MagForce AG*5a,11

BUY
Target Price: €11.00
(previous TP: €11.00)

Current price: 3.35
12/11/21 / XETRA / 5:36 pm
Currency: EUR

Key information:

ISIN: DE000A0HGQF5
WKN: A0HGQF
Ticker symbol: MF6
Number of shares[3]: 29.36
Marketcap[3]: 98.35
EnterpriseValue[3]: 129.87
[3] in € million

Transparency level:
Entry Standard

Market segment:
Freiverkehr

Accounting standard:
HGB

Financial year-end: 31/12

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* catalogue of potential conflicts of interest on page 6

Date (time) of completion:
15/11/2021 (08:30 am)

Date (Time) first distribution:
15/11/2021 (10:00 am)

Target price valid until:
max. 31/12/2022

Company Profile

Sector: Medical technology

Specialty: Cancer therapy

Employees: 29 Status: 31.12.2020

Foundation: 1997

Head office: Berlin

Board of Directors: Dr. Ben J. Lipps, 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® and the thermometric catheter TK01 and NanoActivator® with a thermometric unit are certified in the EU for the treatment of brain tumours. The objective of this 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 tolerated well.

P&l in EURm	2020	2021e	2022e	2023e	2024e	2025e
Sales	0.62	0.85	19.32	36.30	57.36	82.97
EBITDA	19.29	-7.88	6.11	11.65	23.10	39.61
EBIT	18.62	-8.66	4.84	10.14	20.90	35.95
Net profit before minorities	14.75	-12.02	0.78	5.46	15.76	33.34

Key figures						
EV/Sales	209.13	153.51	6.72	3.58	2.26	1.57
EV/EBITDA	6.73	neg.	21.26	11.15	5.62	3.28
EV/EBIT	6.97	neg.	26.81	12.80	6.21	3.61
P/B before minorities	6.67	neg.	125.76	18.02	6.24	2.95

Financial dates
22.11.-24.11.21: Equity-Forum

**last research published by GBC:
Date: Publication / Target Price in EUR / Rating
18.10.2021: RS / 11.00 / BUY
20.07.2021: RS / 11.00 / BUY
29.04.2021: RS / 11.00 / BUY
11.02.2021: RS / 11.00 / 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"

1st HY 2021: FDA approval for final pivotal study received, forecasts and price target confirmed, rating: BUY

in €m	1st HY 2018	1st HY 2019	1st HY 2020	1st HY 2021
Sales	0.02	0.03	0.38	0.19
Total output	9.22	0.36	0.92	1.08
EBIT	5.31	-3.61	-3.43	-3.15
Net profit	4.11	-4.91	-4.88	-5.05
Cashflow (operating)	-4.01	-2.86	-2.29	-2.79
Cashflow (investing)	-0.52	-0.79	-1.85	-1.05
Cashflow (financing)	9.19	3.33	5.65	2.79
Liquid assets	5.33	1.18	1.68	0.65

Sources: MagForce AG; GBC AG

Business development in the first half of 2021

In the context of the research study (Anno) of 20.07.2021, we had already postulated our expectations that MagForce AG would probably report low treatment figures overall in Europe (indication area: glioblastoma) in the first half of 2021. This is due in particular to the pandemic-related closure measures, which led to low patient enquiries in both the first and second quarters. In our previous research study, we had only expected an increase in commercial treatments and thus in revenues for the second half of 2021. Consequently, sales revenues of € 0.19 million (previous year: € 0.38 million) were still below the previous year's value. Due to the unchanged low level of sales, there is still no cost coverage, so that negative values are reported both at the EBIT level and at the level of the after-tax result.

So far, only glioblastoma treatments in Europe have been relevant for the company's revenue development. In the first six months of 2021, four treatment sites were in operation for this purpose (three sites in Germany, one site in Poland). The effects of the Corona pandemic led to delays in the commissioning of sites in other European countries (e.g. Spain, Italy), which had actually been planned for 2020. As expected, a cooperation agreement with the Spanish clinic Complejo Hospitalario Integral Privado (CHIP), and thus entry into the Spanish market, was announced in September 2021, i.e. after the half-year reporting date. Further clinics in Austria, Germany and Italy are to be added as new treatment locations in the short to medium term.

In parallel, the approval for the treatment of prostate cancer in the USA was advanced in the first half of 2021. Accordingly, study Part 2a of the registration trial was successfully completed in the first six months of 2021 and the FDA approved the start of Stage 2b beginning November. According to data published in April 2021, only minimal side effects were observed in the included patients and the good safety and tolerability profile already observed in the preliminary study was confirmed once again. According to the company, the data on the efficacy of prostate treatment with MagForce technology are also very encouraging. Very well-defined ablation and cell death in the area of the nanoparticle depot were observed.

Analogous to the negative earnings level, the operating liquidity consumption (operating cash flow) in the first half of 2021 was €2.79 million (previous year: €2.29 million). The fact that a comparatively smaller decline in cash and cash equivalents to €0.65 million (31.12.20: €1.07 million) is nevertheless reported is due to the financing measures implemented. Since June 2020, MagForce AG has been able to issue convertible bonds with a volume of up to €15 million as part of an agreement with Yorkville Advisors. In June 2021, a tranche of around €1.5 million was issued and around €1.8 million was converted into

equity in the first six months. In addition, an agreement on the issuance of convertible bonds was concluded with Apeiron Investment Group Ltd. in March 2021, under which convertible bonds in the amount of approximately € 1.9 million were issued in the first six months. Further bonds can be issued from both agreements.

Forecast and Evaluation

in € m	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Revenues	0.85	19.32	36.30	57.36	82.97	113.30	138.50	156.80
EBITDA	-7.88	6.11	11.65	23.10	39.61	56.63	70.26	79.34
EBIT	-8.66	4.84	10.14	20.90	35.95	50.92	63.69	71.91
Net profit before minorities	-12.02	0.78	5.46	15.76	33.34	63.34	81.43	93.48

Source: GBC AG

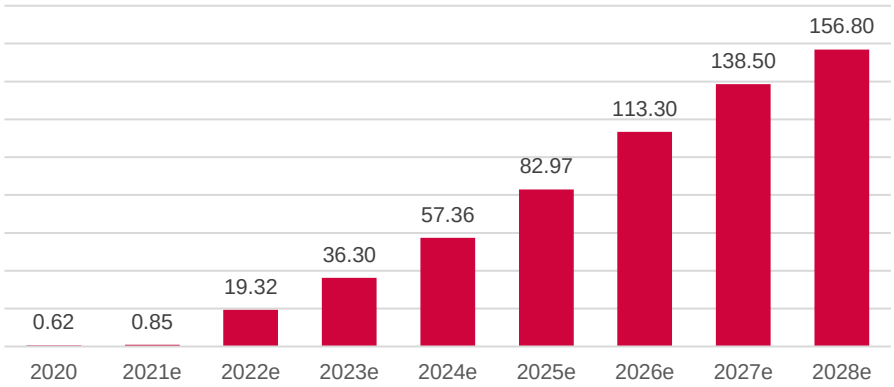
In mid-October 2021, MagForce AG received the conditions for approval of the final clinical protocol for the Phase 2b trial from the FDA. After the company submitted the required documents to the regulatory authority, the FDA approved the final study protocol and the start of Stage 2b on 5 November 2021. This means that this Stage 2b, in which up to 100 patients are enrolled, can begin promptly. According to the company's applications, targeted biopsies can be used as desired to assess efficacy. The trial will demonstrate that the Mag-Force technology can be used to treat prostate patients in a targeted manner with minimal side effects. The first results are to be delivered to the FDA after 15 and after 30 treated patients in order to provide an early first indication of the study objective, while patient treatments continue.

In the current company announcement, the summer of 2022 was confirmed as the expected approval date. This confirms our previous assumption (see Comment of 18.10.2021), according to which we expected commercialisation to start in the second half of 2022. A rapid start of commercial treatments is possible primarily because the treatment centres and personnel required for commercialisation are already in place for the conduct of the pivotal trial. Accordingly, there is no need to build up the infrastructure. However, it is likely that further centres will be added to the current MagForce treatment centres in Texas, Washington and Florida as early as the 2022 financial year, thus enabling broader regional coverage.

Our assumptions for glioblastoma treatment in Europe have also been confirmed with the publication of the half-year report and the cooperation now in place in Spain. We expect that the current portfolio of four NanoActivator devices, in addition to Spain, will be expanded in Italy, Austria and Germany, so that eight treatment centres will be in operation in 2022. In addition, reimbursement will remain a focus. In Spain, for example, an Investigator-Initiated Trial (IIT) is to be carried out at the Carlos Haya Malaga University Hospital, on the basis of which reimbursement is to take place. The treatments in Poland are also to form the basis for reimbursement within the framework of an IIT.

With the expansion of the treatment offer, a noticeable increase in commercial treatments is to be achieved in Europe. Parallel to this, with the expected approval in the USA, commercialisation activities for prostate treatment are also to begin from 2022. While the current financial year 2021 should still be characterised by low sales revenues, the company should achieve a visible jump in sales from the coming financial year 2022.

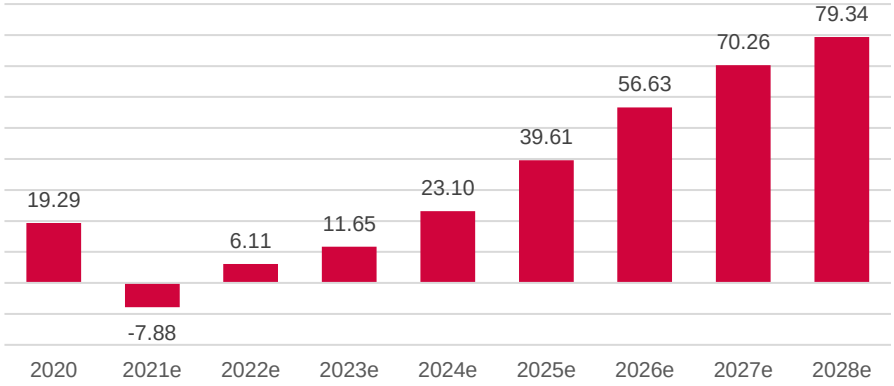
Sales forecast (in € million)



Sources: MagForce AG; GBC AG

As early as the coming 2022 financial year, MagForce AG should be in a position to break even for the first time and at all earnings levels.

EBITDA forecast (in € million)



Sources: MagForce AG; GBC AG

As we consequently maintain our previous revenue and earnings estimates unchanged, we confirm our previous price target of € 11.00 per share. We continue to assign a BUY rating.

ANNEX

I.
Research under MiFID II
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