

Medigene

Trading update

bluebird bio back for more

Pharma & biotech

17 May 2018

Price €15.81
Market cap €353m

Net cash (€m) at 31 March 2018 excluding €8m bluebird payment	49.1
Shares in issue	22.3m
Free float	80.7%
Code	MDG1
Primary exchange	Xetra
Secondary exchange	Frankfurt

Share price performance



%	1m	3m	12m
Abs	15.0	(6.3)	45.8
Rel (local)	9.6	(10.3)	43.6
52-week high/low	€18.78	€8.95	

Business description

Medigene is a German biotech company with complementary technology platforms in cancer immunotherapy. Dendritic cell vaccines are in Phase I/II clinical studies and its first T-cell receptor clinical trial has just initiated.

Next events

H118 results	7 August 2018
MDG1011 initial clinical data	H119
DC vaccine initial clinical data	H119

Analyst

Dr Daniel Wilkinson +44 (0)20 3077 5734

healthcare@edisongroup.com

[Edison profile page](#)

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

Medigene has announced an expansion of its bluebird partnership, giving significant external validation of its T-cell receptor (TCR) technology platform. The full partnership now covers six targets and is worth potentially US\$1.5bn in development and commercial milestones, in addition to royalties on any future sales. Medigene's own internal pipeline continues to advance with its MDG1011 Phase I/II TCR clinical trial now enrolling patients. Additionally, we forecast that the Phase I part of the TCR trial and the now fully enrolled Phase I/II DC vaccine trial will read out in 2019. We have updated our forecasts and now value Medigene at €416m (€18.65/share) vs €396m (€17.8/share) previously.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/16	9.7	(13.4)	(0.66)	0.0	N/A	N/A
12/17	11.4	(12.4)	(0.60)	0.0	N/A	N/A
12/18e	11.1	(22.1)	(0.99)	0.0	N/A	N/A
12/19e	11.2	(22.0)	(0.99)	0.0	N/A	N/A

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

bluebird expansion further validates technology

In September 2016, bluebird and Medigene signed a partnership agreement to develop four TCR product candidates. This deal has now been expanded to include an additional two TCRs, taking the total to six ongoing programmes. The expansion includes a one-off payment of €8m to Medigene and up to €250m in potential milestone payments per candidate. Medigene has a unique platform for identifying and characterising specific TCRs to target antigens. The selection of the correct antigen/major histocompatibility complex (MHC) restriction combination is a complex undertaking and we believe this expanded agreement further validates Medigene's expertise in this area.

Financials: bluebird revenue lowers FY cash burn

We have rolled forward our model and updated it to include in 2018 the €8m one-off payment (recognised over the length of the contract) from bluebird. In 2018, we also include a €1m payment as a result of the first collaboration project under the new agreement, on top of increased R&D funding. We now expect increased R&D costs for Medigene in 2018 of €25.3m vs €23.8m previously. We now forecast an operating loss of €22.0m in 2018 and a cash burn of €17.4m.

Valuation: €416m (€18.65/share)

We value Medigene at €416m (€18.65/share) vs €396m (€17.8/share) previously. This is based on a risk-adjusted NPV of its TCR, DC and legacy assets in addition to deal metrics for the bluebird bio partnership and legacy asset, Veregen. We have rolled forward our model and now include the two new product candidates in the bluebird deal. Note that we currently value no sales-related income for the bluebird partnership; we await initiation of the first partnered clinical trial to give clarification on the commercial opportunity.

Exhibit 1: Financial summary

	€'000s	2016	2017	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		9,749	11,375	11,069	11,218
of which: Veregen revenues (royalties/milestones/supply)		3,048	2,790	1,433	1,582
R&D partnering (SynCore/Falk Pharma/grants)		3,155	0	0	0
Non-cash income (Eligard)		2,493	3,699	3,699	3,699
bluebird bio partnership		1,053	4,886	5,938	5,938
Cost of sales		(1,402)	(1,621)	(553)	(613)
Gross profit		8,347	9,754	10,516	10,605
Selling, general & administrative spending		(10,025)	(8,266)	(7,186)	(7,395)
R&D expenditure		(11,538)	(14,877)	(25,291)	(25,544)
Other operating spending		0	0	0	0
Operating profit		(8,974)	(13,389)	(21,961)	(22,333)
Goodwill & intangible amortisation		(525)	(524)	(523)	(522)
Exceptionals		4,242	0	0	0
Share-based payment		0	0	0	0
EBITDA		(12,371)	(12,122)	(21,213)	(21,586)
Operating Profit (before amort. and except.)		(12,691)	(12,865)	(21,438)	(21,811)
Net interest		(1,009)	(1,434)	(1,959)	(1,746)
Other (forex gains/losses; associate profit/loss)		263	1,884	1,278	1,546
Profit Before Tax (norm)		(13,437)	(12,415)	(22,119)	(22,011)
Profit before tax (reported)		(9,720)	(12,939)	(22,642)	(22,533)
Tax		228	(634)	0	0
Profit/(loss) from discontinued operations		0	0	0	0
Profit after tax (norm)		(13,209)	(13,049)	(22,119)	(22,011)
Profit after tax (reported)		(9,492)	(13,573)	(22,642)	(22,533)
Average number of shares outstanding (m)		20.0	21.6	22.3	22.3
EPS - normalised (c)		(66.20)	(60.42)	(99.19)	(98.71)
EPS - Reported (€)		(0.48)	(0.63)	(1.02)	(1.01)
Dividend per share (c)		0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed assets		47,742	48,595	49,457	50,400
Intangible assets & goodwill		35,767	36,292	35,769	35,247
Tangible assets		3,323	4,329	5,714	7,179
Other non-current assets		8,652	7,974	7,974	7,974
Current assets		63,973	63,342	45,946	19,624
Stocks		7,866	7,724	7,724	7,724
Debtors		1,175	1,699	1,699	1,699
Cash		52,630	51,724	34,328	8,006
Other		2,302	2,195	2,195	2,195
Current liabilities		(11,966)	(9,808)	(9,808)	(9,808)
Trade accounts payable		(973)	(725)	(725)	(725)
Short-term borrowings		0	0	0	0
Deferred income		(3,575)	(3,575)	(3,575)	(3,575)
Other		(7,418)	(5,508)	(5,508)	(5,508)
Long-term liabilities		(21,157)	(15,962)	(12,625)	(9,287)
Pension provisions		(408)	(405)	(405)	(405)
Long-term borrowings		0	0	0	0
Other liabilities (Deferred taxes; Trianta milestones)		(2,395)	(3,672)	(3,672)	(3,672)
Deferred revenues (Eligard non-cash income & bluebird bio)		(18,354)	(11,885)	(8,548)	(5,210)
Net assets		78,592	86,167	72,970	50,929
CASH FLOW					
Operating cash flow		(3,611)	(20,729)	(16,994)	(24,386)
Net interest		(45)	(45)	(459)	(246)
Tax		(102)	(75)	0	0
Capex		(1,677)	(1,533)	(1,610)	(1,690)
Expenditure on intangibles		0	0	0	0
Acquisitions/disposals		10,537	480	0	0
Equity financing		(77)	19,329	0	0
Other		846	1,667	1,667	0
Net cash flow		5,871	(906)	(17,396)	(26,322)
Opening net debt/(cash)		(46,759)	(52,630)	(51,724)	(34,328)
HP finance leases initiated		0	0	0	0
Other (foreign exchanges differences)		0	0	0	0
Closing net debt/(cash)		(52,630)	(51,724)	(34,328)	(8,006)

Source: Medigene, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Medigene and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.