

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

BUY

Target Price: €13.50
(previous TP: €13.50)

Current price: 4.33
27/11/19 / XETRA / 5:36 pm
Currency: EUR

Key information:

ISIN: DE000A0HGQF5
WKN: A0HGQF
Ticker symbol: MF6
Number of shares³: 27.64
Marketcap³: 119.68
EnterpriseValue³: 105.74
³ in € million

Transparency level:
Entry Standard
Market segment:
Freiverkehr
Accounting standard:
HGB

Financial year-end: 31/12

Designated Sponsor:
Hauck & Aufhäuser

Analysts:

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* catalogue of potential conflicts of interest on page 6

Date (time) of completion:
28/11/2019 (09:21 am)

Date (Time) first distribution:
28/11/2019 (11:30 am)

Target price valid until:
max. 31/12/2020

Company Profile

Sector: Medical Technology

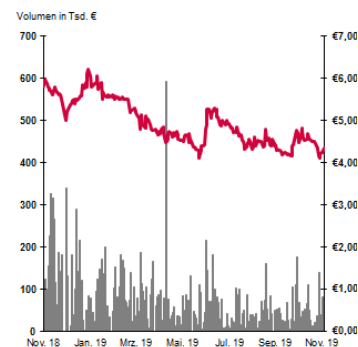
Specialty: Cancer Treatment

Employees: 28 Status: 31/12/2018

Founded: 1997

Registered Office: Berlin

Executive Board: Dr. Ben J. Lipps, Prof. Dr. Hoda Tawfik,
Christian von Volkmann



By its own account, MagForce AG, with its registered office in Berlin, is a leading company in the field of nanomedicine with a focus on cancer treatment. The NanoTherm[®] treatment developed by the company could be suitable for the local treatment of almost all solid tumours. The treatment is based on heat that is created by the activation of injected superparamagnetic nanoparticles. The components of this treatment, the medical devices NanoTherm[®] and NanoPlan[®], the thermometric catheter TK01 and NanoActivator[®] with the thermometric unit are certified in the EU for the treatment of brain tumours. The objective of the new cancer treatment is to establish itself as a further pillar of cancer treatment alongside conventional treatment methods such as surgery, radiotherapy and chemotherapy. In addition, the MagForce technology is currently being approved for the treatment of prostate cancer in the United States. According to available data, the NanoTherm therapy displays a promising degree of effectiveness as well as being well tolerated.

| P&I in EURm | 2018 | 2019e | 2020e | 2021e | 2022e | 2023e |
|------------------------------|------|-------|-------|-------|-------|-------|
| Sales | 0.07 | 0.92 | 5.29 | 23.02 | 41.67 | 65.82 |
| EBITDA | 7.43 | -7.12 | -4.79 | 3.35 | 12.23 | 25.51 |
| EBIT | 6.83 | -7.63 | -5.26 | 2.60 | 11.34 | 24.21 |
| Net profit before minorities | 4.36 | -9.46 | -7.40 | 0.27 | 9.24 | 23.17 |

Key figures

| | | | | | | |
|-----------------------|---------|--------|-------|--------|-------|------|
| EV/Sales | 1578.27 | 114.94 | 19.99 | 4.59 | 2.54 | 1.61 |
| EV/EBITDA | neg. | neg. | neg. | 31.57 | 8.65 | 4.15 |
| EV/EBIT | neg. | neg. | neg. | 40.67 | 9.32 | 4.37 |
| P/B before minorities | neg. | neg. | neg. | 443.26 | 12.95 | 5.17 |

Financial dates

24-26/11/19: Equity Forum Frankfurt.

**last research published by GBC:

Date: Publication / Target Price in EUR / Rating

10.09.2019: RS / 13.50 / BUY

07.11.2018: RS / 15.30 / BUY

10.08.2018: RS / 15.80 / BUY

04.07.2018: RS / 15.80 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Half-year figures in line with our expectations, target price and rating confirmed

| in €m | 1.HY 2016 | 1.HY 2017 | 1.HY 2018 | 1.HY 2019 |
|--------------------|-----------|-----------|-----------|-----------|
| Sales | 0.59 | 0.68 | 0.02 | 0.03 |
| Total Output | 0.75 | 1.29 | 9.22 | 0.36 |
| EBIT | -3.38 | -3.00 | 5.31 | -3.61 |
| Net profit | -3.19 | -3.02 | 4.11 | -4.91 |
| Operating Cashflow | -3.41 | -3.15 | -4.01 | -2.86 |
| Investing Cashflow | 3.12 | 0.00 | -0.52 | -0.79 |
| Financing Cashflow | 2.27 | 10.29 | 9.19 | 3.33 |
| Liquid assets | 3.37 | 7.74 | 5.33 | 1.18 |

Sources: MagForce AG; GBC AG

Company Development 1.HY 2019

As stated in our most recently published research study (see study dated 10/09/2019), the operating performance of MagForce AG is currently marked by the expansion of the commercialisation of NanoTherm technology to treat glioblastoma in Europe and by the progress made in gaining approval for treating prostate cancer in the USA.

In terms of the treatment of glioblastoma in Europe, which has already been approved, the company primarily implemented a regional expansion of the treatment portfolio. In this regard, the first treatment centre outside of Germany was opened with the installation of a mobile NanoActivator[®] at the Independent Public Clinical Hospital No. 4 of the Medical University in Lublin (Poland). This step is a direct result of the high proportion of patient requests coming from Poland, which amounted to a total of 40% in 2018. For the treatment of glioblastoma in particular, proximity to the treatment centre generally results in treatment starting promptly, which is of the utmost importance.

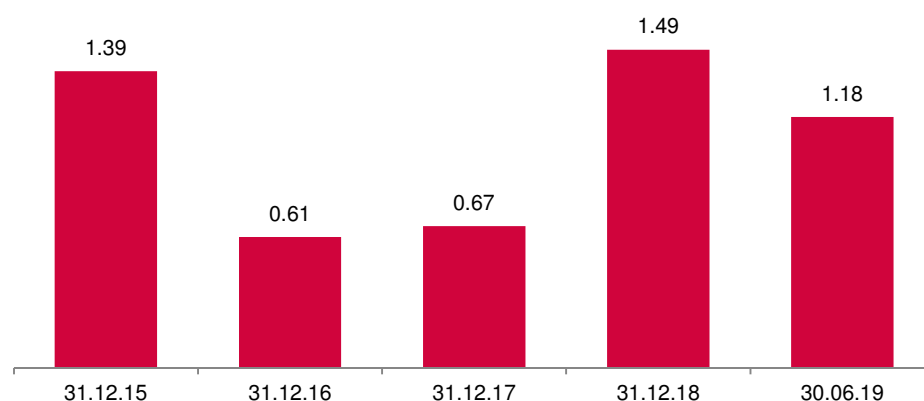
Based on the current high level of patient interest, the roll-out of the mobile solution should also be carried out in Spain and Italy. In addition to the foreign roll-out, MagForce AG has also concluded another cooperation agreement with the Paracelsus Clinic in Zwickau, Germany. By the end of the current financial year 2019, a new NanoTherm treatment centre is to be opened here.

At the same time, the company has successfully completed the first stage of the pivotal single-arm study for the treatment of prostate cancer. As part of this study phase, the treatment processes were successfully established, with only minor side effects found in the treated patients. The clinical registration trial will be continued on a total of up to 120 patients at the Urology Specialist Clinics of the Texas Urology Group of the University of Texas (San Antonio), at the University of Washington (Seattle) and at the Sarasota Interventional Radiology Centre.

In light of current treatment figures for brain tumour patients in Europe, which are still very low, as well as the pending approval for prostate treatment in the USA, the traditional operating key figures for MagForce AG are of no significance. The income statement is typically characterised by negative earnings contributions. This was also the case for the first six months of 2019, in which negative post-tax earnings of €-4.91 million (previous year: €4.11 million) were reported. The fact that a positive value was achieved in the same period in the previous year is solely due to a transfer of shares in the US company MagForce USA to the German company MagForce USA Holding GmbH that took place at the time, which was accompanied by a cash-neutral realisation of hidden reserves.

However, the company's financial resources are of significant importance. At first glance, these financial resources have a comparatively low value, amounting to €1.18 million at the end of the first half of 2019. However, the company only received €1.8 million from the capital increase that took place in June 2019 (amounting to a gross figure of €5 million) after the balance sheet date. In addition, the company concluded a financing agreement with the EIB (European Investment Bank) in 2018, for the amount of up to €35 million, thereby enabling the amount of available liquidity to be increased at short notice when needed.

Liquid Assets (in €m)



Sources: MagForce AG; GBC AG

Forecasts and Valuation

| In €m | 2019e | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e |
|-------------|-------|-------|-------|-------|-------|-------|--------|--------|
| Sales | 0.92 | 5.29 | 23.02 | 41.67 | 65.82 | 89.83 | 115.55 | 152.64 |
| EBITDA | -7.12 | -4.79 | 3.35 | 12.23 | 25.51 | 38.68 | 53.15 | 70.21 |
| EBIT | -7.63 | -5.26 | 2.60 | 11.34 | 24.21 | 36.95 | 50.63 | 66.39 |
| Net profit* | -9.46 | -7.40 | 0.27 | 9.24 | 23.17 | 37.84 | 65.82 | 86.30 |

Sources: MagForce AG; GBC AG; *before minorities

The values achieved in the first six months of 2019 are in line with our expectations. Based on the European roll-out and the continuing development expected with regard to the approval of the MagForce technology for prostate cancer treatment in the USA, we expect an increase in revenue from the coming financial year onwards, however, significant revenues will most likely only be generated from 2021.

According to our expectations, the Company should first benefit from the European roll-out. In addition to the further regional expansion of the range of treatments in Germany (Zwickau), the newly opened treatment centre in Lublin (Poland), where the mobile NanoTherm® technology was commissioned in April 2019, plays an important role here. Given the fact that more than 40% of the enquiries received in 2018 from over 700 patients came from this region, it is understandable that the Polish market should be addressed accordingly. Proximity to the treatment centre is essential to such patients because glioblastoma is a rapidly progressing disease associated with severe mobility restrictions. Although cover for treatment costs continues to accelerate in Poland, the current focus is on the self-financing of treatment costs (including crowdfunding). Additional market entries in Italy and Spain currently feature in the company's concrete plans.

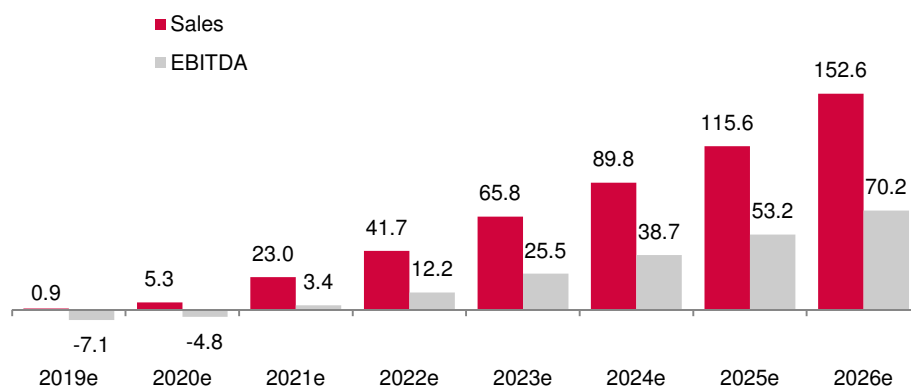
In Germany, too, cover for costs is expected to be increased, thus increasing the number of treatments performed. MagForce AG can already report its first success in this re-

spect. Previously, individual patient costs had been covered, but in future, due to the increasing number of cases, treatment centres may be able to negotiate their budgets with the health insurance funds. However, the issue of cost coverage will continue to be explored in the coming financial years.

We assume that the registration trial on prostate treatment in the USA, which will include up to 120 patients, will be completed in the coming financial year. In this indication area, which is characterised by a significantly higher population, the first significant revenues should be generated from the financial year 2021 onwards.

As there are no changes in our assumptions from our last research study (see research study dated 10/09/2019), we confirm our revenue and earnings forecasts. We continue to assume an increase in commercial treatment revenues for Europe from the financial year 2020 onwards and an increase in revenues for the glioblastoma indication from 2021.

Forecasts Sales and EBITDA (in €m)



Source: GBC AG

Our expectations show that the break-even point should be achieved across all operating levels when the strong increase in revenue is achieved after the approval for prostate cancer treatment in the USA in financial year 2021.

On the basis of the unchanged forecasts and the unchanged DCF valuation model, we confirm the stock price target of €13.50. Based on the current share price, we therefore maintain our BUY rating.

ANNEX

I.

Research under MiFID II

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2. The research report is simultaneously made available to all interested investment services companies.

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The recommendations/ classifications/ ratings are linked to the following expectations:

| | |
|------|---|
| BUY | The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$. |
| HOLD | The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$. |
| SELL | The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$. |

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Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

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