

## Oculis Holding AG

## 4Q wrap: slight timeline tweaks but on track for 2H24 readouts

Reiterate Rating: BUY | PO: 21.00 USD | Price: 11.37 USD

## Oculis remains on track for two key data readouts in 2H24

This morning, Oculis (OCS) reported 4Q results, which were relatively uneventful as focus remains on pipeline milestones, including OCS-02 for dry eye disease and OCS-01 for post-cataract surgery (both on track for 2H24 readout). OCS' 4Q update did include minor timeline tweaks for earlier-stage studies. We slightly revise our estimates to reflect 4Q results. We reiterate our Buy rating and \$21 PO on the clinical-stage pipeline assets' potential to address unmet need in ophthalmology indications. Management expects cash runway through late 2025.

## Post-surgery inflammation/pain could tee up DME launch

OCS-01 (dexamethasone eye drops) for post-cataract surgery pain and inflammation is expected to read out in 4Q24. While this indication represents only \$3/share to our SOTP valuation, we view the indication as strategically important for commercial readiness ahead of a potential OCS-01 launch in the larger DME indication estimated in 2026.

## Dry eye disease and early-stage pipeline offer optionality

In 2Q24, Oculis will report Phase 2b data for OCS-02 (licaminalimab) in dry eye disease. Given that the prior Phase 2a study was not designed to show benefit on disease signs, this upcoming data readout will be key to establishing clinical benefit on both signs and symptoms of disease (key to de-risking regulatory path). The two signs of disease endpoints that will be studied are 1) Schirmer's tear test and 2) corneal staining. Pending data on signs of disease benefit, we assign a 50% POS for OCS-02 in dry eye disease and \$7/share to our DCF-based SOTP valuation.

## DME Phase 3 readout in 2H25: most meaningful upside driver

Within Oculis' robust clinical-stage pipeline, we continue to view the DME Phase 3 stage 2 readout in 2H25 as the most meaningful upside potential driver to valuation. DME remains the largest component of our DCF-based SOTP valuation at \$11/share, or >50% of our \$21 PO. Giving the prior reported DME Ph3 stage 1 data readout, we expect favorable data from the upsized Phase 3 stage 2 study.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(16.40)	(1.64)	(1.78)	(2.31)	(1.86)
EPS Change (YoY)	-98.5%	90.0%	-8.5%	-29.8%	19.5%
Consensus EPS (Bloomberg)			(1.66)	(2.28)	(2.31)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-5.9%	-19.1%	-17.4%	-21.7%	-16.3%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

18 March 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	0	0.8
2024E EPS	-1.76	-1.78
2025E EPS	-2.27	-2.31
2026E EPS	-1.83	-1.86
2024E EBITDA (m)	-64.8	-64.2
2025E EBITDA (m)	-87.8	-88.1
2026E EBITDA (m)	-81.4	-81.6

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## Stock Data

Price	11.37 USD
Price Objective	21.00 USD
Date Established	15-Nov-2023
Investment Opinion	C-1-9
52-Week Range	6.26 USD - 14.50 USD
Mrkt Val (mn) / Shares Out (mn)	414 USD / 36.4
Free Float	59.6%
Average Daily Value (mn)	0.24 USD
BofA Ticker / Exchange	OCS / NAS
Bloomberg / Reuters	OCS US / OCS.OQ
ROE (2024E)	-80.6%
Net Dbt to Eqty (Dec-2023A)	-41.1%

DCF: discounted cash flow  
DME: diabetic macular edema  
Ph: Phase

POS: probability of success

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Timestamp: 18 March 2024 03:22PM EDT

# iQprofile<sup>SM</sup> Oculis Holding AG

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-73.7%	-121.3%	-66.1%	-55.7%	-41.2%
Return on Equity	NM	NM	-80.6%	-66.4%	-44.2%
Operating Margin	-3,550.0%	-9,140.9%	-8,287.1%	-4,071.7%	-399.4%
Free Cash Flow	(25)	(79)	(72)	(90)	(68)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.3x	NA	NA	NA	NA
Tax Rate	NM	NM	NM	NM	15.0%
Net Debt-to-Equity Ratio	NM	-41.1%	-8.6%	-63.7%	-43.9%
Interest Cover	-5.2x	-24.3x	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1	1	1	2	20
% Change	-5.0%	-3.2%	-12.2%	179.0%	844.8%
Gross Profit	1	1	1	2	18
% Change	-5.0%	-3.2%	-12.2%	151.1%	844.8%
EBITDA	(32)	(81)	(64)	(88)	(82)
% Change	-147.3%	-151.1%	20.4%	-37.1%	7.3%
Net Interest & Other Income	(6)	(8)	0	4	2
<b>Net Income (Adjusted)</b>	<b>(39)</b>	<b>(49)</b>	<b>(65)</b>	<b>(84)</b>	<b>(68)</b>
<b>% Change</b>	<b>-103.1%</b>	<b>-26.2%</b>	<b>-31.9%</b>	<b>-29.8%</b>	<b>19.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(39)	(89)	(65)	(84)	(67)
Depreciation & Amortization	0	0	0	0	0
Change in Working Capital	6	2	(8)	(6)	0
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	8	8	0	0	0
Capital Expenditure	0	0	0	0	0
<b>Free Cash Flow</b>	<b>-25</b>	<b>-79</b>	<b>-72</b>	<b>-90</b>	<b>-68</b>
<b>% Change</b>	<b>-77.2%</b>	<b>-220.5%</b>	<b>8.5%</b>	<b>-24.2%</b>	<b>24.7%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	20	38	6	118	53
Trade Receivables	0	0	0	0	0
Other Current Assets	4	62	62	62	62
Property, Plant & Equipment	0	0	0	0	0
Other Non-Current Assets	13	13	12	12	12
<b>Total Assets</b>	<b>37</b>	<b>114</b>	<b>80</b>	<b>193</b>	<b>127</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	12	19	11	6	6
Long-Term Debt	122	0	0	0	0
Other Non-Current Liabilities	1	2	2	2	2
<b>Total Liabilities</b>	<b>135</b>	<b>21</b>	<b>13</b>	<b>7</b>	<b>7</b>
<b>Total Equity</b>	<b>(98)</b>	<b>93</b>	<b>67</b>	<b>186</b>	<b>120</b>
<b>Total Equity &amp; Liabilities</b>	<b>37</b>	<b>114</b>	<b>80</b>	<b>193</b>	<b>127</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Pharmaceuticals

## Company Description

Oculis is a clinical-stage biotech company. The company has 3 key assets focused on various ophthalmology related indications: OCS-01 (diabetic macular edema, inflammation and pain following ocular surgery, cystoid macular edema), OCS-02 (dry eye disease, uveitis), and OCS-05 (acute optic neuritis). OCS-01 is the company's most near-term commercial opportunity.

## Investment Rationale

We rate Oculis Buy on key clinical-stage asset's potential to address unmet need in ophthalmology indications.

Upcoming data readouts are expected to further de-risk novel pipeline assets, particularly OCS-01 for diabetic macular edema (full 52-week data expected in 2H25) and post-ocular surgery related pain and/or inflammation (PC date: July 2024). While there is greater clinical risk associated with earlier-stage Ph2 dry eye disease asset OCS-02, we believe there remains an unmet need.

## Stock Data

Average Daily Volume 21,340

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.25A	-0.40E
Q2	-0.34A	-0.42E
Q3	-0.34A	-0.43E
Q4	-0.70A	-0.50E

## Price objective basis & risk

### Oculus Holding AG (OCS)

Our \$21 price objective is based on sum of the parts (SOTP) analysis. Key assumptions:

1) we forecast cash flow for each near-term pipeline asset through 2035E and 2) discount rate of 9%.

Downside risks are 1) clinical-stage assets fail to demonstrate stat sig benefit on primary endpoints, 2) slower-than-expected uptake of OCS-01 in post-ocular surgery and/or DME (diabetic macular edema) and OCS-02 in DED (dry eye disease), and 3) higher-than-expected R&D expenses (impacting cash runway).

Upside drivers are 1) 2H25 DME Ph3 stage 2 demonstrates that loading dose confers improved efficacy profile, 2) 4Q24 Ph3 data readout of OCS-01 in post-ocular surgery pain/inflammation clears path to estimated 2025 launch, and 3) positive proof-of-concept data for OCS-01 Ph2 CME (cystoid macular edema) and OCS-05 Ph2 AON (acute optic neuritis).

## Analyst Certification

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	Arrowhead Pharmaceuticals	ARWR	ARWR US	Jason M. Gerberry
	bluebird bio	BLUE	BLUE US	Jason M. Gerberry
	Catalyst Pharma	CPRX	CPRX US	Jason M. Gerberry
	Exelixis	EXEL	EXEL US	Jason M. Gerberry
	Fractyl Health	GUTS	GUTS US	Jason M. Gerberry
	Immunovant, Inc.	IMVT	IMVT US	Jason M. Gerberry
	Intra-Cellular Therapies	ITCI	ITCI US	Jason M. Gerberry
	Ionis	IONS	IONS US	Jason M. Gerberry
	Jazz Pharmaceuticals	JAZZ	JAZZ US	Jason M. Gerberry
	Lyra Therapeutics	LYRA	LYRA US	Jason M. Gerberry
	Oculus Holding AG	OCS	OCS US	Jason M. Gerberry
	Relay Therapeutics	RLAY	RLAY US	Jason M. Gerberry
	Tarsus Pharmaceuticals	TARS	TARS US	Jason M. Gerberry
	Teva Pharmaceuticals	TEVA	TEVA US	Jason M. Gerberry
	Vaxcyte Inc	PCVX	PCVX US	Jason M. Gerberry
	Xenon Pharmaceuticals	XENE	XENE US	Jason M. Gerberry
<b>NEUTRAL</b>				
	Alkermes	ALKS	ALKS US	Jason M. Gerberry
	Amphastar Pharmaceuticals	AMPH	AMPH US	Jason M. Gerberry
	Axsome Therapeutics	AXSM	AXSM US	Jason M. Gerberry
	Galapagos	GLPG	GLPG US	Jason M. Gerberry
	ProKidney Corp	PROK	PROK US	Jason M. Gerberry
	Roivant	ROIV	ROIV US	Chi M. Fong
<b>UNDERPERFORM</b>				
	Bausch Health Cos Inc	BHC	BHC US	Jason M. Gerberry
	FibroGen Inc.	FGEN	FGEN US	Jason M. Gerberry
	Harmony Biosciences	HRMY	HRMY US	Jason M. Gerberry
	Organon	OGN	OGN US	Jason M. Gerberry
	Viartis Inc.	VTRS	VTRS US	Jason M. Gerberry



## US - Specialty Pharma &amp; Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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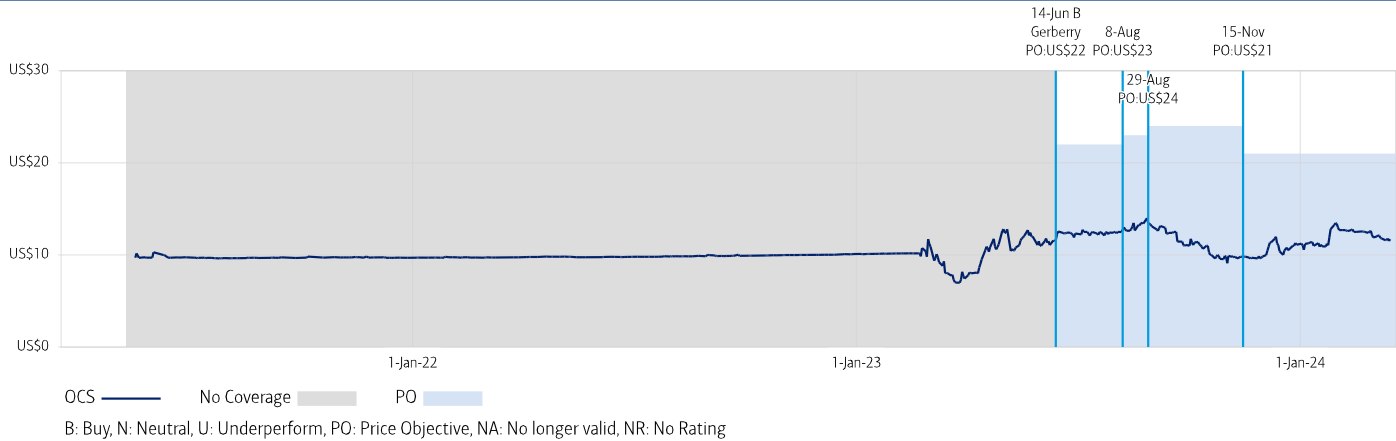
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### Oculus (OCS) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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