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.

US prostate cancer study enters pivotal stage

MagForce has received FDA approval to commence the final stage of the pivotal US study. 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

MagForce's market cap is €102m with an EV of €128m. 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.

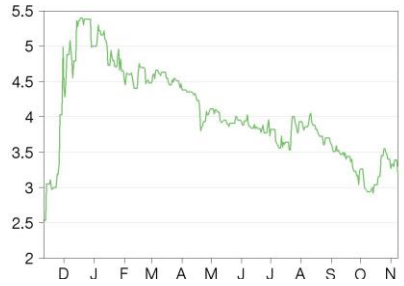
Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	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

Source: MagForce accounts

Price	€3.41
Market cap	€102m

Share price graph



Share details

Code	MF6
Listing	Deutsche Börse Scale
Shares in issue	29.5m
Net debt (€m) at 30June 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.

Analysts

Dr John Priestner +44 (0)20 3077 5700
Dr Sean Conroy +44 (0)20 3077 5700
healthcare@edisongroup.com
Edison profile page

Financials

MagForce AG (MagForce) is the parent company of the MagForce group, which consists of seven companies including MagForce USA, and the wholly owned regional sales subsidiaries MagForce sp. z o.o. in Poland and MagForce Nanomedicine S.L. in Spain. Under HGB accounting standards, MagForce does not report consolidated financial statements, and thus MagForce USA is not currently consolidated as per company reporting and our financial forecasts.

MagForce's revenues amounted to €191k in H121 (H120: €384k), reflecting a significant decrease in the commercial treatment of patients in Germany and Poland to €121k (H120: €326k) due to the continued forced closure of treatment centres in the period. NanoTherm deliveries to subsidiaries were relatively flat at €79k (H120: €58k) and pertain primarily to supply for the US prostate cancer study. Treatments resumed in H221 and management is confident that it can regain sales momentum as pandemic headwinds abate and the planned opening of additional European sites resume. Treatment sales have historically been hampered by local reimbursement issues. However, management has estimated that it has the necessary number of patient outcomes to negotiate reimbursement in Germany, and the planned Health Technology Assessment application implies that federal reimbursement could start during H222. In Poland, an investigator-initiated trial has started at the Lublin treatment centre to enable an application for reimbursement in this territory.

Loan facilities bridge gap until profitability

The increase in other operating income, reported at €769k in H121 (H120: €384k), was primarily attributed to the reversal of provisions recognised for share price-linked liabilities. Personnel expenses remained stable at €2.0m (H120: €2.1m) and reflect expenses for wages, salaries and retirement benefits. Cost of materials and services increased to €468k (H120: €286k), likely due to preparations for the launch in the United States, while other operating expenses were down slightly at €1.4m (H120: €1.7m) due to lower capital raising costs. Reported operating income in H121 stated a loss of €3.2m (H120: €3.4m). While management expects a significant increase in revenues from commercially treated patients in Europe in FY21, due to the continued expenses from the European expansion strategy, management expects a sustained operating loss in FY21.

MagForce reported cash and cash equivalents of €650k at 30 June 2021. In March 2021, it signed an agreement with Apeiron Investment Group for growth financing of €2.5m via convertible notes (5% interest and 24-month term) and has received €1.9m in cash to date. MagForce will require additional funding until break-even and we expect that this will be drawn from the remaining €11.0m zero interest-bearing convertible notes with Yorkville or the remaining €22.0m of the EIB loan facility. In H121, interest expenses increased to €1.4m (H120: €1.0m) due to the issuance of further convertible notes and higher interest on existing financial liabilities. At 30 June 2021, MagForce had net debt of €26.0m.

General disclaimer and copyright

Any Information, data, analysis and opinions contained in this report do not constitute investment advice by Deutsche Börse AG or the Frankfurter Wertpapierbörse. Any investment decision should be solely based on a securities offering document or another document containing all information required to make such an investment decision, including risk factors. This report has been commissioned by Deutsche Börse AG and prepared and issued by Edison for publication globally.

Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: 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 and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. 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.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, 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 securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. 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, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

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. 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 (i.e. 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.

United Kingdom

This document is prepared and provided by Edison 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.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison 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. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

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
1185 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