

Mologen AG

Pivotal cancer immunotherapy player

Mologen is developing cancer immunotherapies for the post-chemo maintenance setting. Lead product, MGN1703, is in three clinical trials for different indications. Following the €28.3m (gross) proceeds from the rights issue in April 2015, Mologen should have sufficient funds to reach full recruitment of IMPALA (Phase III in colorectal cancer) and top-line data from IMPULSE (Phase II in lung cancer); the latter could positively affect partnering or financing options for MGN1703. We value Mologen at €384m.

Multiple clinical trials underway

MGN1703, an innovative best-in-class TLR9 agonist, is currently in three clinical trials. Data from the pivotal study, IMPALA, in metastatic colorectal cancer (mCRC), are due by end 2017, a significant value inflection point for Mologen. Meanwhile, top-line data from the fully recruited Phase II IMPULSE study in small cell lung cancer (SCLC) are expected in H216 and could prompt licensing discussions. Finally, recruitment has completed for the Phase I TEACH study to treat HIV, the first non-cancer study for MGN1703; promising data from the study could expand the use of MGN1703 beyond cancer applications.

MGN1703: Building on IMPACTful data

MGN1703 is an immunomodulating drug that broadly activates the immune system, enabling it to increase the recognition and combat of cancer cells. To date, Mologen has reported encouraging preliminary overall survival (OS) data from a 59-pt Phase II study in mCRC (IMPACT). In patients who initially responded to induction chemo, there was a pronounced OS benefit (24.5 months) vs placebo (15.1 months). This underscores the IMPALA trial design, which only includes chemo-responders.

MGN1601: Unique renal cancer cell vaccine

The 19-pt Phase I/II ASET study found MGN1601 to be safe. Additionally, it showed promising OS data in a subgroup of patients and certain predictive biomarkers were identified. A Phase II study is planned subject to financing and/or a partner.

Valuation: Risk-adjusted NPV of €384m

We value Mologen at €384m, or €17/share, based on a risk-adjusted NPV analysis of the product portfolio (MGN1703 and MGN1601). The rights issue extended the cash runway into 2017, incorporating key milestones: IMPULSE top-line data (H216) and full enrolment of IMPALA (Q416). We forecast fresh financing of €30m in 2017 to complete IMPALA; however, we note that a partnership could be secured ahead of this, on the back of positive IMPULSE data.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/13	0.2	(9.9)	(0.64)	0.0	N/A	N/A
12/14	0.0	(17.0)	(1.01)	0.0	N/A	N/A
12/15e	0.0	(18.1)	(0.90)	0.0	N/A	N/A
15/16e	0.0	(20.0)	(0.96)	0.0	N/A	N/A

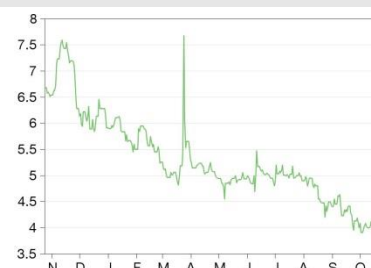
Source: Mologen, Edison Investment Research

Pharma & biotech

Price €3.63

Market cap €82m

Share price graph



Share details

Code	MGN
Shares in issue	22.6m
Net cash (€) at 30 June 2015	34.9

Business description

Mologen is a German biotech company developing novel cancer immunotherapies. The lead products are MGN1703 (TLR9 agonist) for metastatic colorectal cancer maintenance and SCLC, which has also recently started a study in HIV; and MGN1601, an allogeneic renal cancer cell vaccine.

Bull

- Phase II study with MGN1703 showed pronounced OS benefit in certain subgroups.
- MGN1703's mechanism of action means use could be extended beyond cancer indications.
- Immunotherapy is a multi-billion dollar market.

Bear

- Dependent on fresh financing/partnership to complete IMPALA study.
- Partner not secured on back of IMPACT study.
- Trials conducted to date in small patient numbers.

Analysts

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