amp biosimilars AG *5a,11

Rating: BUY
Target Price: €40.30

Current Price: 15.45
21/09/2015 / MCH / 8:10am
Currency: EUR

Key Information:

ISIN: DE000A0SMU87
WKN: A0SMU8
Ticker symbol: 1YA
Number of shares[3]: 2.05
Marketcap[3]: 31.67
EnterpriseValue[3]: 31.64
[3] in mEUR
Freefloat: 20.0 %

Transparency level:
Freiverkehr
Market segment:
Börse München
Accounting standard:
HGB

Financial year-end: 31.12

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* catalogue of potential conflicts of interests on page 7

Date of completion/ Date of publication:
21/9/2015 / 21/09/2015

Company Profile

Sector: Biotechnology

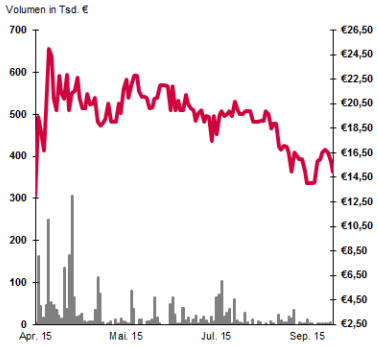
Focus: Development and licensing of biosimilars

Employees : 10 As at : 1/4/2015

Founded : 2008

Registered Office : Hamburg

Executive Board : Dr. Hentz (CEO), G.Janssen (CFO), Dr. Adermann (CTO), G. McGettigan (COO)



The focus of amp biosimilars AG, which was founded in 2008 and has been listed on the Munich Stock Exchange since 1 April 2015, is the development of high-quality biosimilars. In the financial year 2014, key moves were made both in the area of core competences and in the selection of suitable product candidates. While suitable employees could be found, the company carried out preparatory work on developing cell lines and cell banks in the development of biosimilars. Alongside this, amp biosimilars AG held negotiations on potential joint venture deals and business partnerships to ensure the funding for the product pipeline. In this regard, amp biosimilars AG has already licensed the first two projects to Chinese pharmaceutical companies. The development of biosimilars gives the company direct access to an industry characterised by strong momentum. Particularly in light of the progressing discontinuation of patents for originator products (reference products for manufacturing biosimilars), the market for biosimilars should show strong growth in the next few years. The platform approach allows amp biosimilars AG to develop biosimilars more cheaply, efficiently and quickly than was previously possible.

P&L in EUR m	2015e	2016e	2017e	2018e	2019e	2020e
Sales	0.00	0.00	0.14	0.72	13.14	31.06
EBITDA	-1.37	-3.16	-4.86	-7.03	6.96	24.78
EBIT	-1.37	-3.16	-4.86	-7.04	6.92	24.05
Net profit / loss	-1.37	-3.16	-4.86	-7.04	5.82	20.66

Per Share Figures in EUR						
EPS	-0.67	-1.54	-2.37	-3.43	2.84	10.08

Key Figures						
EV/Sales	n.def.	n.def.	225.98	43.94	2.41	1.02
EV/EBITDA	-23.07	-10.02	-6.51	-4.50	4.55	1.28
EV/EBIT	-23.09	-10.01	-6.51	-4.49	4.57	1.32
P/B	-23.12	-10.02	-6.52	-4.50	5.44	1.53

Financial dates

****last research published by GBC:**

Date: publication/price target in €/Rating

14/7/2015: RS / 40.30 / BUY

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Executive Summary

Half-year figures 2015 on target; target price and rating confirmed

- **Performance in the first half of 2015 did meet expectations**

As expected, the operating performance of the first six months of 2015 at amp biosimilars AG represented a period without turnover, resulting in a net loss of €0.60 million. A decisive factor therein was expenditure in connection with the stock exchange listing carried out in the first half of 2015, as well as expenditure linked to the out-licensing of the first two biosimilar development projects.

- **An important milestone reached thanks to the out-licensing of two projects**

In the first half of 2015, amp biosimilars AG was focussed on out-licensing projects as well as the developing and expanding of processes and the organisation. Our first ever out-licensing of two projects to a Chinese partner represented a particularly important milestone for us, and it shows the company's strategy which will also be applied to future projects, as they are to be out-licensed in an early stage of development. This brings the advantage that the comprehensive costs of clinical development are borne by the license partners.

- **Lower liquidity requirements due to early out-licensing**

Building on the foundation established in the first six months of 2015, amp biosimilars AG is expected to be able to identify further development candidates. We expect to begin preclinical development of four additional biosimilars before 2017. The financial requirements of the company are considered as low in the context of early out-licensing.

- **Significant turnover and income contribution expected in 2019**

The expectation is that amp biosimilars AG will achieve its first turnover in 2017. With the first sale of distribution rights for biosimilar projects expected in the financial year 2019, a corresponding income contribution is also expected to be attained. In principle, the business model of amp biosimilars AG is highly scalable.

- **Confirmation of the target price of €40.30, "BUY" rating**

Since assumptions have remained unchanged in comparison with the previous research study (see Initial Coverage Study of 14/07/2015), thus confirming forecasts, we have kept the DCF valuation model unchanged. We thereby confirm the previous target price of €40.30 per share and renew the "BUY" rating.

Business development as at 30/06/2015

During the first six months 2015 amp biosimilars AG was focussed on out-licensing projects as well as the developing and expanding of processes and the organisation. Furthermore the listing of the amp-share at the Freiverkehr of the Börse München took place in April 2015.

Besides, during the HY1 2015 a concentration on human resources was undertaken. Now the company unites a wide know-how in the area of biosimilar development within the management board. With the Scientific Board, which currently consists of three members, the amp biosimilars AG gets an active support for the world-wide commercialisation-strategy as well as in the field of scientific and regulatory processes.

On that basis the amp biosimilars AG in the HY1 2015 had the ability to successfully out-license two biosimilar development projects in the areas oncology and immunology to a Chinese pharmaceutical-company. The strategy of an early out-licensing brings the advantage that the comprehensive costs of clinical development are borne by the license partners. As well the Chinese market, as so called Pharmerging Market, deems to be very interesting, in particular because of the high growth-rates in the pharmaceutical segment. According to IMS Health China as one of the strongest growing markets in the world will show an annual growth-rate of 16.7 % until 2017. Furthermore with biosimilars new patient groups are developed in the pharmerging markets, for which the treatment with patented and expensive reference drugs is too cost intensive.

As expected, the operational development of the amp biosimilars AG during the first six months 2015 was affected by lacking sales due to the still early development stage of the amp-projects, causing a negative earnings-situation. The net loss by 30/06/2015 was €0.60 million and is substantially affected by the expenses in conjunction with the listing on the stock market as well as the out-licensing of the first two projects. As of 30/06/2015 the company holds a cash position of €1.45 million.

Forecasts and Model Assumptions

in €m	FY 2015e	FY 2016e	FY 2017e	FY 2018e	FY 2019e	FY 2020e
Sales	0.00	0.00	0.14	0.72	13.14	31.06
EBIT	-1.37	-3.16	-4.86	-7.04	6.92	24.05
Net profit or loss	-1.37	-3.16	-4.86	-7.04	5.82	20.66

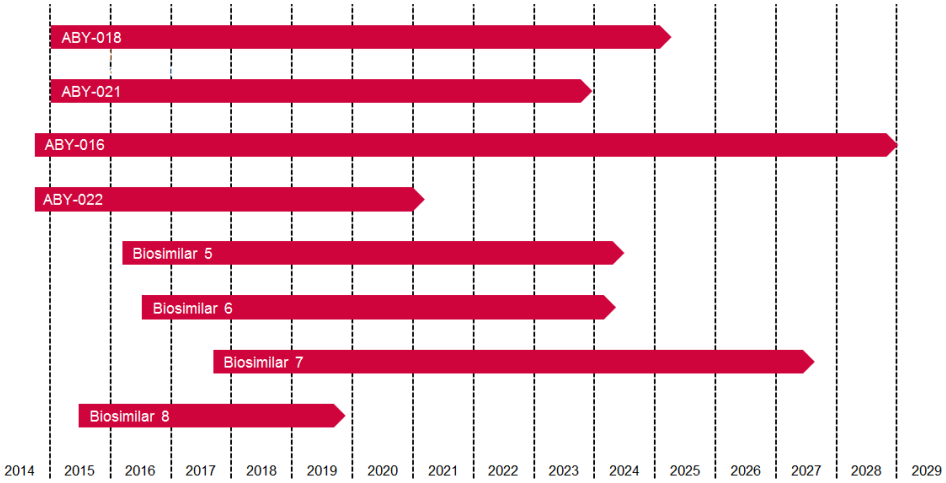
Source: GBC AG

The basis for our turnover and result forecasts for future financial years is the project pipeline and the associated marketing timescale developed by us, while taking into account other biosimilar developments. The marketing turnover derived from this, yet only expected from 2019, is the key driver of revenue. amp biosimilars AG is also set to collect upfront fees as part of the additional planned licensing of product candidates and the regional expansion of licence contracts that have already been concluded. We also considered the option of a complete sale of the products as a basis for our turnover forecasts, where we assumed a potential sale at a more advanced stage of development, with correspondingly high revenues.

By 2017, we expect the identification and the start of the preclinical development of four additional biosimilar candidates, meaning that the product pipeline will then be expanded to a total of eight. It is notable that the current Chinese licence partner has signalled interest in a significantly higher number of biosimilar developments. amp biosimilars AG is also in discussions regarding additional partnerships, meaning that new licence

partners could be envisaged even for the current financial year 2015. Based on our assumptions, the following development schedule (preclinical and clinical) has been worked out, taking into account the planned expansion of the project pipeline:

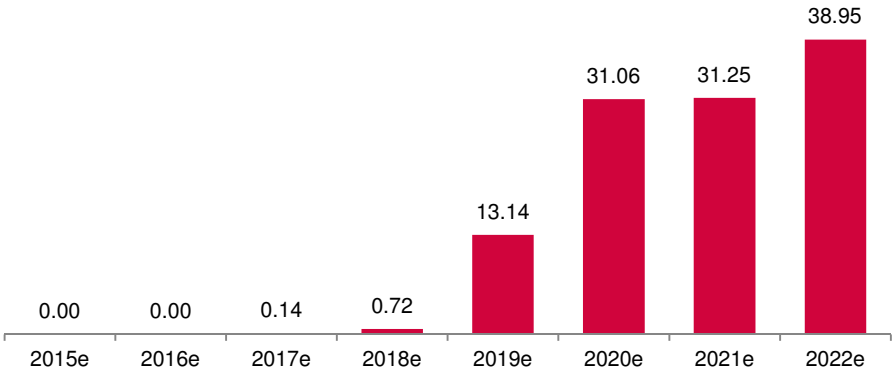
Project schedule of amp biosimilars AG



Source: amp biosmilars AG; GBC AG

For our turnover forecasts, we assume early licensing of projects in the preclinical development stage, similar to the licences already in place. As we assume that licence partners will take over the funding for the clinical trials, the financial requirements for amp biosimilars AG are deemed low. This should also be the case for potential joint venture partnerships in which the partner company takes on the majority of the financing for the clinical trial. Under this strategy, amp biosimilars AG should receive a small amount of upfront payments and milestone payments at the point of licensing and depending on the development progress of the products.

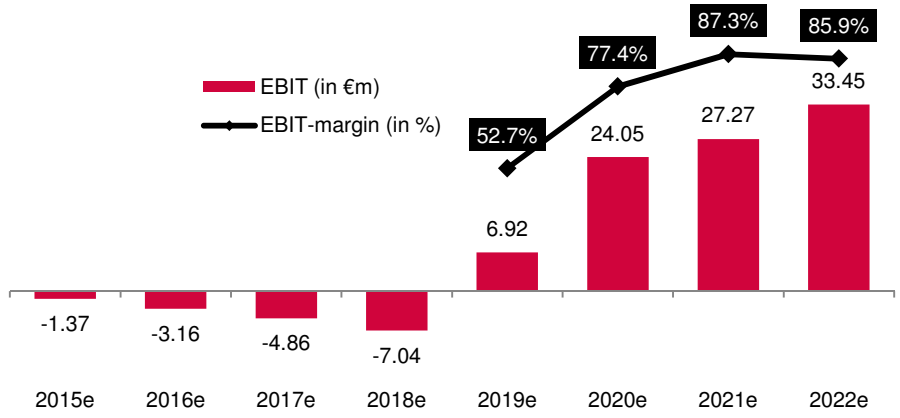
Sales forecasts (in € million)



Source: GBC AG

As expected, amp biosimilars AG will still generate negative operating results in coming financial years (until 2019) due to the continued lack of any notable revenue. It is only once the expected first sale of distribution rights for biosimilar projects in the financial year 2019 has taken place that corresponding profit contributions will be generated. However, amp biosimilars AG's business model, with revenue consisting of licensing revenue or revenue from the sale of distribution rights, is highly scalable. This means that an increase in the sales base is accompanied by an increase in earnings. With an expected steady growth of the cost base, even EBIT margins of over 80.0% are possible, which we also suggested as a long-term target figure in our DCF valuation model.

Forecasted EBIT (in € million) and EBIT-margin (in %)



Source: GBC AG

Based on EBIT, total financial requirements of €16.43 million have been forecasted until the end of the financial year 2018 or until break-even is reached. According to company data, various funding options may be taken. For example, a major shareholder made a funding commitment. Various capital market instruments, both of a debt or an equity nature, could also be issued. There are currently no specific plans for this yet.

Since assumptions have remained unchanged in comparison with the previous research study (see Initial Coverage Study of 14/07/2015), thus confirming forecasts, we have kept the DCF valuation model unchanged. We thereby confirm the previous target price of €40.30 per share and also, consequently, the "BUY" rating based on a current share price of €15.45.

ANNEX

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BUY	The expected return, based on the derived target price, incl, dividend payments within the rel 10 %.
HOLD	The expected return, based on the derived target price, incl, dividend payments within the rel 10 % and < + 10 %.
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The analysts responsible for this analysis are:
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