

21/10/2016 - GBC Research Comment - MagForce AG

Company: MagForce AG^{*5a,6a,11}

ISIN: DE000A0HGQF5

Analyst: Cosmin Filker

Latest stock quote: 4.22 € (XETRA-closing price 20/10/2016)

Target price: 14.30 €

Rating: Buy

Date of completion / publication: 21/10/2016

* Potential conflicts of interest on page 4

Directors' dealings sending positive signals to the markets

At the life-science company MagForce AG interesting directors' dealings can be observed. CEO Dr. Ben Lipps published a number of insider purchases in the past few weeks. Since August 2016, he purchased 55,100 additional shares, distributed over six trades. This makes the CEO one of the most active insider traders in Germany and sends a signal of confidence regarding the future development of the company to the markets. Several scientific studies show that insider trades from executive or non-executive directors give a fundamental indication of the future development of the company and the share price. Hence, we take the insider purchases as an opportunity to conduct a comprehensive analysis of the MagForce AG.

Insider purchases from MagForce CEO Dr. Ben Lipps

Date	Share price	Volume	Number of shares
09/08/16	4.50 €	49,499.56 €	11,000
30/08/16	4.66 €	51,228.10 €	11,000
30/09/16	3.94 €	51,190.10 €	13,000
05/10/16	4.17 €	30,021.84 €	7,200
06/10/16	4.19 €	30,164.40 €	7,200
11/10/16	4.39 €	25,008.75 €	5,700

Source: MagForce AG

MagForce AG is active in the field of nanomedicine and focuses on cancer therapy. The company already received European approval for its fully functional medical product to treat brain tumours, but the technology could also be used to treat other solid tumours. Furthermore, MagForce aims to receive approval for the treatment of prostate cancer in the USA. The application for a clinical study has already been submitted to the FDA.

The method is based on the principle of introducing magnetic nanoparticles directly into a tumour and then heating them in an alternating magnetic field. The special aminosilane coating of the nanoparticles allows them to remain at the treatment site. The particles are activated by a magnetic field and then heat up, which in turn destroys cancer cells. Beside the development of the liquid NanoTherm[®], MagForce also developed the NanoActivator[®], the device that activates the alternating magnetic field as well as the NanoPlan[®] Software for the treatment. The treatment already received European approval and demonstrated in previous clinical studies medicinal safety and high effectiveness. Initially, NanoTherm[®] is used as a supplement to conventional cancer treatments, but in our opinion, NanoTherm[®] has the potential to replace chemo- or radiotherapy.

The medical need in Europe for the treatment of glioblastoma (malignant brain tumour) is quite high. EU-wide there are over 20,000 patients that suffer from aggressive brain tumour diseases. Only little progress has been made over the past 20 years to treat glioblastoma and the survival rates are still very low. Also, the market potential for the

treatment of prostate cancer is significantly larger due to the higher number of cases. In the USA alone, there are about 200,000 people suffering from prostate cancer.

In the past reporting periods MagForce AG focused on the commercialization of the NanoTherm®-treatment. In this regard, three additional NanoActivator® devices have been installed and these can be utilized for commercial treatment as well as for conducting post-marketing follow-up studies. Since the 30th June 2016 a total of six clinics in Germany are equipped with a NanoActivator®, from which four offer the commercial treatment of brain cancer:

Footprint of MagForce AG for the treatment glioblastoma



Source: MagForce AG; GBC AG

To increase the number of commercial treatments, the question of how costs are reimbursed still needs to be answered. In addition to the self-payers and the reimbursement through foundations, there is also an advanced reimbursement process planned for Germany that could also be expanded to other countries. Furthermore, MagForce AG conducts a post-marketing study involving key opinion leaders in the area of oncology. The involvement of these key opinion leaders and their familiarization with the innovative treatment should increase the acceptance of MagForce's technology. Also, additional installed units in other European countries are expected to increase the number of commercial treatments.

Moreover, MagForce further pushes the USA approval for the treatment of prostate cancer. The subsidiary MagForce USA, Inc. already submitted an application to the FDA to conduct a clinical study in mid-2015. The proposed study, which will enrol up to 120 patients, should demonstrate that NanoTherm® therapy can focally ablate cancer lesions for patients who have Gleason Score 7 prostate cancer and are under active surveillance. The commercialisation in Europe (glioblastoma) in combination with the commercial treatment in the USA (prostate cancer) could lead to significant sales and earnings, which in turn would have a positive effect on the share price.

Hence, in our opinion the valuation level of the current share price is quite low. The insider purchases of CEO Dr. Ben Lipps also send positive signals to the market. The target price of 14.30 € offers a great upside potential and therefore we give the rating BUY. Simultaneously, we include the MagForce share in our insider index 'GBC Insider Focus Index' (ISIN: DE000SLA2JE2).

Note: Shortly we will update our valuation of MagForce in a comprehensive research study (Anno).

ANNEX

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