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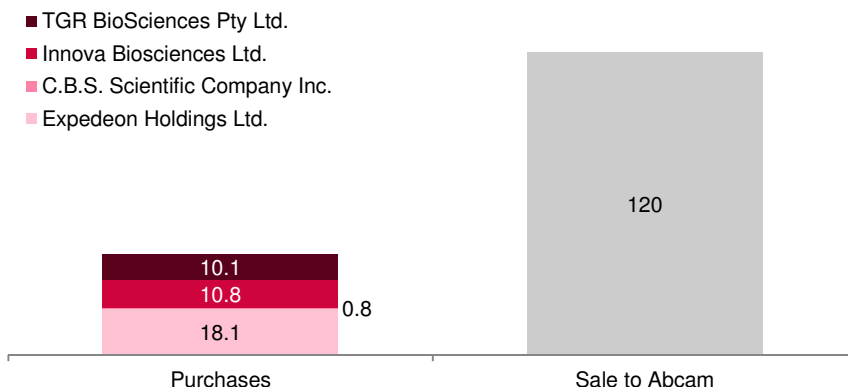
Sale of the immunology and proteomics divisions will net €120 million (€2.29 per share), DNA business is to be expanded

Company: Expedeon AG^{*4,5a,7,10,11}
 ISIN: DE000A2YN801
 Analysts: Cosmin Filker, Marcel Goldmann
 Current Share Price: € 1.59 € (XETRA; 13/11/2019; 1:48 pm)
 Target Price: €3.20
 Rating: BUY
 Date of completion/Date of first distribution (german version):
 13/11/19 (1:56 pm) / 14/11/19 (9:30 am)
 Date of completion/Date of first distribution (english version):
 03/12/19 (09:47 am) / 03/12/19 (11:00 am)
 *catalogue of potential conflicts of interests on page 4

On 11/11/2019, Expedeon AG reached an agreement with antibody online distributor Abcam plc for the planned sale of the immunology and proteomics businesses. If the deal is approved at the extraordinary general meeting set for 19/12/2019, the transaction is expected to be closed on 01/01/2020. According to the agreement, a total purchase price of €120 million (in cash) is to be paid for the purchase of the two divisions, with €105.6 million payable immediately and €14.4 million paid over a two-year period.

The business segments about to be sold were acquired by Expedeon AG in recent financial years as part of intensive M&A activities. Starting with the purchase of the now eponymous proteomics specialist Expedeon in 2016, the electrophoresis equipment provider C.B.S. Scientific was purchased in late 2016. These acquisitions were followed by the purchase of protein measurement companies Innova Biosciences (2017) and TGR Biosciences (2018). The total purchase price for these four companies is €39.8 million, i.e. appreciably less than the sale price of around €120 million that will now be realised. Expedeon AG’s current market capitalisation of €83.2 million would also be significantly exceeded with the purchase price.

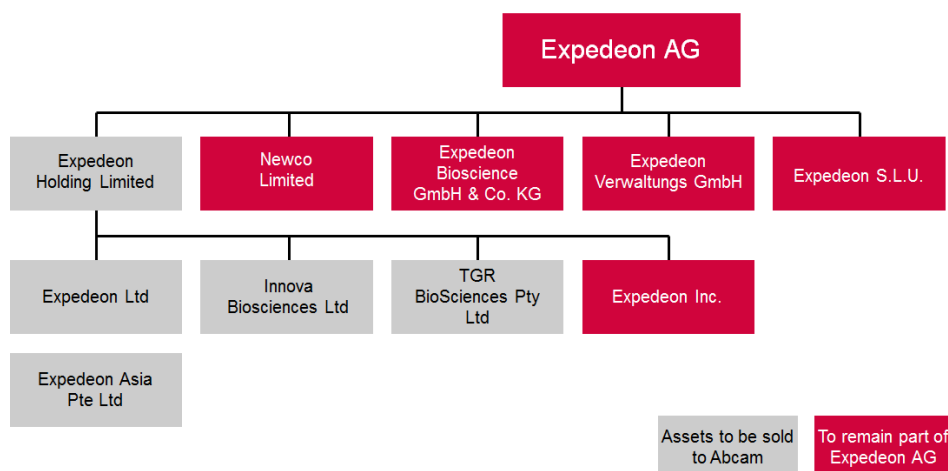
Purchase versus sale of immunology and proteomics divisions (in € million)



Sources: Expedeon AG; GBC AG

According to our findings, the divisions and products to be sold account for around 90% of Expedeon’s annual sales and should make a sharply positive earnings contribution. With annual sales of these products expected to be around €14.4 million for 2019, this would represent a purchase price multiple exceeding 8.

After the planned deal is finalised, the product area of the “genomics” segment is to remain in Expedeon AG (the name of which is proposed to be changed to “4BaseBio AG” at the general meeting) with the key products TruePrime™, SunScript® and with products of the electrophoresis sector of the former C.B.S. Scientific. The operating figures for the coming financial year would also be marked by the loss of the major part of the sales proceeds and earnings contribution. In 2020, the company should post only around 10% of the current revenue level, or around €1.6 – 2.0 million. From the current standpoint, however, we cannot yet estimate the actual impact, and for this reason we are not changing our previous forecasts for the time being (see Research report dated 07/10/2019). The company specifically expects that overall 38% of the operating assets will not be sold. US subsidiary Expedeon Inc. is not to be included in the sale assets, but is to be transferred prior to the sale from Expedeon Holdings Ltd. to Expedeon AG. After the transaction, the organisational structure is expected to change as follows:



Source: Expedeon AG; GBC AG

According to the company, the future focus will be on the proprietary technology TruePrime™, and specifically on the expansion of GMP-certified production of DNA. This is to be supplied to pharma and biotech companies which need large quantities of good quality DNA for the production of gene therapies or gene vaccines. To complement this, additional products and technologies are to be acquired as part of a buy&build strategy. Expedeon’s management has, with its previous M&A successes, delivered proof of concept for the success of this strategy. According to the company’s management board (company presentation), up to €13.5 million in revenues are expected to be generated by 2022 in the gene therapy and diagnostic business areas.

If the deal is successfully completed, as we assume it will be, Expedeon AG would have cash and cash equivalents of €120 million (incl. cash inflow in the next two years), resulting in significant financial leeway. This would be equivalent to liquidity of €2.29 per share, which in our view now represents the valuation floor for the Expedeon share. Until we can concretely estimate the remaining business, we also confirm our previous price target of €3.20 per share. We continue to assign it a BUY rating.

ANNEX

I.

Research under MiFID II

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