

# Medigene

Trading update

## Financial strength through trial readouts

In H118, Medigene announced several key developments including the start of its MDG1011 Phase I/II TCR clinical trial, a gross capital raise of €32.3m (which expands cash reach past 2019) and the expansion of its bluebird partnership to cover a total of six targets (worth potentially US\$1.5bn in milestones plus royalties). The MDG1011 Phase I/II clinical trial is enrolling patients and we forecast that the Phase I part of the TCR trial and the now fully enrolled Phase I/II DC vaccine trial will read out in 2019. We have updated our forecasts and now value Medigene at €453m (€18.47/share).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/16	9.7	(13.4)	(0.66)	0.0	N/A	N/A
12/17	11.4	(12.4)	(0.60)	0.0	N/A	N/A
12/18e	10.4	(17.8)	(0.76)	0.0	N/A	N/A
12/19e	11.0	(17.2)	(0.70)	0.0	N/A	N/A

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

## TCR trial: Aiming to increase enrolment speed

Medigene has begun enrolment for its first clinical trial (Phase I/II) with its T-cell receptor (TCR) modified T-cell (MDG1011) product candidate in patients with r/r multiple myeloma (MM), acute myeloid leukaemia (AML) or myelodysplastic syndrome (MDS). Medigene has noted that it is in discussion with the German regulatory authority with the aim of speeding up enrolment by changing the inclusion criteria from one patient per disease in each dose cohort to require at least one MM patient and at least one patient of either AML or MDS.

## bluebird expansion aids immunotherapy growth

Medigene's expansion of the bluebird's partnership (see our update note, [bluebird bio back for more](#)) to include an additional two TCRs takes the total to six ongoing programmes. The expansion includes a one-off payment of €8m to Medigene and up to €250m in potential milestone payments per candidate, which resulted in core immunotherapy revenues growing to €3.4m from €2.3m in H117.

## H118 financials: €32.3m gross raise boosts capital

To reflect new guidance, we have adjusted our revenue forecasts to account correctly for the deferred revenue from the recent expansion of the bluebird collaboration. We have reduced our FY18 R&D forecasts (€21.6m vs €25.3 previously), as H118 clinical trial costs were lower than previously forecast due to slower patient enrolment, and forecast an FY18 EBITDA loss of €18.2m vs a loss of €21.2m previously. The net €30.1m capital raise has strengthened Medigene's cash to €80.8m at end June 2018 (including time deposits).

## Valuation: €453m (€18.47/share)

We value Medigene at €453m (€18.47/share) vs €416m (€18.65/share) previously. This is based on an rNPV of its TCR, DC and legacy assets in addition to deal metrics for the bluebird bio partnership and legacy asset, Veregen. We have rolled forward our model and include the recent €30.1m net capital raise.

Pharma & biotech

7 August 2018

Price **€12.70**

Market cap **€312m**

Net cash (€m) at 30 June 2018 (including time deposits) 80.8

Shares in issue 24.6m

Free float 80.3%

Code MDG1

Primary exchange Xetra

Secondary exchange Frankfurt

### Share price performance



% 1m 3m 12m

Abs (0.1) (8.6) 25.6

Rel (local) (0.9) (7.0) 22.6

52-week high/low €18.8 €8.9

### Business description

Medigene is a German biotech company with complementary technology platforms in cancer immunotherapy. Its dendritic cell vaccines and T-cell receptors (TCRs) are both in Phase I/II clinical studies.

### Next events

MDG1011 initial clinical data 2019

DC vaccine initial clinical data 2019

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**Exhibit 1: Financial summary**

	€'000s	2016	2017	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		9,749	11,375	10,409	11,018
of which: Veregen revenues (royalties/milestones/supply)		3,048	2,790	1,433	1,582
R&D partnering (SynCore/Falk Pharma/grants)		3,155	0	0	0
Non-cash income (Eligard)		2,493	3,699	3,699	3,699
Bluebird bio partnership		1,053	4,886	5,278	5,738
Cost of sales		(1,402)	(1,621)	(553)	(613)
Gross profit		8,347	9,754	9,856	10,405
Selling, general & administrative spending		(10,025)	(8,266)	(7,186)	(7,395)
R&D expenditure		(11,538)	(14,877)	(21,572)	(21,787)
Other operating spending		0	0	0	0
Operating profit		(8,974)	(13,389)	(18,901)	(18,777)
Goodwill & intangible amortisation		(525)	(524)	(523)	(522)
Exceptionals		4,242	0	0	0
Share-based payment		0	0	0	0
EBITDA		(12,371)	(12,122)	(18,153)	(18,030)
Operating Profit (before amort. and except.)		(12,691)	(12,865)	(18,378)	(18,255)
Net interest		(1,009)	(1,434)	(691)	(478)
Other (forex gains/losses; associate profit/loss)		263	1,884	1,278	1,546
Profit Before Tax (norm)		(13,437)	(12,415)	(17,792)	(17,187)
Profit before tax (reported)		(9,720)	(12,939)	(18,315)	(17,709)
Tax		228	(634)	(101)	(101)
Profit/(loss) from discontinued operations		0	0	0	0
Profit after tax (norm)		(13,209)	(13,049)	(17,893)	(17,288)
Profit after tax (reported)		(9,492)	(13,573)	(18,416)	(17,810)
Average number of shares outstanding (m)		20.0	21.6	23.4	24.6
EPS - normalised (c)		(66.20)	(60.42)	(76.38)	(70.41)
EPS - Reported (€)		(0.48)	(0.63)	(0.79)	(0.73)
Dividend per share (c)		0.0	0.0	0.0	0.0
<b>BALANCE SHEET</b>					
Fixed assets		47,742	48,595	47,460	47,357
Intangible assets & goodwill		35,767	36,292	35,769	35,247
Tangible assets		3,323	4,329	4,717	5,136
Other non-current assets		8,652	7,974	6,974	6,974
Current assets		63,973	63,342	77,229	57,245
Stocks		7,866	7,724	7,724	7,724
Debtors		1,175	1,699	680	680
Cash		52,630	51,724*	66,631*	46,646*
Other		2,302	2,195	2,195	2,195
Current liabilities		(11,966)	(9,808)	(8,699)	(8,699)
Trade accounts payable		(973)	(725)	(798)	(798)
Short-term borrowings		0	0	0	0
Deferred income		(3,575)	(3,575)	(3,495)	(3,495)
Other		(7,418)	(5,508)	(4,406)	(4,406)
Long-term liabilities		(21,157)	(15,962)	(20,379)	(17,042)
Pension provisions		(408)	(405)	(405)	(405)
Long-term borrowings		0	0	0	0
Other liabilities (Deferred taxes; Trianta milestones)		(2,395)	(3,672)	(3,672)	(3,672)
Deferred revenues (Eligard non-cash income & bluebird bio)		(18,354)	(11,885)	(16,302)	(12,965)
Net assets		78,592	86,167	95,612	78,861
<b>CASH FLOW</b>					
Operating cash flow		(3,611)	(20,729)	(17,475)	(19,562)
Net interest		(45)	(45)	109	322
Tax		(102)	(75)	(101)	(101)
Capex		(1,677)	(1,533)	(613)	(644)
Expenditure on intangibles		0	0	0	0
Acquisitions/disposals		10,537	480	1,242	0
Equity financing		(77)	19,329	30,078	0
Other		846	1,667	1,667	0
Net cash flow		5,871	(906)	14,907	(19,985)
Opening net debt/(cash)		(46,759)	(52,630)	(51,724)	(66,631)
HP finance leases initiated		0	0	0	0
Other (foreign exchanges differences)		0	0	0	0
Closing net debt/(cash)		(52,630)	(51,724)	(66,631)	(46,646)

Source: Company accounts, Edison Investment Research. Note: \*Cash consists of cash in addition to both long- and short-term time deposits.

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