

# Medigene

## Funded to execute clinical development strategy

Medigene recently announced a placing of €20.7m gross (issuing 1.96m new shares at €10.55) to intensify its R&D through the expansion of its planned T-cell receptor (TCR) modified T-cells clinical programme. This leaves it well funded (pro forma cash €67.7m) to advance both its DC vaccine programmes and TCR programme. We expect 2017 to be a year of important progress for Medigene, in particular the start of its first company-initiated TCR clinical study. We have increased our rNPV-based valuation to €315m (vs €293m), as we now include the cash from the fund-raising and have rolled the model forward.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	6.8	(12.8)	(0.74)	0.0	N/A	N/A
12/16	9.7	(11.3)	(0.56)	0.0	N/A	N/A
12/17e	9.0	(18.6)	(0.89)	0.0	N/A	N/A
12/18e	9.3	(20.2)	(0.91)	0.0	N/A	N/A

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

## Fund-raising provides option to expand TCR CIT

Medigene recently announced a €20.7m gross fund-raising through a placing of 1.96m shares at a price of €10.55 each. It was achieved via an accelerated book build and has strengthened the company's institutional shareholder base.

According to the company, the funds will provide the option to expand and/or accelerate its TCR clinical programme into additional indications and geographic regions, such as the US. For further details regarding the TCR trials planned and for an overview of preclinical data on its selected TCR trial candidate (HLA-A2:01-restricted TCR) targeting PRAME (tumour antigen) see our recent [outlook note](#).

## Strong outlook in 2017 and beyond

We believe Medigene will take significant steps in 2017. For example, we expect it to initiate its own TCR clinical study as well as an investigator-initiated TCR study. Alongside progressing its TCR programme into the clinic, we also expect it to generate further TCR leads, particularly through its TCR development deal with bluebird bio, a prominent T-cell immunology company. It is worth noting that Medigene operates in an area of significant interest, particularly around CAR-T candidates and technologies and its TCRs could offer efficacy/safety advantages.

## Valuation: Increased to €315m

We have increased our rNPV-based valuation to €315m (vs €293m) or €14.2 per share (vs €14.7 per share), as we now use Medigene's Q1 cash position of €48m and include the net pro forma cash (€19.7m) recently raised. We have also rolled the model forward three months. All other assumptions remain the same, although we now forecast cash reach into FY20. Medigene is well funded, which we believe will enable it to execute its clinical development strategy and should take it to reported data from the ongoing DC trial and 2017 initiated TCR trials. We also note that there is potential for newsflow relating to the progression of TCR leads resulting from its bluebird bio deal and for further TCR R&D collaborations to be made.

## Q1 results and fund-raising

### Pharma & biotech

12 May 2017

Price **€10.84**

Market cap **€240m**

Net cash (€m) 31 March 2017 (pro forma adjusted for net equity raise) 67.7

Shares in issue 22.1m

Free float 70.7%

Code MDG1

Primary exchange XETRA

Secondary exchange Frankfurt

### Share price performance



% 1m 3m 12m

Abs (10.6) (18.1) 27.6

Rel (local) (14.7) (24.8) 0.1

52-week high/low €14.83 €6.25

### 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, while a T-cell receptor candidate should enter the clinic in 2017.

### Next events

Interim results 3 August 2017

TCR (IIT) clinical trial initiation H217

First TCR (CIT) clinical trial initiation H217

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

**Exhibit 1: Financial summary**

	€'000s	2014	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		13,784	6,808	9,749	8,959	9,263
of which: Veregen revenues (royalties/milestones/supply)		5,195	3,101	3,048	3,128	3,433
R&D partnering (SynCore/Falk Pharma/grants)		6,096	1,214	3,155	0	0
Non-cash income (Eligard)		2,493	2,493	2,493	2,493	2,493
Bluebird bio partnership				1,053	3,338	3,338
Cost of sales		(2,086)	(1,103)	(1,402)	(1,231)	(1,353)
Gross profit		11,698	5,705	8,347	7,728	7,910
Selling, general & administrative spending		(7,081)	(7,615)	(7,942)	(8,286)	(8,524)
R&D expenditure		(7,498)	(8,529)	(11,538)	(17,884)	(19,672)
Other operating spending		0		0	0	0
Operating profit		(2,881)	(10,439)	(6,891)	(18,443)	(20,286)
Goodwill & intangible amortisation		(527)	(526)	(525)	(524)	(523)
Exceptionals		0	0	4,242	0	0
Share-based payment		(66)	(111)	(50)	(50)	(50)
EBITDA		(2,005)	(9,384)	(10,238)	(17,644)	(19,488)
Operating profit (before GW and except.)		(2,288)	(9,802)	(10,558)	(17,869)	(19,713)
Net interest		(1,774)	(2,914)	(1,009)	(1,495)	(1,928)
Other (forex gains/losses; associate profit/loss)		(1,257)	(46)	263	720	1,489
Profit before tax (norm)		(5,319)	(12,762)	(11,304)	(18,644)	(20,152)
Profit before tax (FRS 3)		(5,912)	(13,399)	(7,637)	(19,218)	(20,725)
Tax		155	400	228	0	0
Profit/(loss) from discontinued operations		0	0	0	0	0
Profit after tax (norm)		(5,164)	(12,362)	(11,076)	(18,644)	(20,152)
Profit after tax (FRS 3)		(5,757)	(12,999)	(7,409)	(19,218)	(20,725)
Average number of shares outstanding (m)		12.2	16.8	20.0	21.0	22.1
EPS - normalised (€)		(0.42)	(0.74)	(0.56)	(0.89)	(0.91)
EPS - FRS 3 (€)		(0.47)	(0.77)	(0.37)	(0.91)	(0.94)
Dividend per share (€)		0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>						
Fixed assets		46,617	51,552	47,742	50,012	52,282
Intangible assets & goodwill		38,377	35,713	35,767	35,243	34,720
Tangible assets		951	2,502	3,323	6,117	8,910
Other non-current assets		7,289	13,337	8,652	8,652	8,652
Current assets		24,666	59,900	63,973	61,190	36,767
Stocks		4,406	6,654	7,866	7,866	7,866
Debtors		1,733	763	1,175	1,175	1,175
Cash		14,976	46,759	52,630	49,847	25,424
Other		3,551	5,724	2,302	2,302	2,302
Current liabilities		(7,755)	(9,664)	(11,966)	(11,966)	(11,966)
Trade accounts payable		(1,785)	(1,354)	(973)	(973)	(973)
Short-term borrowings		0	0	0	0	0
Deferred income		(57)	(226)	(3,575)	(3,575)	(3,575)
Other		(5,913)	(8,084)	(7,418)	(7,418)	(7,418)
Long-term liabilities		(14,457)	(13,879)	(21,157)	(17,820)	(14,482)
Pension provisions		(413)	(359)	(408)	(408)	(408)
Long-term borrowings		0	0	0	0	0
Other liabilities (Deferred taxes; Trianta milestones)		(3,221)	(2,915)	(2,395)	(2,395)	(2,395)
Deferred revenues (Eligard non-cash income & bluebird bio)		(10,823)	(10,605)	(18,354)	(15,017)	(11,679)
Net assets		49,071	87,909	78,592	81,416	62,601
<b>CASH FLOW</b>						
Operating cash flow		(8,765)	(10,585)	(3,611)	(19,469)	(20,977)
Net interest		9	(20)	(45)	5	(428)
Tax		0	0	(102)	0	0
Capex		(873)	(1,328)	(1,677)	(3,019)	(3,019)
Expenditure on intangibles		0	0	0	0	0
Acquisitions/disposals		0	0	10,537	0	0
Equity financing		14,502	43,695	(77)	19,700	0
Other		(62)	21	846	0	0
Net cash flow		4,811	31,783	5,871	(2,783)	(24,424)
Opening net debt/(cash)		(10,166)	(14,976)	(46,759)	(52,630)	(49,847)
HP finance leases initiated		0	0	0	0	0
Other (foreign exchanges differences)		(1)	0	0	0	0
Closing net debt/(cash)		(14,976)	(46,759)	(52,630)	(49,847)	(25,424)

Source: Medigene accounts, Edison Investment Research

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