MagForce

Healthcare equipment & services

10 November 2021

Primed to execute on its growth strategy

MagForce continues to pursue its two-pillar strategy to drive uptake of its nanotechnology-based thermal ablation treatment, NanoTherm. In the United States, MagForce has received FDA approval to start Stage 2b of its pivotal study in prostate cancer. The study is expected to complete in mid-2022 and we now anticipate approval and launch in H123 (versus H122 previously). This is a key value inflection as long-term growth depends on US approval. In Europe, NanoTherm is approved for glioblastoma (brain tumours) and progress in H121 has been hampered by COVID-19 and the continued forced closure of treatment centres. Treatments have now resumed in H221 and management is confident that it can regain sales momentum as pandemic headwinds abate. Our forecasts are under review.

US prostate cancer study set enter pivotal stage

MagForce expects to receive FDA approval to commence the final stage of the pivotal US study in November. Stage 2b will enrol 100 patients in a single arm to establish efficacy in thermally ablating prostate cancer lesions using the streamlined, one-day protocol. The study is expected to complete in mid-2022 and MagForce will start commercial preparations to have five proprietary treatment sites ready for potential approval and launch in H123. MagForce's renewed US commercialisation strategy will utilise company-owned and operated treatment sites and allow it to significantly increase revenues per patient and generate higher margins from billing the entire procedure, versus solely suppling NanoTherm.

EU poised to recover after COVID-19 slowdown

Progress in 2021 has been hampered by the closure of treatment centres in H121. Revenues from the commercial treatment of patients in Germany and Poland (H121: €112k vs H120: €326k) suggest five patients were treated in this period. Treatments have now resumed in H221 with management guiding for c 30 patients treated in FY21, a slight increase from FY20 (23 patients) but still below pre-pandemic expectations of 90–120 patients. The roll-out strategy in European has also resumed. In September, the first collaboration agreement in Spain was announced and should enable commercial treatments from H122. MagForce is also in advanced negotiations with potential partners in Italy, Austria and Germany and expects to have eight operational treatment centres across Europe by end-2022.

Valuation: Timely roll-out in the EU and US is key

Growth in European sales, driven by reimbursement and the ongoing roll-out of devices, as well as the potential launch in the United States, will be key to crystallising value. Our forecasts and valuation are under review.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/19	0.8	(8.7)	(0.32)	0.0	N/A	N/A
12/20	0.6	14.7	0.53	0.0	N/A	N/A
12/20e	-	-	-	-	-	-
12/21e	-	-	-	-	-	-

Source: MagForce accounts

Price	**€3.41**
Market cap	**€102m**

Share price graph

Share details

Code	MF6
Shares in issue	29.5m
Net debt (€m) at 30 June 2021	€26.0m

Business description

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

Bull

- US prostate cancer market presents a huge commercial opportunity.
- Proprietary technology is clinically validated.
- CEO has a proven track record.

Bear

- Reimbursement has been difficult to obtain in Germany to date.
- Approval in the United States is needed before launch.
- Uptake of NanoTherm has been slow and is susceptible to significant impact by COVID-19.

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