96
Pay out ratio	0.0	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	22.90
Data per Share (EUR)								
EPS	(0.27)	(0.23)	(1.07)	(0.60)	(0.76)	(0.56)	0.02	0.25
Restated EPS	(0.27)	(0.23)	(1.07)	(0.60)	(0.76)	(0.56)	0.02	0.25
% change	*-%*	*-16.1%*	*-363%*	*-43.7%*	*-26.9%*	*-26.3%*	*-%*	*1,185%*
BVPS	0.93	1.05	4.79	4.19	3.42	2.86	2.88	3.13
Operating cash flows	(0.33)	(0.28)	(1.07)	(0.60)	(0.76)	(0.56)	0.02	0.25
FCF	(0.31)	(0.31)	(0.99)	(0.61)	(0.59)	(0.62)	(0.06)	0.15
Net dividend	0.0	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. Why the interest now?

1.1. We reinstate our FV of EUR14.0

Our new FV assumes that LBN will be approved in 12 months

We reinstate our FV of EUR14.0 following LBN's complete response letter (CRL). Admittedly, such news was quite negative, at least because of the delay in the approval of the product (BG assumption: 12 months). But as: 1/ the FDA's letter made no specific comments with regards to the quality of the clinical package (be it on the efficacy or the safety side); and 2/ the very main issues were rather related to the manufacturing process… we believe it is more likely to be approved. And as such, we have increased our PoS to 90% vs 80% for the US part of the molecule.

Note by the way that we made a few (minor) changes in the way we calculate our FV as: 1/ we now split the valuation of LBN according to its prospects in key geographical areas (i.e. the US and the rest of the world); but 2/ we still retain a PoS of 80% along with a WACC of 13.0% for the rest of the world.

Fig. 1: BG valuation

Drug candidates	Indications	Stage	WACC (%)	NPV (EURm)	PoS (%)	r-NPV (EURm)	Per share (EUR)
Latanoprostene bunod - US	Glaucoma	Sales	13.0%	132.6	90%	119.3	5.2
Latanoprostene bunod - RoW	Glaucoma	MAA	13.0%	123.2	80%	98.6	4.3
AC-170 (cetirizine)	Allergic conjunctivis	MAA	13.0%	90.0	80%	72.0	3.1
Naproxcinod	Osteoarthritis	Phase III	13.0%	0.0	n/a	0.0	0.0
Acquired products	Ophtalmic drugs	Marketed	10.0%	0.0	100%	0.0	0.0
= Enterprise value				**345.8**	**84%**	**289.9**	**12.7**
(+) Net cash incl. GHO upfront				29.8	100%	29.8	1.3
= Equity value				**375.6**	**85%**	**319.7**	**14.0**

Source: Bryan, Garnier & Co ests.

1.2. Multiple upcoming catalysts

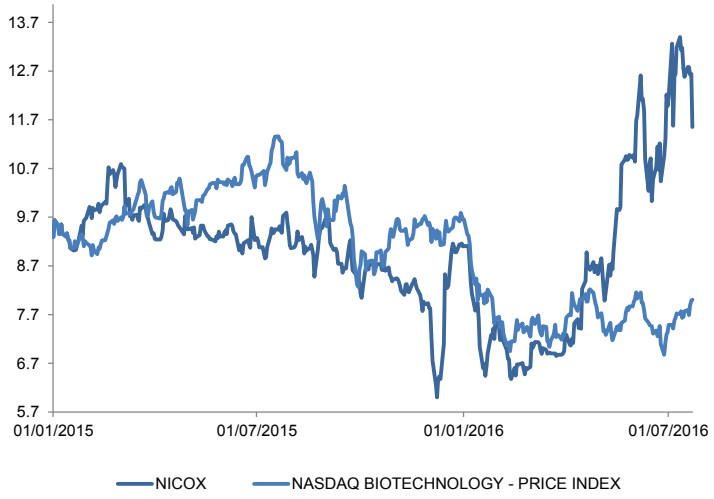
Our FV would be lifted by +EUR4.0 in case of approval of LBN in the US

Despite the CRL, Nicox's shares have significantly outperformed peers since the beginning of the year (+27% vs -17% for the NBI) due to an increased speculation/confidence regarding the approval of LBN. And we believe the stock will continue to do so once the product is approved (impact on our FV: +EUR4.0 as we would: 1/ increase our PoS from 80% to 100% solely for the US part, and 2/ reduce our LBN's WACC for both the US and the RoW to 9.0% and 11.0% respectively).

Plus, Nicox's equity story is not restricted to the US approval of its lead compound as we expect many other significant catalysts, including: 1/ the submission of a MAA in other strategic areas, and especially in Europe (where its partner is enlarging its footprint) in the coming months; 2/ the publication of the very first quarterly sales (which at some point might lead to upward revisions); and 3/ the US approval of AC-170 in October (or perchance a bit later depending on how fast the company and its third parties respond to the FDA's questions).

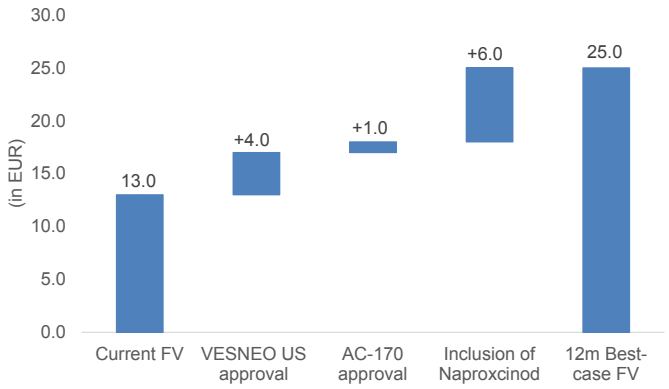
Note also that we are quite conservative in our estimates, as we give no value to naproxcinod… even though this former figurehead might be revived thanks to the inking of a collaboration agreement with Fera Pharmaceuticals. But should we decide to include it, our FV would be revised up by +EUR7.5.

Fig. 2: NICOX shares vs Nasdaq Biotech (YTD)



Source: Thomson Reuters; Bryan, Garnier & Co ests.

Fig. 3: BG valuation in a best-case scenario



Source: Bryan, Garnier & Co ests.

2. Decreasing pressure

2.1. Short-term negatives do not question long-term positives

Valeant received a CRL regarding LBN's NDA

Last Friday, Valeant announced **the receipt of a complete response letter (CRL) from the US FDA regarding the new drug application (NDA) for latanoprostene bunod (LBN)**; a FDA inspection having revealed some manufacturing deficiencies in a specific Bausch & Lomb's plant located in Tampa (Florida).

That being said, we note that **the letter apparently did not call into question LBN's clinical package** (as it "did not identify any efficacy or safety concerns with respect to the NDA or additional clinical trials needed for the approval")… Meaning that it might be approved once the manufacturing issues are solved.

In a best-case scenario, LBN could be approved in less than 12 months

A few examples allow us to say that these issues could potentially be addressed in less than 12 months (AMAG's Freheme or Alexza's Adasuve just to name a few); the best-case being that: 1/ Valeant manages to resubmit very shortly after having addressed all the deficiencies in the CRL; and 2/ the FDA grants a Class 1 status for the resubmission (which implies a new two-month review cycle, vs 6 months for a Class 2).

2.2. A differentiated prostaglandin analogue

LBN is a best-in-class treatment for open-angle glaucoma/ocular hypertension

We reiterate our view that **latanoprostene bunod (LBN) is a differentiated prostaglandin analogue with two mechanisms of action** (vs solely one for its main competitors') leading to a fall in intraocular pressure. It is known: 1/ to stimulate the excretion of aqueous humour through the uveoscleral path; and 2/ to increase the outflow speed via the trabeculum and Schlemm's canal (and this is probably thanks to the generation of NO). And in light of its clinical package, **we see LBN as a potential best-in-class for the treatment of glaucoma** (and it even outperformed latanoprost in a phase II head-to-head study). Hence, our peak sales estimates of EUR600m for the US, Europe (top 7) and Japan; which is way below Valeant's previous guidance of USD1.0bn+.

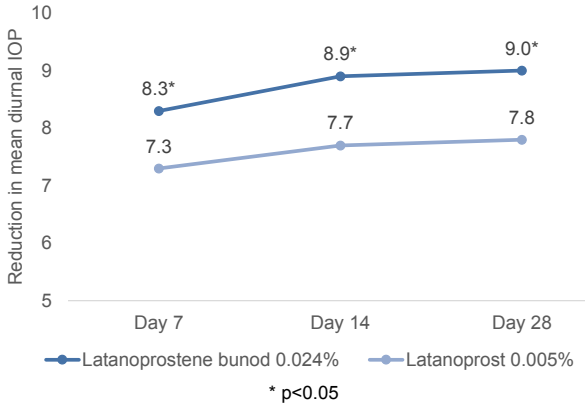
That said, **we now assume that the compound will be approved in 12 months** (which could prove to be conservative should the FDA grant a Class 1 status for the resubmission in the next few weeks).

Fig. 4: LBN new sales forecasts in open-angle glaucoma

EURm	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Glaucoma - Number of prescriptions	**101.0**	**102.0**	**103.0**	**104.1**	**105.1**	**106.2**	**107.2**	**108.3**	**109.4**
- US	33.0	33.3	33.7	34.0	34.3	34.7	35.0	35.4	35.7
% growth y-o-y		1.0%	1.0%	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	40.7	41.1
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
- Japan	30.0	30.3	30.6	30.9	31.2	31.5	31.8	32.2	32.5
% growth y-o-y		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost per prescription - US (USD)	120.0								
Cost per prescription - US (EUR)	109.1								
Cost per prescription - Europe and ROW (EUR)	75.0								
EUR/USD	1.1								
Market shares - US	0.0%	0.1%	1.5%	3.0%	4.0%	5.0%	6.0%	7.0%	7.0%
Market shares - Europe	0.0%	0.0%	0.2%	1.5%	3.0%	4.0%	5.0%	5.5%	6.0%
Market shares - Japan	0.0%	0.0%	0.0%	0.2%	2.0%	4.0%	5.0%	5.5%	6.0%
VESNEO - Revenues (EURm)	**0.0**	**3.6**	**60.9**	**160.0**	**285.6**	**403.6**	**500.0**	**570.9**	**604.2**
% growth y-o-y		n/s	n/s	163%	79%	41%	24%	14%	6%
- US	0.0	3.6	55.1	111.3	149.8	189.2	229.3	270.2	272.9
% growth y-o-y		n/s	n/s	102%	35%	26%	21%	18%	1%
- Europe7	0.0	0.0	5.8	44.0	89.0	119.8	151.3	168.1	185.2
% growth y-o-y		n/s	n/s	658%	102%	35%	26%	11%	10%
- Japan	0.0	0.0	0.0	4.6	46.8	94.6	119.4	132.7	146.2
% growth y-o-y		n/s	n/s	n/s	910%	102%	26%	11%	10%

Source: Bryan, Garnier & Co ests.

Fig. 5: LBN 0.024% vs latanoprost – Reduction in intraocular pressure



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

2.3. A critical project for Valeant

We believe that LBN is actually a key component of the big pharma's strategy (which by the way is pretty much focused on reducing its debt burden). And while this partner has to face up with numerous challenges, we note that the company's management is implementing a few things to bring back investors/patients/government's confidence.

- **A stabilisation process is ongoing**

Valeant is focused on the stabilisation of its business

We won't come back in detail on Valeant's story, but let's note that this Canadian group has been under the spotlight for quite a long time. Initially a cherished Wall Street star… Valeant was then attacked due to its practice of buying some quite old-fashioned drugs (sometimes off-patent ones), and then increasing its prices. Having recognised these allegations, some dramatic changes had to be implemented: the replacement of the CEO, large decrease in prices, etc.

The last quarterly publications highlighted some significant challenges regarding Valeant's Dermatology and Ophthalmology units (whose revenues declined by -43% and -30% in Q1 16). Admittedly, the current situation is still far from being a panacea… but a few elements need to be highlighted:

Fig. 6: Valeant's stabilisation plan

1. **Drive Engagement**
   - Re-recruit Valeant employees
   - Add new outside talent
   - Invest in relationships with patients, prescribers, payors and investors
2. **Reallocate Strategic Resources**
   - Fix Dermatology business
   - Accelerate Salix growth
   - Focus R&D investment in growth/core businesses
     - Ophthalmic, Dermatology, GI, Consumer
   - Manage Neuro & Other for cash generation to repay debt
3. **Execute on Priorities**
   - Improve patient access and address pricing issues
   - Execute on non-core asset sales to reduce complexity
   - Focus on debt reduction
   - Cooperate with all on-going government inquiries and seek expedited resolution

Source: Valeant, Q1 16 results presentation

- Most of the short/long-term issues rise from the Dermatology franchise: weak ramp-up of the Walgreens agreement, price pressure while volumes are stabilising, etc….and as such a large part of the efforts is focused on this business unit.

- Some non-core assets might be sold as debt repayments have become an issue for the company (in fact, most of the available cash flow – around USD2bn according to the management - will be allocated to it). In the past few months, rumours have been circulating about a potential sale of Obagi Medical Products and Solta Medical for a total amount of USD500m.

- A "stabilisation process" is ongoing and should be completed by the end of this year (see Fig. 7).

- **LBN could be a major product within Valeant's portfolio**

LBN will be key in Valeant's renaissance process

We believe that LBN has the potential to become a top 4 product and thus critical in Valeant's renaissance… And having gone into some details, here are our comments about the other major brands within the big pharma's portfolio:

Fig. 7: Valeant's potential top 4 drugs

Compound	MoA	Indication	Comments
Xifaxan (rifaximin)	Antibiotic	Irritable bowel syndrome with diarrhoea (adults)	Peak sales guidance ≥ USD1Bn
Brodalumab	Anti-IL17R mAb	Moderate-to-severe plaque psoriasis	Third entrant, uncertainties about its safety profile
Latanoprostene bunod	Prostaglandin analogue	Open-angle glaucoma, ocular hypertension	Potentially best-in-class prostaglandin analogue
Provenge (sipuleucel-T)	Anti-PAP-GM-CSF cell therapy	Metastatic prostate cancer	Logistical constraints, competitive landscape

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

- **We have identified two other compounds with an USD500m+ sales potential:** 1/ **Xifaxan** (rifaximin), an antibiotic known to fight bacterial infection in the intestine (Q1 16 sales: USD208m, approved in May 2015); and 2/ **Brodalumab**, an anti-IL17R which we expect to become the third in its class to reach the market as a treatment for moderate-to-severe plaque psoriasis… Knowing that the big pharma got the sole ex-Europe rights of this molecule from AstraZeneca (see our Morphosys initiation report here for further details regarding the psoriasis market).

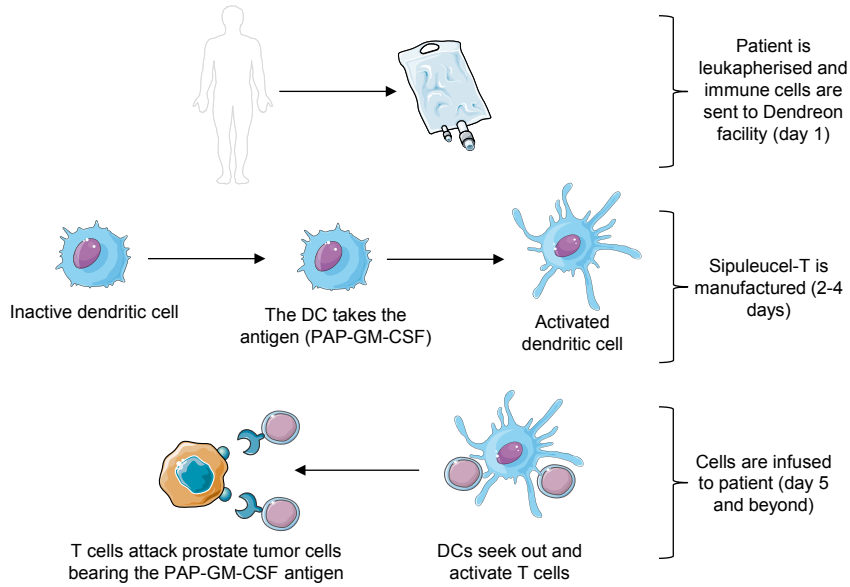
- In our view, **Xifaxan (rifaximin) might become the company's most significant drug.** Obtained through the USD10bn buyout of Salix Pharma in 2015, this drug was already approved as a therapeutic option for hepatic encephalopathy, travellers' diarrhoea… But we understand that the treatment of diarrhoea-predominant irritable bowel syndrome (IBS-D) might be the most lucrative part of its addressable market (US prevalence of 35m + only one alternative with a similar convenience, efficacy, and safety profile – i.e. Allergan's Viberzi). Recently, the compound apparently failed to meet expectations due to a "disruption" in the salesforce; but the metrics might gradually improve over the next few quarters thanks to the implementation of a new sales team…

- **However, brodalumab's potential is quite uncertain**. The momentum is increasingly positive for the therapeutic class thanks to Novartis's Cosentyx and Lilly's Taltz; both having displayed improved outcomes vs TNF-alpha inhibitors, and benefiting from a quite rapid commercial ramp-up. Although its efficacy profile compares favourably with these two competitors, we believe that "broda" might suffer from persistent uncertainties regarding potential treatment-related suicidal thoughts. And in very concrete terms, we believe that: 1/ the label might warn about this potential risk; and 2/ a risk-management plan will be needed… Contrary to the other IL17s.

- **We are sceptical about Provenge (sipuleucel-T)'s prospects**. The phase III results in metastatic prostate cancer were quite encouraging (median overall survival: 14.8 vs 10.9 months, HR: 0.78, $p<0.001$)… But: 1/ this cell therapy has not been a huge success due to its logistical and biological constraints (see Fig. 8), along with the existence of oral, and thus more user-friendly, alternatives (e.g. Medivation's Xtandi); and 2/ and some drugs under

development already look pretty promising (e.g. AZN's Lynparza or JNJ/Tesaro's niraparib – See our BG oncology day feedback here for further details).

Fig. 8: Provenge (sipuleucel-T) – Preparation and action mechanism



Source: Dendreon; Bryan, Garnier & Co ests.

3. Still some upside following the potential approval

3.1. Two short-term catalysts

AC-170 PDUFA date: 21st October 2016

The other well-identified catalyst is the US approval of AC-170 (a topical reformulation of cetirizine), knowing that: 1/ it benefits from a Priority Review (meaning that the FDA would need only six months to make its decision); and 2/ we assume this compound might generate EUR60m in sales at peak… And this would prompt us to raise our FV by +EUR1.0 (see our initiation report for further details).

Valeant to sign a commercial agreement with an Asian company that would support its ramp-up in Japan

The second catalyst we have so far identified is the inking of a commercial agreement between Valeant and an Asian pharmaceutical company with a known expertise in the ophthalmic field (Senju? Otsuka?) to support LBN's ramp-up in the land of the rising sun (and perchance some bordering countries). Valuation-wise, this might not add more value to this compound (as we have already integrated the prospects associated with the Japanese market)…but it would clearly confirm its attractiveness.

3.2. Naproxcinod as a free call option

Nicox inked a deal with Fera to potentially revive naproxcinod

As said in our initiation report, we see naproxcinod as a significant free call option. While the compound has long been considered as dead, **a "rescue" agreement with Fera Pharmaceuticals was inked a few months ago**. In very concrete terms, it will resume discussions with the FDA to determine which additional information is needed before submitting a 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, 1/ Fera is set to shoulder all spending-related to R&D, manufacturing and marketing of Naproxcinod; 2/ rights outside the US would, however, be retained by Nicox; 3/ 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. 9: Naproxcinod – Main terms of the 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.

Our FV would be increased by +EUR7.5 should we include the prospects of naproxcinod in the US

We stick to our cautious stance, and do not include the eventual prospects with this candidate…. but we might change our mind if Fera was to obtain a marketing approval. And it goes without saying that the impact on our FV would be substantial in such a scenario (+EUR7.5 all other things being equal, and while simply retaining the US osteoarthritis market).

Fig. 10: Indicative US sales forecasts for naproxcinod in osteoarthritis (hypertension patients)

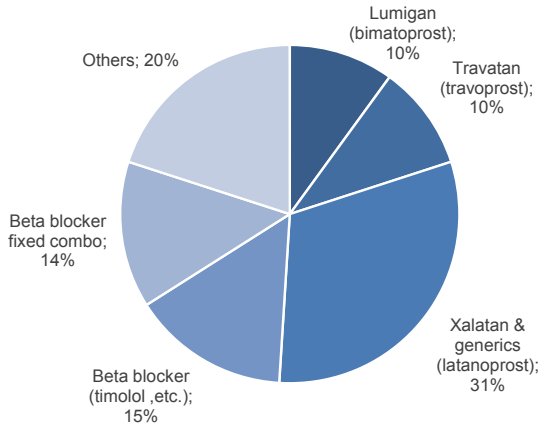
EURm	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e
Osteoarthritis (knee and hip) US prevalence	**20.0**	**20.2**	**20.4**	**20.6**	**20.8**	**21.0**	**21.2**	**21.4**	**21.7**	**21.9**
% Patients with arterial hypertension	20%									
Cost per patient - US (USD)	500.0									
Cost per patient - US (EUR)	454.5									
Market shares - US	0.0%	0.0%	0.0%	0.0%	1.0%	2.0%	4.0%	6.0%	8.0%	10.0%
Naproxcinod – US 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%

Source: Bryan, Garnier & Co ests.

3.3. NCX-470: the next LBN?

While it has long been presented as a preclinical candidate in the company's presentations, **NCX-470 (a NO-donating formulation of bimatoprost) could enter into phase IIb by 2017**. No clinical data are so far available; but we believe the Street will pay increasing attention to this candidate given that: 1/ the concept of "giving" nitric oxide to improve the outcome of patients with glaucoma/ocular hypertension will be well-established once LBN is approved; and 2/ some big pharmas might already be interested in obtaining the worldwide rights of this compound once proof-of-concept data are available (all the more so as bimatoprost is still one of the most prescribed prostaglandin analogues due to its excellent risk-benefit profile).

Fig. 11: Glaucoma market by type of treatment (2014, volumes)



Source: IMS; Bryan, Garnier & Co ests.

We have decided not to integrate the prospects of this candidate in our valuation… but we might change our stance depending on the quality of the very first clinical data!

4. A healthier cost structure

The deal with GHO Capital will significantly reduce the burn rate

■ **A significantly reduced cost structure**

A few weeks ago, **Nicox inked an agreement with GHO Capital to sell its commercial operations in Europe** (knowing that these include commercial ones along with some late-stage candidates – excluding AC-170, LBN, NCX-4251). Once completely set in stone, such an agreement will obviously result in a significantly reduced cash burn. And more precisely, we believe the cost structure should decrease by nearly EUR15-20m on an annualised basis (most of it being due to the reduction in sales & marketing expenses).

Apart from this, we would like to remind that :1/ Nicox will receive an upfront payment of EUR9m in cash along with a combination of ordinary share/interest-bearing loans (EUR12m); and 2/ an additional EUR5m in loans depending on the achievement of several commercial milestones. All in all, this would represent a total amount of EUR26m.

■ **An opportunity to accelerate R&D investments**

As the company will benefit from an increasingly significant royalty streams, we cannot rule out that the management might accelerate the development of some promising internal projects (NCX-470 in particular)… Of course, the final budget will largely be contingent on the discussions with the FDA's design of the future clinical trials, but we estimate that external R&D expenses might be in the EUR15-20m range by 2018; and maybe depending on the ambitions regarding some more early-stage programmes.

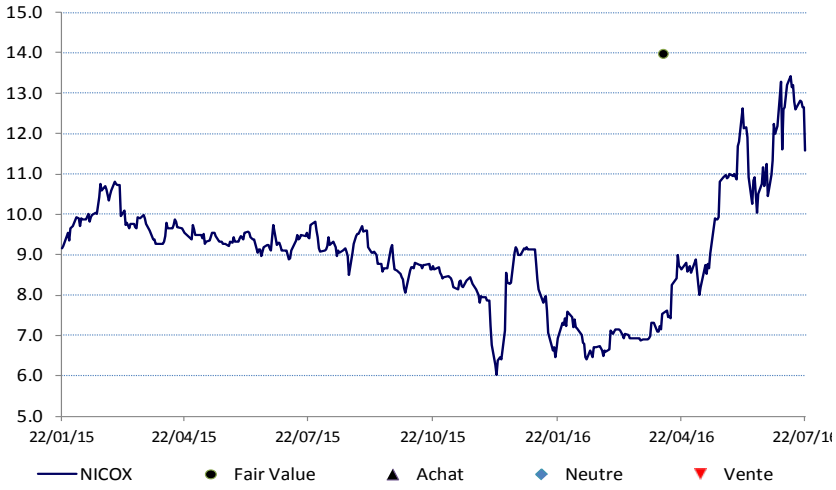
Fig. 12: BG – P&L and cash estimates (2015-2020e)

EURm	2015	2016e	2017e	2018e	2019e	2020e
(+) Net sales & royalties	**9.9**	**7.0**	**1.7**	**9.2**	**21.6**	**41.5**
% growth y-o-y	65%	-29%	-75%	433%	136%	92%
- Latanoprostene bunod (royalties)	0.0	0.0	0.2	3.7	9.6	22.9
(-) Cost of supplies and consumables	5.0	3.9	0.0	0.0	0.0	0.0
(+) Revenues & other incomes	0.0	2.5	0.0	5.0	10.0	0.0
% growth y-o-y		n/s	n/s	n/s	100%	n/s
- Upfronts & milestones	0.0	2.5	0.0	5.0	10.0	0.0
(-) Sales & marketing expenses	14.2	9.5	0.0	0.0	0.0	0.0
% var y-o-y		-33%	-100%	n/s	n/s	n/s
(-) R&D expenses	4.4	5.3	10.6	18.0	21.6	23.8
% growth y-o-y		20%	100%	70%	20%	10%
(-) Administrative expenses	10.7	8.6	8.6	9.0	9.4	9.6
% growth y-o-y		-20%	0%	5%	4%	3%
(+/-) Other incomes and expenses	0.0	4.0	0.0	0.0	0.0	0.0
= EBIT	**-24.4**	**-13.8**	**-17.4**	**-12.9**	**0.6**	**8.0**
Cash & cash equivalents	**29.9**	**15.9**	**2.3**	**-11.9**	**-13.2**	**-9.7**

Source: Bryan, Garnier & Co ests.

Price Chart and Rating History

Nicox



Ratings		
Date	**Ratings**	**Price**
08/04/16	No rating	EUR7.14
08/01/15	Under review	EUR1.877
04/04/12	BUY	EUR3.79
04/02/12	Under review	EUR32.24

Target Price	
Date	**Target price**
22/07/16	Under review
08/04/16	EUR14
08/01/15	Under review
29/01/13	EUR3.7
17/01/13	EUR3.2
01/06/12	EUR3
03/05/11	EUR1.4
12/05/10	EUR2
25/11/09	EUR7

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

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