

Molgen

Lefitolimod partnership close to completion

Molgen has signed term sheets for a global partnership with Oncologie for its lead asset, lefitolimod. The deal is expected to complete in Q119, and in the near term Molgen expects to receive €23m from the agreement in a combination of R&D funding, cash payment and bond issues. Sensitivity remains around Oncologie, which is an early-stage biotech with \$16m in seed funding. Molgen completed a capital raise in which it received gross proceeds of €8.2m. Focus remains on data from the Phase III IMPALA trial in metastatic colorectal cancer (mCRC), expected in 2019. We value Molgen at €179m (€19.3/share).

Oncologie: Challenges remain with early partner

Oncologie will lead the global development of lefitolimod (TLR9 agonist). Near-term financing is split such that Molgen has received €3m in cash and €2m in interest-free convertible bonds, with a further €2m bond expected once the final contract is signed. It also expects €7m in budgeted expenses (for IMPALA) and €9m in funding for additional combination studies in the short term. Longer-term considerations involve over €1bn and a tiered royalty rate on net sales (peak 16%). Oncologie must finish a mid-double digit million funding round to enable the deal to be closed.

IMPALA: Phase III readout in 2019

Molgen now forecasts that IMPALA, a 549-patient (enrolled), two-arm, randomised pivotal Phase III trial for the maintenance treatment of mCRC patients, will read out in 2019. Near-term catalysts could be provided by initial (safety) data from the ICI combination trial and the initiation of a new study with lefitolimod in HIV (TITAN).

Financials: Cash reach until mid-2019

Net loss in H118 was reduced to €4.8m (H117: €10.7m) as a result of a reduction in R&D costs and the initial payment of €3m from Oncologie. Estimated current net cash of c €12m (includes Oncologie financing paid to date and €8.2m gross capital raise) should fund Molgen into mid-2019. Molgen has received potential termination notices for its 2016/24 and 2017/25 convertible bonds, an agreement with the principal bond holder has been reached that will avert immediate payment of both convertible bonds at a total amount of €6.6m. The terms and conditions of both bonds have been amended and will be submitted to the creditors for approval.

Valuation: €179m (€19.3/share)

We value Molgen at €179m (€19.3/share). We have rolled forward our model, which is based on a risk-adjusted rNPV of lefitolimod across a range of indications and regions. Additionally, we have updated it for the €8.2m gross capital raise.

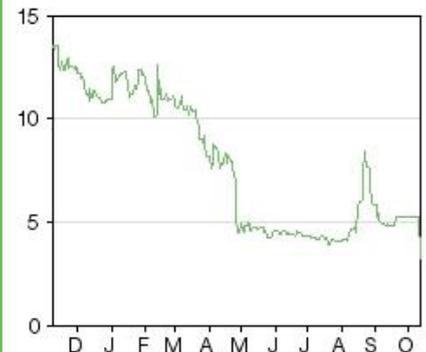
Edison estimates						
Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	0.0	(20.8)	(4.22)	0.0	N/A	N/A
12/17	0.0	(19.3)	(2.81)	0.0	N/A	N/A
12/18e	6.0	(11.1)	(1.19)	0.0	N/A	N/A
12/19e	7.0	(9.7)	(1.05)	0.0	N/A	N/A

Source: Edison Investment Research

Pharma & biotech

Price €3.0
Market cap €28m

Share price graph



Share details

Code MGN
 Shares in issue 9.27m
 Net cash (€) as at 30 June 2018 0.7m

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.

Bull

- Positive safety profile of lefitolimod.
- iPharma collaboration could bring in significant revenue.
- Phase III IMPALA mCRC trial holds long-term potential.

Bear

- Limited current cash reach into mid-2019.
- Pipeline currently focused on one asset (lefitolimod).
- Company currently reliant on success of Phase III IMPALA readout.

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