

Medigene

H1 results

Transition to prominent immunotherapy player

Medigene's H1 results are in line with our expectations and represent the completion of its transformation into a prominent T-cell immunotherapy player. Highlights from H1 include submission of a clinical trial authorisation (CTA) to begin its first clinical T-cell trial and a fund-raising of €20.7m (gross). We maintain our valuation at €315m, but expect upside as it executes on its strategy over the next 12-18 months.

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.

Strong progress in H117

H117 denotes the completion of Medigene's transition into a T-cell immunotherapy-focused company. It submitted a CTA application in July to begin the first clinical trial with its proprietary T-cell receptor (TCR) modified T-cells. If approved, the company intends to start a combined Phase I/II safety and feasibility clinical trial at the end of 2017. This submission completes the transformative Trianta Immunotherapies acquisition, triggering the final milestone payment of €2m to be made within the next five months. Medigene also achieved a fund-raising of €20.7m (gross), which leaves the company well-funded to develop its clinical programmes. For an overview of the company-initiated trial (CIT) design and Medigene's TCR technology, please see our recent [outlook note](#).

Significant steps expected in H217 and beyond

In H217 we expect Medigene to initiate its own TCR clinical study as well as an investigator-initiated TCR study. Alongside progression of its TCR programme into the clinic, we also expect the company to generate further TCR leads, particularly through its TCR development deal with bluebird bio, a prominent T-cell immunology company. We believe it is worth noting that Medigene operates in an area of significant interest, particularly around CAR-T candidates and technologies and, importantly, its TCRs could offer efficacy/safety advantages.

Valuation: Maintained at €315m with upside potential

We maintain our rNPV-based valuation at €315m or €14.23/share. Medigene has now completed its transformation into an immunotherapy company, demonstrated by the final milestone being triggered by the CTA submission. Medigene is well funded (H117 net cash, equivalents and time deposits of €60m) and we expect a number of important milestones in 2017 and 2018, which could offer upside to the stock. Specifically, we expect completed enrolment in Phase I/II studies for its DC vaccines in AML, the start of its first company-initiated TCR clinical study and potential newsflow relating to the progression of TCR leads resulting from its bluebird bio deal.

Pharma & biotech

3 August 2017
Price €10.69

Market cap €236m

Net cash (€m) at 30 June 2017 59.9

Shares in issue 22.1m

Free float 70.7%

Code MDG1

Primary exchange XETRA

Secondary exchange Frankfurt

Share price performance



% 1m 3m 12m

Abs (5.6) (4.6) 57.2

Rel (local) (3.3) (2.0) 30.9

52-week high/low €14.8 €6.7

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

Q3 results 9 November 2017

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Medigene 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
PROFIT & LOSS						
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	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
BALANCE SHEET						
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
CASH FLOW						
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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