

# Medigene

Q319 results

## Q319 results highlight successful year to date

Enrolment of patients in Medigene's MDG1011 Phase I/II trial continues, albeit at a slower rate than initially expected, with initial data from the first three dose cohorts expected in Q420. Following promising interim data earlier in the year, the company forecasts that top-line dendritic cell (DC) vaccine data will be presented in Q120. In expanding the clinical pipeline, Medigene has announced that MDG1021 (HA-1 targeting TCR) will start its clinical programme in H120. Partnerships continue to progress well with bluebird bio announcing that the MAGE-A4 product will enter the clinic in 2020. In addition, partner Cytovent has announced that the first TCR (CVT-TCR-01) product candidate will focus on patients with either NY-ESO-1 expressing synovial sarcoma, MM or solid tumours, while a DC vaccine (CVT-DC-01) will be tested in patients with WT-1/PRAME expressing AML. We value Medigene at €465m (€18.94/share).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	8.9	(15.1)	(0.72)	0.0	N/A	N/A
12/18	7.8	(16.5)	(0.70)	0.0	N/A	N/A
12/19e	10.7	(25.9)	(1.05)	0.0	N/A	N/A
12/20e	9.7	(24.7)	(1.01)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Financials: Guidance on track for FY19

Revenues from immunotherapies for the nine months to 30 September 2019 grew 32% y-o-y to €6.2m (9M18: €4.7m) as a result of the progression of the bluebird partnership and the new Roivant/Cytovant partnership. As forecast, R&D expenses increased in 9M19 by 24% to €16.5m (9M18: €13.3m) due to the advancing pipeline, in particular the clinical development of MDG1011. Underlying administrative costs decreased 2% y-o-y to €5.8m (9M18: €5.9m). In addition, the company incurred a non-cash €4.7m impairment loss on the Veregen disposal. Medigene confirmed its revenue (€10–11m), R&D expenditure (€24–29m) and EBITDA (loss of €23–28m) guidance for the year. We continue to forecast an FY19 net loss of €26.4m and a cash runway into 2021.

## Measures in place to speed MDG1011 enrolment

Enrolment of patients in the Phase I/II trial testing MDG1011 in patients with either multiple myeloma (MM), acute myeloid leukaemia (AML) or myelodysplastic syndromes (MDS) has been slow to date. This has been primarily due to strict inclusion criteria (eg PRAME+ and HLA-A\*02:01+). To accelerate enrolment, new treatment centres have been added, AML enrolment criteria have been broadened and earlier leukapheresis of patients is being done.

## Valuation: €465m (€18.94/share)

We value Medigene at €465m (€18.94/share) vs €458m (€18.65/share) previously. We have rolled forward our model and updated for FX rates and net cash. Our model includes MDG1011, the AML DC vaccine, deal metrics for bluebird bio, the Roivant/Cytovant collaboration and Imlygic royalties. For a full overview of our valuation, please see our June outlook note, [New assets, new partnerships](#).

## Pharma & biotech

14 November 2019

**Price** €5.58

**Market cap** €137m

\$1.11/€

Net cash (€m) at 30 September 2019 (including time deposits) 60.5

Shares in issue 24.6m

Free float 80.6%

Code MDG1

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (6.7) (11.9) (45.5)

Rel (local) (11.8) (21.8) (52.7)

52-week high/low €10.60 €5.55

## Business description

Medigene is a German biotech company with complementary technology platforms in cancer immunotherapy. Its lead T-cell receptors (TCRs) and dendritic cell vaccines are both in Phase I/II clinical studies.

## Next events

DC vaccine full clinical data Early 2020

FY19 results Spring 2020

MDG1011 initial clinical data Q420

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**Medigene** Medigene is a research client of Edison Investment Research Limited

**Exhibit 1: Financial summary**

	€000s	2016	2017	2018	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		9,749	8,882	7,754	10,725	9,739
of which: Veregen revenues (royalties/milestones/supply)		3,048	2,790	1,596	987	0
R&D partnering (SynCore/Falk Pharma/grants)		3,155	0	0	0	0
Non-cash income (Eligard)		2,493	1,206	178	0	0
Bluebird bio partnership		1,053	4,886	5,980	5,738	5,739
Cytovant partnership			0	0	4,000	4,000
Cost of sales		(1,402)	(1,621)	(849)	(275)	0
Gross profit		8,347	7,261	6,905	10,450	9,739
Selling, general & administrative spending		(10,025)	(8,266)	(7,613)	(11,451)	(7,333)
R&D expenditure		(11,538)	(14,877)	(17,117)	(27,387)	(29,578)
Other operating spending		0	0	0	0	0
Operating profit		(8,974)	(15,882)	(17,825)	(28,388)	(27,173)
Goodwill & intangible amortisation		(525)	(524)	(523)	(522)	(521)
Exceptionals		4,242	0	0	0	0
Share-based payment		0	0	0	0	0
EBITDA		(12,371)	(14,615)	(16,253)	(27,641)	(26,426)
Operating Profit (before amort. and except.)		(12,691)	(15,358)	(17,302)	(27,866)	(26,652)
Net interest		(1,009)	(435)	74	467	74
Other (forex gains/losses; associate profit/loss)		263	672	747	1,546	1,849
Profit Before Tax (norm)		(13,437)	(15,121)	(16,481)	(25,853)	(24,728)
Profit before tax (reported)		(9,720)	(15,645)	(17,004)	(26,375)	(25,249)
Tax		228	(344)	(45)	(45)	(45)
Profit/(loss) from discontinued operations		0	0	0	0	0
Profit after tax (norm)		(13,209)	(15,465)	(16,526)	(25,898)	(24,773)
Profit after tax (reported)		(9,492)	(15,989)	(17,049)	(26,420)	(25,294)
Average number of shares outstanding (m)		20.0	21.5	23.7	24.6	24.6
EPS - normalised (c)		(66.20)	(71.93)	(69.82)	(105.46)	(100.88)
EPS - Reported (€)		(0.48)	(0.74)	(0.72)	(1.08)	(1.03)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>						
Fixed assets		47,742	48,595	67,394	82,206	82,572
Intangible assets & goodwill		35,767	36,292	36,225	42,903	42,382
Tangible assets		3,323	4,329	4,261	5,097	5,984
Other non-current assets		8,652	7,974	26,908	34,206	34,206
Current assets		63,973	63,342	62,196	45,629	16,242
Stocks		7,866	7,724	7,298	0	0
Debtors		1,175	1,699	787	787	787
Cash		52,630	51,724	51,408	42,139	12,752
Other		2,302	2,195	2,703	2,703	2,703
Current liabilities		(11,966)	(8,124)	(8,821)	(8,821)	(8,821)
Trade accounts payable		(973)	(725)	(1,358)	(1,358)	(1,358)
Short-term borrowings		0	0	0	0	0
Deferred income		(3,575)	(3,575)	(3,474)	(3,474)	(3,474)
Other		(7,418)	(3,824)	(3,989)	(3,989)	(3,989)
Long-term liabilities		(21,157)	(10,315)	(13,344)	(10,007)	(6,669)
Pension provisions		(408)	(405)	(414)	(414)	(414)
Long-term borrowings		0	0	0	0	0
Other liabilities (Deferred taxes; Trianta milestones)		(2,395)	(4,548)	(4,246)	(4,246)	(4,246)
Deferred revenues (Eligard non-cash income & bluebird bio)		(18,354)	(5,362)	(8,684)	(5,347)	(2,009)
Net assets		78,592	93,498	107,425	109,007	83,325
<b>CASH FLOW</b>						
Operating cash flow		(3,611)	(20,729)	(10,013)	(9,430)	(29,102)
Net interest		(45)	(45)	(26)	1,267	874
Tax		(102)	(75)	(103)	(45)	(45)
Capex		(1,677)	(1,533)	(1,010)	(1,061)	(1,114)
Expenditure on intangibles		0	0	0	0	0
Acquisitions/disposals		10,537	480	537	0	0
Equity financing		(77)	19,329	29,923	0	0
Other		846	1,667	(19,624)	0	0
Net cash flow		5,871	(906)	(316)	(9,269)	(29,387)
Opening net debt/(cash)		(46,759)	(52,630)	(51,724)	(51,408)	(42,139)
HP finance leases initiated		0	0	0	0	0
Other (foreign exchanges differences)		0	0	0	(0)	0
Closing net debt/(cash)		(52,630)	(51,724)	(51,408)	(42,139)	(12,752)

Source: Medigene, Edison Investment Research

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