

Molgen

Q3 results

Licensing and funding milestones in Q3

Molgen has announced two new sources of funding that will likely extend its cash reach into mid-2018. The signing of a share subscription facility with Global Corporate Finance (GCF) commits GCF to purchase up to 3.4m Molgen shares (c 10% of share capital). At the current share price, this approximates to €10m in funds which, in addition to the expected completion of the iPharma deal (worth up to €100m) by year end (€3m initial payment), will boost Molgen's cash position. Furthermore, Molgen has a commitment to receive a \$2.6m grant for further development of a leishmaniasis vaccine candidate, part of the MIDGE technology platform it is looking to divest. We value Molgen at €256m (€7.43/share).

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	0.0	(20.5)	(0.99)	0.0	N/A	N/A
12/16	0.0	(20.8)	(0.84)	0.0	N/A	N/A
12/17e	3.0	(18.4)	(0.54)	0.0	N/A	N/A
12/18e	0.0	(15.9)	(0.46)	0.0	N/A	N/A

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

Funding and licensing deals expand cash horizon

The signing of a share subscription facility with GCF and the soon-to-be-signed deal with iPharma will provide Molgen with ongoing capital. The GCF agreement commits GCF to purchase up to 3.4m Molgen shares (c 10% of share capital), Molgen has full control over the drawdown of the funds and they can occur in €1m tranches over a 30-month period. Signed deal terms with iPharma look to aid the development and commercialisation of lefitolimod, particularly in China. Molgen would be eligible to receive a €3m initial payment, milestone payments of up to €100m, as well as low double-digit royalties and a €2m equity investment.

Mature data packages expected in H118

Full data packages from the Phase II SCLC IMPULSE trial and the Phase Ib/IIa HIV TEACH trial are expected to be presented at relevant conferences in mid-2018. Top-line data from TEACH and IMPULSE were presented earlier in 2017 and a detailed breakdown can be found in our previously published [outlook report](#). We expect data from the ongoing pivotal Phase III IMPALA trial in mCRC in 2019.

Q3 results: Cash into mid-2018

R&D for the first nine months of 2017 remained similar to 2016 at €10.6m (9M16: €10.5m). As a result the EBIT loss increased slightly to €14.5m (9M16: €14.3m). We now include the initial €3m payment from iPharma in our FY17 forecasts which are largely unchanged. New funding should enable a cash reach until mid-2018, however, a funding gap to the IMPALA readout remains.

Valuation: €256m (€7.43/share)

We value Molgen at €256m (€7.43/share) vs €253m previously. We have rolled forward our model which is based on a risk-adjusted rNPV of lefitolimod across a range of indications and regions. For a full break down of our valuation, see our previously published outlook note ([Lefitolimod trial readouts hint at future potential](#)).

Pharma & biotech

10 November 2017

Price **€2.77**

Market cap **€95m**

Net cash (€m) at 30 September 2017 3.27

Shares in issue 34.3m

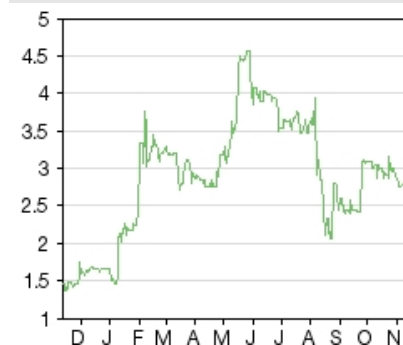
Free float 62%

Code MGN

Primary exchange Frankfurt (Prime Standard)

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (9.2) (10.7) 94.2

Rel (local) (10.6) (17.7) 56.9

52-week high/low €4.6 €1.4

Business description

Molgen is a German biopharmaceutical company developing novel biopharmaceuticals. Lead product lefitolimod (TLR9 agonist) is being evaluated in metastatic colorectal cancer maintenance, small cell lung cancer maintenance, HIV and a combination trial in advanced solid malignancies.

Next events

TEACH full data presented Mid-2018

FY17 financial results March 2018

IMPULSE full data presented Mid-2018

IMPALA data Mid-2019

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Exhibit 1: Financial summary

	€'000s	2014	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		12	39	74	3,036	40
Cost of Sales		0	0	0	0	0
Gross Profit		12	39	74	3,036	40
Research and development (cost of materials)		(8,687)	(11,681)	(11,780)	(12,369)	(7,421)
Selling, general & administrative (personnel expenses)		(5,113)	(5,074)	(5,453)	(5,180)	(4,662)
Other operating income / expense		(3,199)	(3,702)	(3,418)	(3,444)	(3,444)
EBITDA		(16,987)	(20,418)	(20,577)	(17,957)	(15,488)
Operating Profit (before GW and except.)		(17,059)	(20,499)	(20,813)	(17,960)	(15,494)
Intangible Amortisation		(38)	(40)	(172)	(19)	(17)
Exceptionals/Other		0	0	0	0	0
Operating Profit		(17,097)	(20,539)	(20,985)	(17,978)	(15,511)
Net Interest		19	3	(18)	(424)	(422)
Other		0	0	0	0	0
Profit Before Tax (norm)		(17,040)	(20,496)	(20,831)	(18,384)	(15,916)
Profit Before Tax (FRS 3)		(17,078)	(20,536)	(21,003)	(18,403)	(15,933)
Tax		0	0	0	0	0
Deferred tax		0	0	0	0	0
Profit After Tax (norm)		(17,040)	(20,496)	(20,831)	(18,384)	(15,916)
Profit After Tax (FRS 3)		(17,078)	(20,536)	(21,003)	(18,403)	(15,933)
Average Number of Shares Outstanding (m)		16.8	20.7	24.7	34.3	34.3
EPS - normalised (c)		(1.01)	(0.99)	(0.84)	(0.54)	(0.46)
EPS - FRS 3 (c)		(1.02)	(0.99)	(0.85)	(0.54)	(0.47)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets		440	414	62	97	121
Intangible Assets		206	175	37	33	20
Tangible Assets		234	239	25	64	101
Other		0	0	0	0	0
Current Assets		14,613	25,981	21,300	8,015	22,265
Stocks		30	28	13	13	13
Debtors		0	0	33	33	33
Cash		13,563	24,592	20,520	7,235	21,485
Other		1,020	1,361	734	734	734
Current Liabilities		(1,747)	(6,886)	(7,404)	(7,404)	(7,404)
Creditors		(1,315)	(6,390)	(6,530)	(6,530)	(6,530)
Short term borrowings		0	0	0	0	0
Other		(432)	(496)	(874)	(874)	(874)
Long Term Liabilities		(8)	(6)	(2,121)	(7,072)	(37,072)
Long term borrowings		0	0	(2,119)	(7,070)	(37,070)
Other long term liabilities		(8)	(6)	(2)	(2)	(2)
Net Assets		13,298	19,503	11,837	(6,364)	(22,091)
CASH FLOW						
Operating Cash Flow		(15,602)	(15,095)	(19,270)	(17,755)	(15,280)
Net Interest		3	0	0	(424)	(424)
Tax		(6)	12	0	0	0
Capex		(93)	(95)	(57)	(56)	(47)
Acquisitions/disposals		0	0	13	0	0
Financing		14,495	26,207	12,706	0	0
Dividends		0	0	0	0	0
Other		0	0	0	0	0
Net Cash Flow		(1,203)	11,029	(6,608)	(18,236)	(15,751)
Opening net debt/(cash)		(14,765)	(13,563)	(24,592)	(18,401)	(165)
HP finance leases initiated		0	0	0	0	0
Exchange rate movements		1	0	1	0	0
Other		0	0	416	0	0
Closing net debt/(cash)		(13,563)	(24,592)	(18,401)	(165)	15,585

Source: Mologen accounts, Edison Investment Research

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