EDISON

MagForce

Clinical trial update

US prostate cancer study progresses

Healthcare equipment & services

28 August 2019

MagForce has announced it has completed treatment of the first 10-patient cohort in the pivotal prostate cancer study required by the US FDA for approval. Importantly, it has reported that the procedure for instilling its NanoTherm particles has now been standardised and the study can enrol up to 110 additional patients to establish efficacy in thermally ablating prostate cancer lesions. Management has reported initial findings from this first cohort that indicate treatment side effects have been minimal and in line with that of biopsies; achieving a tolerable treatment will be key to attaining both approval and reimbursement. We still anticipate US approval and launch in Q420 but highlight both prudent trial execution and punctual commercial roll-out are essential in achieving this goal. We retain our financial forecasts and valuation of MagForce at €261.5m or €9.5/share.

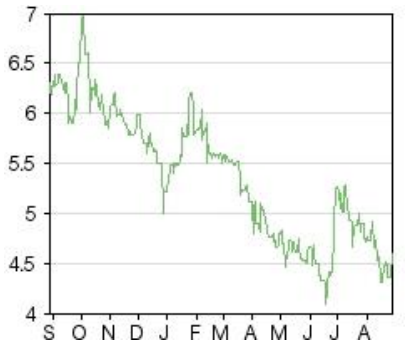
Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	0.7	(9.5)	(36.0)	0.0	N/A	N/A
12/18	0.1	(8.7)	(32.8)	0.0	N/A	N/A
12/19e	0.7	(10.5)	(38.7)	0.0	N/A	N/A
12/20e	2.9	(6.6)	(23.7)	0.0	N/A	N/A

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

We believe the most potential for growth resides in the opportunity for MagForce's NanoTherm therapy in the US, as both urologists and payers will value a treatment that could extend the time prostate cancer patients can remain within active surveillance programmes. The single-arm trial aims to recruit up to 120 patients with prostate cancer (Gleason score of 7) under active surveillance and will assess NanoTherm as focal treatment for prostate lesions. In lieu of a control arm in the study, we assume it will be compared to historical standard-of-care treatment outcomes to determine its benefit (similar to the glioblastoma trial). Although this might be sufficient to achieve regulatory approval, payers might require a clearer measure of patient benefit before agreeing reimbursement; management has guided that, in its initial engagement with the Centres for Medicare & Medicaid, it has indicated costs similar to brachytherapy and tolerability in line with a biopsy could warrant similar reimbursement (c $7k).

Price	**€4.60**
Market cap	**€127m**
	$1.13/€
Net debt (€m) at 31 December 2018 (does not include proceeds from the capital raise on 25 June 2019)	14.4
Shares in issue	27.6m
Free float	66%
Code	MF6
Primary exchange	Frankfurt (Xetra)
Secondary exchange	N/A

Share price performance



Business description

MagForce is a German firm with the first Europe-approved nanotechnology-based therapy to treat brain tumours. NanoTherm consists of a nanoparticle instillation into the tumour, activated by an alternating magnetic field, producing heat and thermally destroying or sensitising the tumour.

Analysts

Dr Susie Jana +44 (0)20 3077 5700

Dr Daniel Wilkinson +44 (0)20 3077 5734

Dr Sean Conroy +44 (0)20 3681 2534

healthcare@edisongroup.com

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia