

Medigene

Q317 results

TCR clinical trial initiation imminent

Medigene's Q3 results are in line with our forecasts. The company has submitted its Phase I/II clinical trial application for its lead TCR cellular immunotherapy product candidate MDG1011 and anticipates initiation of the trial by year end. In addition to the upcoming trial initiation, Medigene has made numerous scientific and technological achievements in 2017, including presentations on its automated TCR identification platform and preclinical data on MDG1011. Partners have presented compassionate use data on DC vaccines in AML. We value Medigene at €316m (€14.3/share).

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.

First TCR trial expected to begin by year end

Medigene has submitted a CTA application to begin the first clinical trial (Phase I/II) with its lead proprietary T-cell receptor (TCR) modified T-cell (MDG1011); the company anticipates that the trial will receive approval by the end of CY17. We anticipate the Phase I portion of the trial to complete by the end of 2018. For an overview of Medigene's TCR technology, please see our recent [outlook note](#).

Continued technical progress highlights capabilities

Medigene continues to expand its technical capabilities in order to position itself as a leading immunotherapy company. In the period, Medigene [presented technical data](#) for its high throughput screening platform that enables the rapid identification of patient specific TCRs. The R&D collaboration with Bluebird bio is progressing as anticipated and Medigene expects to give a detailed update in the coming months.

Q317 results: In line with full year forecasts

In the first nine months of 2017 Medigene reported a slight increase in total revenue to €7.2m (9M16: €7.1m), supported by the growth of immunotherapy revenue from the Bluebird bio agreement of €3.4m (9M16: €0m) which largely offset the one-off gain in 2016 from the non-recurring sale of EndoTAG (€2.4m). R&D rose as expected to €11.0m (9M16: €8.0m) as the company prepares for the launch of the TCR trial. EBITDA for the period is in line with our forecasts and we retain our full year EBITDA forecast loss of €17.6m. Cash was €55.4m as of 30 September 2017.

Valuation: €316m or €14.3/per share

We value Medigene at €316m vs €315m previously. This is based on a risk-adjusted NPV of its TCR, DC and legacy assets. We have rolled forward the model and updated it for Q3 net cash. We expect a number of important milestones in the next 12 months including the start of its first company-initiated TCR clinical trial and completion of patient enrolment for its Phase I/II study for its DC vaccines in AML.

Pharma & biotech

9 November 2017

Price €12.32

Market cap €272m

Net cash (€m) at 30 September 2017 55.4

Shares in issue 22.1m

Free float 70.7%

Code MDG1

Primary exchange XETRA

Secondary exchange Frankfurt

Share price performance



% 1m 3m 12m

Abs (24.3) 23.8 52.7

Rel (local) (7.4) 13.7 19.6

52-week high/low €14.83 €8.05

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

TCR (IIT) clinical trial initiation H217

First TCR (CIT) clinical trial initiation H217

Bluebird Bio R&D update H217/H118

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Exhibit 1: Financial summary

	€'000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		6,808	9,749	8,959	9,263
of which: Veregen revenues (royalties/milestones/supply)		3,101	3,048	3,128	3,433
R&D partnering (SynCore/Falk Pharma/grants)		1,214	3,155	0	0
Non-cash income (Eligard)		2,493	2,493	2,493	2,493
Bluebird bio partnership			1,053	3,338	3,338
Cost of sales		(1,103)	(1,402)	(1,231)	(1,353)
Gross profit		5,705	8,347	7,728	7,910
Selling, general & administrative spending		(7,615)	(7,942)	(8,286)	(8,524)
R&D expenditure		(8,529)	(11,538)	(17,884)	(19,672)
Other operating spending			0	0	0
Operating profit		(10,439)	(6,891)	(18,443)	(20,286)
Goodwill & intangible amortisation		(526)	(525)	(524)	(523)
Exceptionals		0	4,242	0	0
Share-based payment		(111)	(50)	(50)	(50)
EBITDA		(9,384)	(10,238)	(17,644)	(19,488)
Operating profit (before amort. and except.)		(9,802)	(10,558)	(17,869)	(19,713)
Net interest		(2,914)	(1,009)	(1,495)	(1,928)
Other (forex gains/losses; associate profit/loss)		(46)	263	720	1,489
Profit before tax (norm)		(12,762)	(11,304)	(18,644)	(20,152)
Profit before tax (FRS 3)		(13,399)	(7,637)	(19,218)	(20,725)
Tax		400	228	0	0
Profit/(loss) from discontinued operations		0	0	0	0
Profit after tax (norm)		(12,362)	(11,076)	(18,644)	(20,152)
Profit after tax (FRS 3)		(12,999)	(7,409)	(19,218)	(20,725)
Average number of shares outstanding (m)		16.8	20.0	21.0	22.1
EPS - normalised (c)		(73.55)	(55.51)	(88.63)	(91.11)
EPS - FRS 3 (€)		(0.77)	(0.37)	(0.91)	(0.94)
Dividend per share (c)		0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed assets		51,552	47,742	50,012	52,282
Intangible assets & goodwill		35,713	35,767	35,243	34,720
Tangible assets		2,502	3,323	6,117	8,910
Other non-current assets		13,337	8,652	8,652	8,652
Current assets		59,900	63,973	61,190	36,767
Stocks		6,654	7,866	7,866	7,866
Debtors		763	1,175	1,175	1,175
Cash		46,759	52,630	49,847	25,424
Other		5,724	2,302	2,302	2,302
Current liabilities		(9,664)	(11,966)	(11,966)	(11,966)
Trade accounts payable		(1,354)	(973)	(973)	(973)
Short-term borrowings		0	0	0	0
Deferred income		(226)	(3,575)	(3,575)	(3,575)
Other		(8,084)	(7,418)	(7,418)	(7,418)
Long-term liabilities		(13,879)	(21,157)	(17,820)	(14,482)
Pension provisions		(359)	(408)	(408)	(408)
Long-term borrowings		0	0	0	0
Other liabilities (Deferred taxes; Trianta milestones)		(2,915)	(2,395)	(2,395)	(2,395)
Deferred revenues (Eligard non-cash income & bluebird bio)		(10,605)	(18,354)	(15,017)	(11,679)
Net assets		87,909	78,592	81,416	62,601
CASH FLOW					
Operating cash flow		(10,585)	(3,611)	(19,469)	(20,977)
Net interest		(20)	(45)	5	(428)
Tax		0	(102)	0	0
Capex		(1,328)	(1,677)	(3,019)	(3,019)
Expenditure on intangibles		0	0	0	0
Acquisitions/disposals		0	10,537	0	0
Equity financing		43,695	(77)	19,700	0
Other		21	846	0	0
Net cash flow		31,783	5,871	(2,783)	(24,424)
Opening net debt/(cash)		(14,976)	(46,759)	(52,630)	(49,847)
HP finance leases initiated		0	0	0	0
Other (foreign exchanges differences)		0	0	0	0
Closing net debt/(cash)		(46,759)	(52,630)	(49,847)	(25,424)

Source: Medigene accounts, Edison Investment Research

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