APONTIS PHARMA AG

Germany / Pharmaceuticals
Xetra
Bloomberg: APPH GR
ISIN: DE000A3CMGM5

Initiation of coverage

RATING	**BUY**
PRICE TARGET	**€ 17.00**
Return Potential	101.9%
Risk Rating	Medium

TURNAROUND SUPERCHARGED BY NEXT WAVE OF SINGLE PILL EXPANSION

Apontis Pharma AG (Apontis) is a leading specialty pharmaceutical company focusing on the development and marketing of a broad portfolio of "single pills" and other drugs for cardiovascular and respiratory diseases in Germany. Single pills combine two to three off-patent active pharmaceutical ingredients (APIs), in one combination preparation. Single pill therapies are scientifically proven to significantly improve adherence to medication of patients, while reducing adverse cardiovascular events, mortality and treatment costs. 2023 was a difficult year with revenue setbacks leading to substantial EBITDA losses. The new CEO, Mr Wohlschlegel, is a marketing veteran with >26 years' experience at the large German company Merck where he was most recently responsible for the German subsidiary and the European pharma business with a turnover in the billions. He took office in September 2023 to restructure, turnaround and increase efficiency at Apontis. He downsized staff to 110 (previously 185) in record time with anticipated annual savings of €6m to €7m p.a., launched a modern multichannel marketing strategy to approach physicians more efficiently and closed an exclusive marketing deal for two asthma drugs with Novartis. Following strong Q1 2024 financial results, we see Apontis in excellent shape to accelerate penetration of the highly attractive single pill market. We view Apontis as a very compelling turnaround story. Based on our DCF model, we initiate coverage of Apontis with a Buy rating and a price target of €17.00, which represents an upside potential of >100% from the current level.

Five growth drivers will propel revenue and profitability growth at Apontis
We recognise five key factors that will boost revenue growth: 1) ongoing single pill portfolio expansion; 2) increasing physician awareness of the excellent results from the two large START and SECURE studies in favour of Apontis' single pills; 3) collaborating health insurance companies actively promoting single pill use among physicians; 4) the new multichannel marketing approach; and 5) the Novartis exclusive deal has very favourable terms. This partnership is also a positive reference for additional collaborations with big pharma.

FINANCIAL HISTORY & PROJECTIONS

	2022	2023	2024E	2025E	2026E	2027E
Revenue (€ m)	55.73	36.96	50.70	60.46	71.85	83.19
Y-o-y growth	8.9%	-33.7%	37.2%	19.3%	18.8%	15.8%
EBIT (€ m)	3.81	-15.12	1.23	6.52	11.52	15.84
EBIT margin	6.8%	-40.9%	2.4%	10.8%	16.0%	19.0%
Net income (€ m)	2.69	-11.30	1.12	4.66	8.19	11.31
EPS (diluted) (€)	0.32	-1.33	0.13	0.55	0.96	1.33
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€ m)	-3.23	-14.57	-11.84	1.96	6.75	9.70
Net gearing	-82.9%	-61.9%	-22.0%	-24.6%	-35.3%	-45.6%
Liquid assets (€ m)	36.35	26.82	9.10	11.21	18.12	27.99

RISKS

Risks include, but are not limited to execution, loss of public tenders and competition.

COMPANY PROFILE

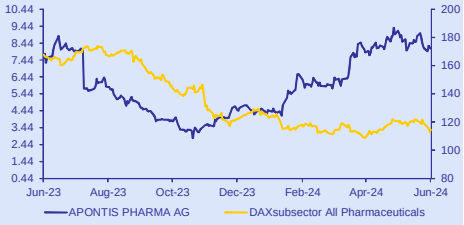
Apontis is a leading German specialty pharmaceutical company focusing on the development, marketing and distribution of a broad portfolio of "single pills" and other drugs, with a particular focus on cardiovascular and respiratory diseases. Single pills combine two to three off-patent active ingredients in one pill and they are scientifically proven to significantly improve adherence, treatment outcome and quality of life of patients.

MARKET DATA

As of 21 Jun 2024	
Closing Price	€ 8.42
Shares outstanding	8.50m
Market Capitalisation	€ 71.57m
52-week Range	€ 2.82 / 9.34
Avg. Volume (12 Months)	11,109

Multiples	2023	2024E	2025E
P/E	n.a.	67.9	16.4
EV/Sales	1.6	1.1	1.0
EV/EBIT	n.a.	46.7	8.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023	
Liquid Assets	€ 26.82m
Current Assets	€ 35.11m
Intangible Assets	€ 17.54m
Total Assets	€ 57.46m
Current Liabilities	€ 11.39m
Shareholders' Equity	€ 30.26m

SHAREHOLDERS

Paragon	38.0%
Kreissparkasse Biberach	5.3%
DekaBank	2.9%
Free float and other	53.8%

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INVESTMENT CASE

Apontis 3.0 – A reshaped company with a more efficient go-to-market model… In November 2023, Apontis launched a comprehensive restructuring and efficiency program aimed at cutting costs while increasing operational performance to return to profitability. These measures should lead to a reshaped company, Apontis 3.0, capable of delivering sustainable, profitable growth driven by the single pill business and leveraged by exclusive marketing agreements for attractive, synergistic drugs. The staff was downsized to 110 (previously 185) while the sales force was reduced to 65. The restructuring expenses for these changes amounted to €5.6m in 2023, with anticipated annual savings of €6m to €7m expected from 2024 onwards. The new go-to-market-model includes targeted off-line and online marketing campaigns for specific single pills with high growth potential (instead of the broader single pill concept), targeting physicians with high prescribing potential.

…using a modern multichannel strategy Apontis' multi-channel marketing model is leveraging various platforms to reach healthcare professionals and patients effectively. This approach integrates traditional off-line sales methods (sales team visits, conferences, etc.) and new digital tools including online marketing campaigns, email contact and a digital platform that provides information and supports healthcare professionals in identifying the single pill medication available to manage cardiovascular diseases – CVD (https://www.single-pill.de/fachkreise). The company will also enhance its collaborations with health insurance companies, specialist associations, and medical quality bodies to promote guideline-based therapy with single pill combinations. Apontis has also implemented a new technical infrastructure for collecting, processing, and utilising prescription data to monitor the impact from its off-line and online marketing efforts and take corrective action where necessary. The leading large pharmaceutical companies use multichannel approaches as they have proven to be quite successful in enhancing engagement with physicians, improve patient satisfaction, streamline operations and increase the effectiveness of marketing efforts (e.g. see chapter growth driver #4 – case study of Pfizer in Japan).

Attractive product portfolio with strong growth momentum – Expansion in Europe planned after 2026 Apontis currently has 15 single pills on the market. Backed by a robust development pipeline, Apontis launched four new products with a combined medium-term sales potential >€15m in 2023 and it has launched the first of four further products planned for 2024 with a combined mid-term sales potential of ~€17m. As a result, the single pill business will grow from sales of €12.7m in 2018 to expected sales of €36m in 2024, which corresponds to a CAGR of ~19%. The market launch of two further single pills with mid-term sales potential of ~€10m is planned for 2025, which will expand the portfolio to 20 single pills by 2025. Furthermore, the company is actively pursuing international expansion of its single pill portfolio after 2026. To this end, Apontis has entered into agreements with three CRMOs for the development of six new single pills, whereby Apontis will own the EU-wide IP rights. These products, expected to be launched in 2027 and 2028, will drive the company's international expansion and enable broader market access across Europe.

Increasing awareness of solid medical evidence of the advantage of single pills can provide additional impulses for their adoption Scientific literature has documented evidence of the significant benefits of simplifying therapies since the early 2000s and the European Societies of Cardiology (ESC) and Hypertension (ESH) have advocated the use of single pills over multi-pill combinations since 2013. In 2017, Gupta et al. showed that with each additional pill in a treatment regimen, non-adherence increases by ~80%. The market penetration of single pills remains low at well <5% in most products. However, the retrospective German START study which included data from 59,336 patients treated with CV drugs for hypertension and/or CV disorders and EU-funded SECURE (phase 3 European study in 2,499 patients) in patients with myocardial infarction were published

within the scientific community (e.g. New England Journal of Medicine, 2022; Hypertension 2023, European Society of Cardiology Congress –ESC 2020 and 2022) between 2019 and 2022, and provided a new level of clinical evidence that did not previously exist. The START study showed that administration of single pills resulted in an up to 28% relative reduction in total hospitalisations, 24%-41% relative reduction in major adverse cardiovascular events (e.g. myocardial infarction, heart failure) and, importantly, an up to 38% relative reduction in all cause deaths. The SECURE study confirmed the general results of the START study in a prospective, randomised, and controlled setting in patients suffering from myocardial infarction. In the single pill group a significantly greater reduction in cardiovascular death was observed. Growing awareness among physicians about the excellent results of these studies could lead to greater use of single pills as the primary treatment for CVD, which would lead to a significant increase in the sales of Apontis' single pills.

We see campaigns by statutory health insurance companies actively recommending single pills as a relevant factor for further market penetration Apontis recently concluded two-year rebate agreements for four core single pills with Barmer and GWQ+, two leading German health insurance companies that together account for 23% of prescriptions by statutory health insurance funds. The two health insurance companies are also actively creating awareness and promoting single pills directly to physicians. The first campaigns were conducted in Q4 2023 to inform physicians about the benefits of single pills and recommend their use. The 2nd wave of communication with physicians took place in February 2024 and the company expects further campaigns to follow. We believe the actions of these "neutral" parties will have a strong influence on physicians' prescribing behaviour. Therefore, these collaborations have the potential to accelerate the adoption of the selected single pill products.

Exclusive five-year agreement for the marketing of two patent-protected asthma drugs with Novartis is the cherry on the cake In early April 2024, Apontis entered into a very attractive five-year distribution and marketing agreement with the German subsidiary of the Swiss pharmaceutical giant Novartis. This partnership involves the exclusive distribution and marketing of two patent-protected asthma medications, Enerzair and Atectura, within Germany. Apontis has the required physician network and knows this market well, making it an excellent match. This agreement is expected to contribute ~€9m in sales (annualised sales of ~€12m) and up to €1.5m in profit contribution for 2024 (annualised profit of up to €2m). We believe Apontis has made a significant quality upgrade from the previous "co-marketing" to the currently targeted "exclusive" agreements. The partnership has very attractive financial conditions whereby Apontis will receive a disproportionately greater profit the higher the revenue level becomes. Moreover, with the Novartis deal as a reference, we believe that it will be easier for the company to licence further small attractive products from big pharma in the future.

We initiate coverage of Apontis with a Buy recommendation and a price target of €17.00 The substantial growth drivers discussed above will allow Apontis to achieve strong revenue acceleration during the next 12 months and beyond. We thus anticipate the company will achieve revenue of €50.7m (+37% yoy) and a positive EBITDA of €3.3m (2023: €-13.2m) in 2024 (margin: 6.5%), which should jump to €8.8m in 2025 (margin: 14.6%). The strong anticipated improvement in financial performance warrants a higher valuation in our view. Our DCF valuation model yields a fair value for Apontis of €17.00 per share. We initiate coverage with a Buy rating.

SWOT ANALYSIS

STRENGTHS

- **Experienced management team** Mr Wohlschlegel (CEO), a recognised leader and marketing veteran with >26 years' experience at the large German company Merck (responsible for the German pharmaceutical subsidiary and the European pharma business with a turnover in the Euro billions) is the guarantor of the success of the recently introduced multichannel marketing strategy. Mr Thomas Milz (CPO) and Mr Thomas Zimmermann (CFO), are also highly qualified and seasoned executives who, together with Mr Wohlschlegel, have >80 years of experience in the pharmaceutical industry.
- **Market leader with a unique competitive position in the marketing of single pills in Germany** As the first specialty pharmaceutical company to enter the market and specialise in single pills, the company has a strong sales force of 65 employees and multiple marketing channels to target doctors, including GPs, and selected specialists in its focus areas of CVD and respiratory diseases. The main competitors, generic players, focus on pharmacies and thus lack a network among physicians.
- **Exclusive marketing agreement with Novartis on favourable terms validates Apontis' sales capabilities** The 5-year exclusive marketing agreement with high-calibre partner Novartis to commercialise two patent-protected asthma drugs confirms the value of Apontis' new multichannel go-to-market strategy. In addition, this attractive partnership is expected to generate annualised revenue of at least €12m p.a. and an EBITDA margin north of 15% over the next five years.
- **Solid financial position** At the end of December 2023 Apontis had a net cash position of €18.7m. After the return to positive EBITDA in Q1 2024, this strong net cash position indicates that the company is well financed to run operations without having to raise more money and dilute investors.

WEAKNESSES

- **High level of competition in certain drugs leads to tenders** Sales of Apontis' three largest single pills Atorimib, Caramlo and Tonotec, which we expect to account for >50% of single pill revenue in 2024, have been affected by tenders over the past two years. The loss of further tenders for these important products could have a further negative impact on the company's top line. Management has taken steps to diversify its single pill portfolio to reduce its dependence on these three products.
- **No patent protection on single pills** Single pills are a combination of generic drugs and are subject to a data protection period of 10 years. To market a single pill, a competitor would have to conduct its own registration process (which usually costs between €3m and €5m and takes ~3-5 years) per single pill and have a physician-targeted go-to-market-model. Although this represents a barrier to market entry, single pills do not enjoy market exclusivity like patent-protected drugs.
- **Small size compared with large, strong competitors** With a market cap of ~€70m, Apontis is small compared to the big generic players active in the cardiovascular/hypertension field such as Teva, Sandoz, Stada, Hexal, Zentiva Pharma, Aristo Pharma, Aliud Pharma, 1A Pharma, etc. Fortunately, due to the nature of their business, the sales force of generic players lack a network among physicians and only visit pharmacies, which limits their potential threat to Apontis.

OPPORTUNITIES

- **Solid medical evidence supports single pills** Two large studies, START (59,336 patients) and SECURE (2,499 patients), clearly demonstrated the advantages of administering single pills and therefore represent major milestones in medical evidence. Growing physician awareness of the excellent results of these studies could lead to increased adoption of single pills as the primary treatment for CVD, which would lead to a significant increase in the sales of Apontis' single pills.
- **Health insurance companies are actively recommending single pills** Apontis recently concluded two-year rebate agreements for four core single pills with Barmer and GWQ+, two German health insurance companies that together account for 23% of prescriptions by statutory health insurance funds. The two health insurance companies are also actively creating awareness and promoting medical benefits of single pills. The actions of these "neutral" parties are likely to have a strong influence on physicians' prescribing behaviour.
- **Attractive product portfolio with strong growth momentum** Apontis currently has 15 single pills on the market, Following the launch in 2023 of four new products with a combined mid-term sales potential >€15m, the company is planning to launch four further products in 2024 with a combined mid-term sales potential of ~€17m. As a result, the single pill business will grow from sales of €12.7m in 2018 to expected sales of €36m in 2024, which represents a CAGR of ~19%. Launch of two further single pills with mid-term sales potential of ~€10m is planned for 2025.
- **Expansion in Europe planned after 2026** Apontis is actively pursuing international expansion of its single pill portfolio after 2026. To this end, Apontis has entered into agreements with three CRMOs for the development of six new single pills, for which Apontis will own the EU-wide IP rights. These products, whose launch is scheduled in 2027 and 2028, will drive the company's international expansion and enable broader market access across Europe.

THREATS

- **The loss of public tenders could negatively impact sales** Losing tenders, particularly for the single pills with most revenue and at the same time most intense competition Atorimib (14 competitors), Caramlo (13), Tonotec (6) and Rosazimib (7), represent a significant threat to the top line. For example, Apontis lost important drug tenders for Caramlo, the company's third-best selling single pill in 2022. Over the next two years Caramlo sales dropped by almost 70% from €5.4m to €1.6m. However, the company has taken measures to defend itself against tender risk, such as introducing new package sizes without competition or focusing on new single pills where there are no competitors.
- **A growing single pill market may attract more competition** Apontis is currently the market leader in single pills, albeit its largest product does not generate sales >€15m. As the market grows and single pills generate more revenue, it may become attractive for large pharmaceutical companies or generic players to enter the single pill market, threatening Apontis' current dominance. However, the entry of new competitors could also increase the "voice" for single pills in the medical community.
- **Execution risk** The company's new multi-channel marketing measures in conjunction with promotion by the statutory health insurance partners will still need to increase the penetration of the existing product portfolio and boost uptake of the newly launched products to generate revenue growth.

VALUATION

Our valuation is based on a discounted cash-flow model. We believe that a DCF valuation methodology is best suited to capture the value of Apontis Pharma's operations, since this is leveraged to the longer-term nature of the healthcare industry. Taking into consideration typical life-cycle patterns in the industry, we have applied a two-stage growth model, which includes detailed projections of future sales, operating profit and free cash flows for the planning period 2024E-2045E. We have assumed a terminal free cash flow growth rate of 2.5%.

Using First Berlin methodology, which accounts for company-specific risk factors, we derive a cost of equity (COE) of 11.6% for Apontis Pharma AG. Our calculation is based on a risk-free rate of 2.4%, a market risk premium of 5.0% and a company-specific risk factor. Based on our forecast of uninterrupted positive free cash flows from 2025, we believe that Apontis will continue to operate with no debt in the long run, leading to a 100% long-term share of equity. Thus we estimate a WACC of 11.6%, which we use to discount the projected cash flows. Including net cash of €18.7m, we value Apontis at €145m. Based on 8.5m fully diluted shares outstanding, we calculate a fair value per share of €17.0. Current liquid funds are sufficient to finance operations going forward. We have thus not included any capital measures or dilution in the future.

Using our ten-factor risk analysis, we derive a medium risk rating for Apontis Pharma AG. The main risk factors we identify are execution, loss of public tenders and competition.

Figure 1: DCF Model

€000s	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	50,700	60,464	71,849	83,189	94,915	90,235	95,860	106,556
NOPLAT	949	4,564	8,061	11,090	14,392	15,502	18,509	21,550
+ Depreciation and amortisation	2,072	2,279	2,507	2,757	3,033	3,336	3,670	4,037
= net operating cash flow	3,020	6,843	10,568	13,847	17,425	18,838	22,179	25,586
- total investments (Capex and WC)	-15,036	-4,978	-3,940	-4,361	-4,814	-5,339	-5,834	-6,119
Capital expenditure	-4,400	-7,505	-4,202	-4,622	-5,084	-5,592	-5,986	-6,408
w orking capital	-10,636	2,527	262	261	270	253	152	289
= Free cash flow (FCF)	-12,016	1,865	6,628	9,486	12,611	13,499	16,344	19,467
PV of FCF's	-11,333	1,576	5,017	6,433	7,661	7,346	7,968	8,502

€000s	
PVs of FCFs explicit period (2024-45)*	114,076
PVs of FCFs in terminal period	11,693
Enterprise Value (EV)	125,770
Net debt/(net cash)	-18,742
Shareholder value	144,512
No. shares (000s)	8,500
Value per share (€)	17.00

WACC	11.63%
Cost of equity	11.63%
Pre-tax cost of debt	6.00%
Normal tax rate	30.00%
After-tax cost of debt	4.20%
Share of equity	100.00%
Share of debt	0.00%
Terminal grow th	2.5%
Terminal EBIT margin	10.0%

Sensitivity analysis

Fair value per share

WACC \ Terminal grow th rate (%)	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
8.63%	24.13	24.25	24.38	24.54	24.73	24.96	25.23
9.63%	21.25	21.31	21.39	21.47	21.57	21.69	21.83
10.63%	18.89	18.93	18.97	19.02	19.07	19.13	19.20
11.63%	16.93	16.95	16.98	17.00	17.03	17.06	17.10
12.63%	15.28	15.29	15.30	15.32	15.33	15.35	15.37
13.63%	13.87	13.88	13.88	13.89	13.90	13.91	13.92
14.63%	12.66	12.66	12.66	12.67	12.67	12.68	12.68
15.63%	11.61	11.61	11.61	11.61	11.61	11.61	11.62

*for layout purposes the model shows numbers only to 2031 but runs until 2045

Source: First Berlin Equity Research

COMPANY PROFILE

HISTORY AND COMPANY OVERVIEW

Apontis Pharma AG (Apontis) – a leading single pill specialist with roots in the MDAX-listed pharmaceutical company Schwarz Pharma AG Apontis is a leading German specialty pharmaceutical company focusing on the development, marketing and distribution of a broad portfolio of single pills and other drugs, with a particular focus on cardiovascular and respiratory diseases. The company emerged as a spin-off from the prominent pharmaceutical company Schwarz Pharma. Founded in 1946 by Dr Hermann Schwarz in Monheim, Germany, Schwarz Pharma established itself over the next decades as a reputable MDAX-listed player known for its innovative drug portfolio in neurology, cardiology, and urology, achieving global sales of €1bn by 2005.

UCB-Schwarz Pharma's strategic realignment led to the formation of UCB Internal medicine, a predecessor of Apontis Pharma AG In 2006, the Belgian multinational biopharmaceutical company UCB Group acquired Schwarz Pharma for USD5.6bn. At the same time, the merged UCB-Schwarz Pharma decided to streamline operations and focus on the core therapeutic areas neurology and immunology while Schwarz Pharma's remaining German portfolio was integrated into the UCB internal medicine segment, which was managed as an independent business. In the subsequent years the company was convinced that the value of these assets would be maximised as independent operations. As a result, in 2016, Apontis' predecessor business unit, UCB internal medicine, was officially spun-off into a separate legal entity from UCB, taking over its internal medicine portfolio and executive, scientist and marketing & sales staff.

The company's portfolio evolved into a combination of single pills… In the period 2006-2017, UCB's internal medicine subsidiary concentrated on leveraging the existing assets and expertise inherited from Schwarz Pharma. The initial years involved refining and optimising these assets to align with the company's new strategic direction. A key strategic objective was to prioritise patient-centric solutions by developing new formulations and delivery mechanisms that enhanced patient compliance and convenience. This approach involved developing medications (chiefly through external contract research organisations – CROs) that were not only effective but also easy to use, thereby improving adherence to treatment regimens and overall health outcomes. The features are the basis of "single pills", which combine several active ingredients in a single pill. The company launched the first single pill, Tonotec, in 2013, followed by Caramlo, Biramlo and Iltria in the period 2015-2017.

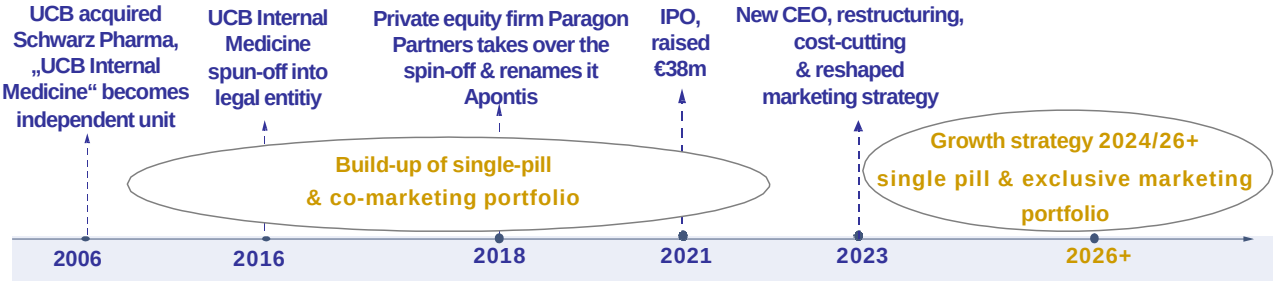
…and co-marketed drugs to leverage its German marketing & sales muscle and gain critical mass To enhance its product offerings and expand its market reach, the company actively pursued partnerships and collaborations with other pharmaceutical companies. The company closed several agreements with big pharma companies for co-marketing of cardiovascular and metabolic disease medications such as 1) single pill drugs Exforge (Amlodipine/Valsartan; partner: Novartis), Icandra (Vildagliptin/Metformin; partner: Novartis) Janumet (Metformin/Sitagliptin; partner: Merck & Co.), Caduet (Atorvastatin/Amlodipine; partner: Pfizer) and Seretide (Fluticasone/Salmeterol; partner: GlaxoSmithKline) and 2) other drugs such as Jalra (Vildagliptin) and Ulunar (Indacaterol/Glycopyrronium) licensed from Novartis. A few of these agreements involved co-promotion on a "fee for call" basis, where the company was paid for advertising to physicians without regard to whether these contacts resulted in revenues.

Paragon Partners acquired, built up and subsequently listed Apontis in 2021 In July 2018, the German private equity firm Paragon Partners took over the UCB internal medicine subsidiary with the entire workforce of around 200 employees for an undisclosed amount, to leverage its financial resources and management expertise to accelerate the company's

growth and expansion. In the same year, the acquired company was renamed Apontis Pharma (from Latin, meaning "bridge"), which represents the company's role in bridging the gap between complex health issues and effective, simplified treatment solutions. In 2019, Apontis launched the single pills Tonotec HCT, LosAmlo and Atorimib, increasing the size of its single pill portfolio to seven. In the same year, Apontis published the preliminary results of the retrospective START study, which included data from 59,336 patients suffering from cardiovascular diseases and showed significantly higher adherence to therapy with the use of single pills compared to treatment with multiple pills. This was the first large study demonstrating that single pills are associated with fewer cardiovascular events and, most importantly, lower mortality risk for patients. On the back of these results, the company went public in the Scale Segment of the Frankfurt exchange in May 2021. Apontis listed 5.29m shares at a price of €19 p/s, valuing the company at €101m. During this transaction, the company conducted a capital increase by placing 2m new shares to raise €38m. In preparation for the IPO, Mr Karl-Heinz Gast, who was Managing Director of the company from 2016, took over the role of CEO. Under his leadership, Apontis closed a co-marketing agreement with AstraZeneca (AZN) for the COPD drug Trixeo Aerosphere (comprised of three active ingredients: formoterol, glycopyrronium, and budesonide – i.e. two LABA/LAMA airway relaxants and a corticosteroid anti-inflammatory), expanded the AZN agreement until 2022 and launched three further single pills: AmloAtor, RosuASS and Tonotec Lipid.

Profit warning, change of CEO and review of the company's strategy in 2023 In 2023, Apontis recorded a significant decline in sales for three main reasons: (1) problems in the supply chain of the contract manufacturer for the company's main product, Atorimib, which negatively impacted its ability to supply the product until October 2023; (2) the Atorimib and Caramlo products faced strong competition in tenders, which affected their sales, although the introduction of a new 90-pack size (versus the original 100-pack) for Atorimib partially mitigated the impact of the tenders; (3) expiry of the co-marketing agreements for the key products Jalra and Icandra with partner Novartis in September 2022. Investors were very disappointed, as the company issued the profit warning quite late, around the reporting of H1/23 results in July 2023, and announced the resignation of the CEO, Mr Karl-Heinz Gast. On a positive note, the company announced that Bruno Wohlschlegel, a successful pharmaceutical industry veteran and marketing specialist, would take over the role of CEO from 1 September 2023. Apontis declared 2023 a "year of transition", focusing on reassessing its marketing strategy and reviewing its cost structure to increase efficiency.

Figure 2: Apontis' development process



Source: First Berlin Equity Research, APONTIS PHARMA AG

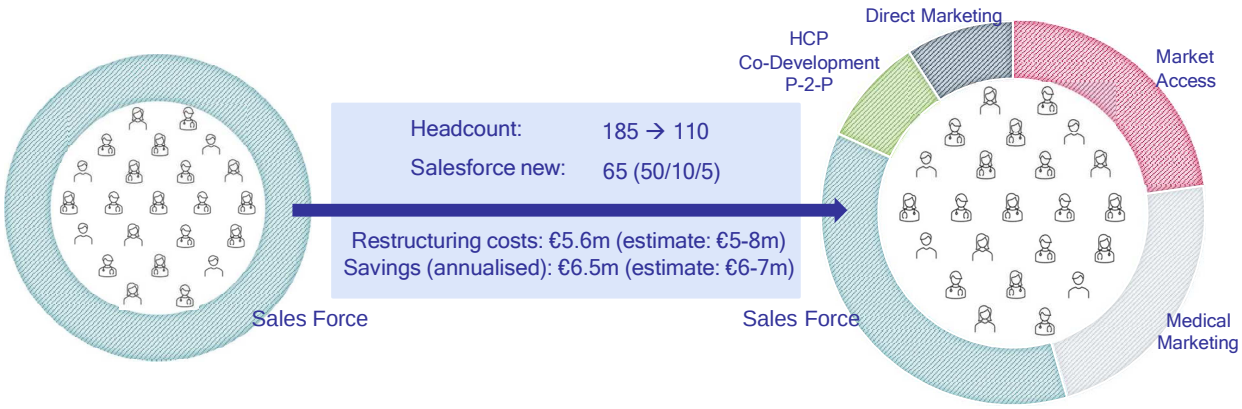
COMPANY RESHAPED THROUGH RESTRUCTURING PROGRAMME

In November 2023, Apontis announced a comprehensive restructuring and efficiency program aimed at increasing operational performance and profitability. We expect these measures to lead to a reshaped company, Apontis 3.0, capable of delivering sustainable, profitable growth driven by the single pill business and leveraged by exclusive marketing agreements for attractive, synergistic drugs. This strategic overhaul was driven by an analysis conducted by pharmaceutical and marketing veteran Mr Wohlschlegel who identified a healthy single-pill business, but also considerable deficits and significant potential for optimisation in the existing sales and marketing framework. This led to the implementation of a new marketing strategy. The main elements of the restructuring program were as follows:

(1) Efficiency enhancing measures

- **Cost reduction and job cuts…**: The company made significant personnel reductions to achieve cost savings. The staff was downsized to 110 (previously 185) while the sales force was reduced to 65 (from ~130). The restructuring expenses for these changes amounted to €5.6m in 2023 (vs expected €5m to €8m), with anticipated annual savings of €6m to €7m once fully implemented. The restructuring process was successfully completed by the end of February 2024.
- **Accompanied by enhanced sales force efficiency**: Apontis decided to streamline its sales force, concentrating efforts on physicians with high prescription potential. Improved potential analysis and practical activity planning tools will support these efforts, ensuring more effective contact with target customers through both personal and digital channels.

Figure 3: Downsizing of sales force accompanied by more efficient targeting of doctors



Source: First Berlin Equity Research, APONTIS PHARMA AG

(2) Marketing measures

- **New go-to-market-model (see figure 4 overleaf) with targeted campaigns for high-growth products**: The company will now focus on promoting specific single pills with high growth potential, rather than the broader single pill concept. This approach aims to drive more effective sales outcomes.
- **Intensified partnership activities**: The company will enhance its collaborations with health insurance companies, specialist associations, and medical quality bodies to promote guideline-based therapy with single pill combinations. This will be supplemented by multi-channel measures to increase the number of contacts with doctors. The company will also use digital means to coordinate and monitor the activities of the sales team and the digital campaigns and track success in order to adjust the measures according to the success achieved.

Figure 4: Apontis 3.0 with new go-to-market model to leverage growth potential

Source: First Berlin Equity Research, APONTIS PHARMA AG

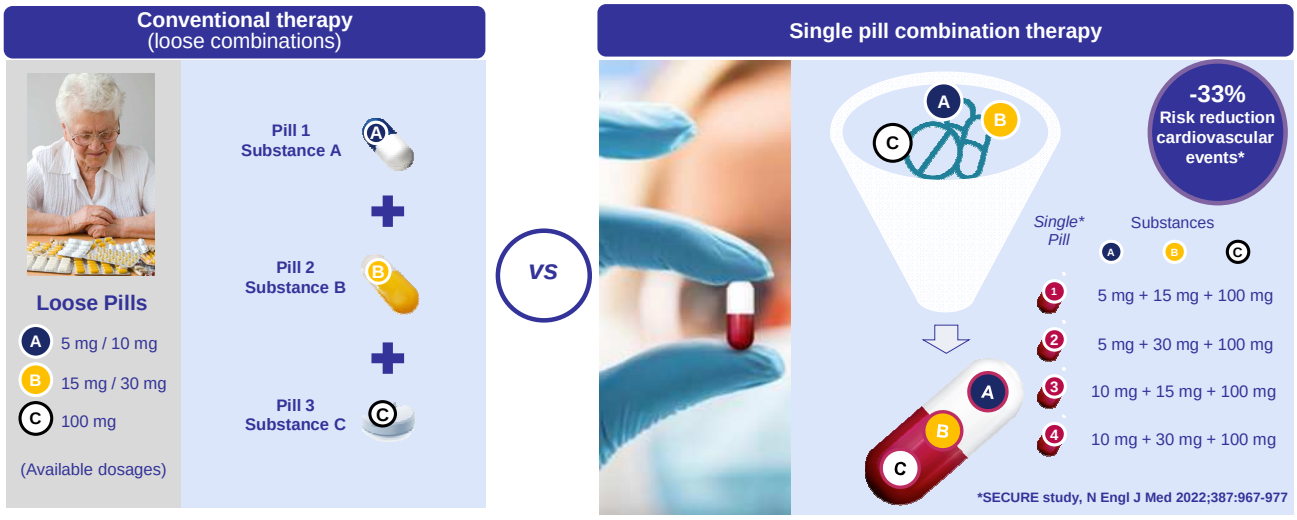
APONTIS CORE PRODUCTS

Apontis Pharma is active in three different business areas: Single Pills, Co-Marketing, and Own Brands (small remaining portfolio since the UCB spin-off). The Single Pills segment is the company's primary and fastest growing business. We therefore focus our analysis in this chapter on this segment. The second pillar is the co-marketing business, which previously comprised several partnerships, including the franchise for pulmonary diseases in cooperation with long-standing partner Novartis for the chronic obstructive pulmonary disease (COPD) drug Ulunar, running until the end of 2024. This collaboration was recently expanded to include the exclusive marketing of the asthma drugs Enerzair and Atectura, which we will analyse in more detail in the section "Growth driver #5".

INTRODUCTION TO SINGLE PILLS

Single pills – a combination of active ingredients (APIs) from generic drugs Single pills combine two to three off-patent APIs, so called generics, in a combination preparation that is taken once a day. Apontis Pharma offers its single pills in various dosages to cater to different stages of disease and patient needs. This approach allows healthcare providers to tailor treatment more precisely, adjusting dosages based on patient response and tolerance. Single-pill combinations hold particular relevance and benefits for older patients, who often face multiple chronic conditions that necessitate the use of various medications simultaneously. Single pill therapies are scientifically proven to significantly improve adherence and thus improve the treatment prognosis of patients, while reducing adverse cardiovascular events, mortality and treatment costs (see section "Growth driver #2"). Single pills are therefore the preferred treatment option in numerous international treatment guidelines, including in the EU and Germany (e.g. European Society of Cardiology and of Hypertension – See Appendix C). Apontis' drug Iltria for example, a triple API combination for secondary-prophylactic treatment of cardiovascular events, has been included in the 23rd essential medicines list (EML) of the World Health Organisation (WHO) published in 2023. The EML is published every two years and is intended to guide governments in their local healthcare measures. The medicines listed in the EML are those considered to be the most effective and safe, and which the WHO believes should be available in functioning health systems.

Figure 5: Single pills offer better patient compliance which leads to greater efficacy



Source: First Berlin Equity Research, APONTIS PHARMA AG

Single pill development and registration – a complex process that can take 3-5 years and cost €3-5m A single-pill player should have the necessary competences in generic drug development and registration, particularly in the areas of drug formulation and delivery systems. The development of single pills requires extensive analysis of the pharmacokinetic interactions between the different active pharmaceuticals ingredients (APIs) to ensure that the compound remains stable and the active ingredients remain effective when combined in a tablet. The target products are usually a combination of chemically synthesised APIs with proven efficacy. The entire development process up to the granting of marketing authorisation by the regulatory authority is therefore complex, requires in-depth knowledge and usually takes between three and five years and costs €3-5m. This process comprises four different phases:

- Developing the new single pill formulation based on the chemically synthesised APIs and carrying out the required clinical investigation (essentially a bioequivalence study, in certain rare cases a drug-drug-interaction study or a phase 3 study);
- Preparation of the documentation (i.e. dossier) required for the marketing authorisation to application and selection of a brand;
- Conduct the filing, which may require discussions with the regulatory authorities. If the drug is approved, it enjoys data protection for 10 years;
- Preparation and realisation of the launch of the new single pill.

Apontis has outsourced development, regulatory and manufacturing activities to CRMOs. Outsourcing is a common practice in the pharmaceutical industry, driven by the need to increase efficiency, reduce costs and leverage specialised expertise. In the case of generics and single medicines, a low manufacturing and operating cost base is also a key advantage in this sector, which can usually be achieved through economies of scale. Apontis has therefore outsourced the development, manufacturing and marketing authorisation of individual pills to various European contract research and manufacturing organisations (CRMOs) such as Egis (Hungary), Midas (Germany), Zentiva (Czech Republic), Krka (Slovenia), Ferrer (Spain), Develco Pharma (Switzerland), some of which Apontis has been working with for >10 years. Outsourcing has enabled Apontis to remain agile and competitive in a complex and highly regulated industry by utilising external expertise and resources. Apontis generally pays for the development over the entire development period once predetermined milestones have been reached.

Deep in-house expertise in the marketing of single pills Apontis' core expertise lies in identifying attractive market opportunities for the successful development of single pill drugs. To do this, the company, headed by Thomas Milz, CPO, analyses the general market situation in Germany and observes demand trends in order to anticipate market changes. The company uses fee-based databases (e.g. Insight Health) for this purpose. Then, the company estimates the number of patients who might use single pill preparations versus a loose combination. The company also assesses the potential competitive environment by screening whether other companies are developing a similar single-pill combination in the target indication. In some cases where a European company is developing an identical or similar product, Apontis may either decide to develop it if the market is attractive enough for more than one player, or approach the other company to in-license the German rights. Apontis has powerful marketing capability and expertise for single pills in Germany, which makes it an attractive partner and an awkward competitor, particularly for small products.

THE SINGLE PILL PORTFOLIO

Single pill portfolio focusing on the treatment of cardiovascular diseases… Apontis offers a comprehensive range of 15 single pill medications (see table 1 overleaf) aimed at managing various aspects of cardiovascular diseases (CVD). CVD refers to a class of diseases that involve the heart or blood vessels and encompasses a variety of conditions, including coronary artery disease, heart failure, arrhythmias, and stroke. The main causes of cardiovascular disease are health-impairing behaviours such as smoking, stress, lack of exercise, increased alcohol consumption and an unhealthy diet. These unhealthy behaviours increase the risk of developing diseases, which in turn are considered risk factors for CVD. These risk-increasing diseases include hypertension (high blood pressure), diabetes mellitus, hyperlipidaemia (high level of fats or cholesterol in the blood) and obesity.

…addresses the main risk factors, including high blood pressure, which are the most prevalent in Germany The company's product portfolio addresses the main CVD risk factors: hypertension, hyperlipidaemia and prevention of thrombotic events (i.e. blood clots, where the most deadly are localised in the heart, causing a heart attack, or in the brain, provoking a stroke) through the strategic combination of antihypertensive, cholesterol-lowering and anti-platelet agents. About 80% of the company's current portfolio (12 of 15 drugs) addresses hypertension. We note that hypertension is the most important risk factor for CVD and the most widespread disease in Germany, where >30% of German population or 20-30m people suffer from it. It is estimated that only ~50% of these patients reach optimal blood pressure control, which is largely due to a lack of adherence to treatment. High blood pressure leads to serious damage to the cardiovascular system which is the most common cause of death in Germany, accounting for 34% of all deaths in 2022 (sources: Deutsche Hochdruckliga eV, Deutsches Herzzentrum Berlin, Federal Statistical Office – 2022; RKI 2021). Apontis' two largest products so far are the cholesterol-lowering agent Atorimib and the blood pressure lowering agent Tonotec. As can be seen in table 1 overleaf, the active substances used by Apontis in its current single-pill portfolio can be grouped as follows:

- **Antihypertensive agents:** Apontis uses off-patent APIs belonging to several classes such as ACE inhibitors (ramipril), calcium channel blockers – CCBs (amlodipine), angiotensin II receptor blockers – ARBs (candesartan, losartan and valsartan), diuretics (hydrochlorothiazide – HCTZ); and beta blockers (bisoprolol and bisoprololfumarate);
- **Cholesterol-lowering agents:** the company utilises off-patent APIs belonging to the two most widely prescribed classes, statins (atorvastatin and rosuvastatin) and cholesterol absorption inhibitors (ezetimibe). Statins are the first-line treatment for most patients. For those who are intolerant or require additional LDL lowering, medications like ezetimibe are prescribed.

- **Anti-platelet agents:** the company uses the off-patent API acetylsalicylic acid (ASA), known as aspirin. This compound prevents platelets from clumping together and blocking blood vessels. Doctors prescribe low doses of ASA primarily for cardiovascular diseases in which arteries are narrowed by arteriosclerosis (e.g. coronary heart disease).

Table 1: Overview of Apontis product portfolio

#	Name (composition)	Indication	Launch	Estimated eligible patients (000s)	First Berlin sales estimate 2026 (€m)	Number of competitors
1	Tonotec (ramipril/amlodipine)	hypertension	2013	1,647	€1.5	6
2	Caramlo (candesartan/amlodipine)	hypertension	2015	1,267	€1.7	13
3	Biramlo (bisoprolol/amlodipin)	hypertension	2016	670	€2.8	2
4	Iltria (aspirin/atorvastatin/ramipril)	propyhlaxis of CV events	2017	473	€4.3	None
5	Atorimib (atorvastatin/ezetimibe)	high cholesterol	2019	210	€12.5	14
6	Tonotec HCT (ramipril/amlodipine/HCT)	hypertension	2019	224	€8.4	1
7	LosAmlo (losartan/amlodipine)	hypertension	2019	70	€2.0	None
8	AmloAtor (atorvastatin/amlodipin)	high cholesterol & hypertension	2022	473	€0.5	None
9	RosuASS (rosuvastatin/aspirin)	propyhlaxis of CV events	2022	100	€1.9	None
10	Tonotec Lipid (ramipril/amlodipin/atorvastatin)	high cholesterol & hypertension	2022	661	€1.4	None
11	Rosazimib (rosuvastatin/ezetimib)	high cholesterol	2023	151	€2.1	7
12	RosuAmlo (rosuvastatin/amlodipin)	high cholesterol & hypertension	2023	486	€0.9	2
13	RamiBiso (ramipril/bisoprololfumarat)	hypertension & CV secondary prevention	2023	1,100	€1.4	1
14	RosuValsa (rosuvastatin/valsartan)	hypertension	2023	30	€0.6	None
15	Caramlo HCT (candesartan/amlodipin/HCT)	hypertension	2024	330	€2.6	None

Source: First Berlin Equity Research, APONTIS PHARMA AG

Drug prescription depends on the individual patient case, but it is common for a CVD patient to be on three to five different medications – single pills can contribute to a better outcome Doctors use a combination of patient-specific factors (e.g. age, stage of the disease, co-morbidities), clinical guidelines (i.e. European Society of Cardiology - ESC), risk assessments, and considerations of drug efficacy, tolerability, and potential side effects to decide which hypertensive, cholesterol-lowering, and antiplatelet agents to prescribe to cardiovascular patients. The goal is to provide individualised treatment that maximises efficacy while minimising risks. For example, a patient with hypertension and high cholesterol could be on a statin, and one or two other antihypertensives, totalling up to three tablets a day. A patient with heart failure might take three hypertensives consisting of a diuretic, an ACE inhibitor and a beta-blocker or ARB, a cholesterol-lowering agent, and an anticoagulant or antiplatelet agent, totalling five tablets a day. These regimen examples do not include possible medication to manage associated conditions like diabetes or chronic kidney disease, or other age-related conditions. Apontis' combination products are therefore designed to improve patient outcomes by simplifying treatment regimens and enhancing adherence to therapy.

REIMBURSEMENT, PUBLIC TENDERS AND COMPETITIVE ENVIRONMENT

Single pills are reimbursed by the insurance companies – in cases where several players offer the same products, the statutory insurance companies start a public tender process Public health insurance companies (Krankenkassen) purchase most drugs through public tenders in order to reduce prices. Public tenders are usually issued when several companies offer an identical product. These public tenders are published on a special tender portal online requesting rebate from the participants (e.g. GKV Spitzenverband: https://www.subreport-elvis.de; Barmer: https://beschaffungen.barmer.de/NetServer/; AOK: https://www.aok.de/fk/tools/weitere-inhalte/ausschreibungen/) Technische Krankenkasse: https://vergabe.tk.de/Satellite/company/welcome.do). Once the public tender is completed, the pharmacies are obliged to sell the winning product to the persons insured by that particular public health insurance company at the set price. Unless a physician prescribes a specific pharmaceutical product by name and ticks the “aut idem” box on the prescription form (which is unusual for single pills), meaning that the specific product cannot be replaced by another pharmaceutical product, the pharmacy is not allowed to sell another pharmaceutical product other than the one which has won the public tender. Therefore, losing or choosing not to participate in a public tender may lead to a significant loss in revenue and market share.

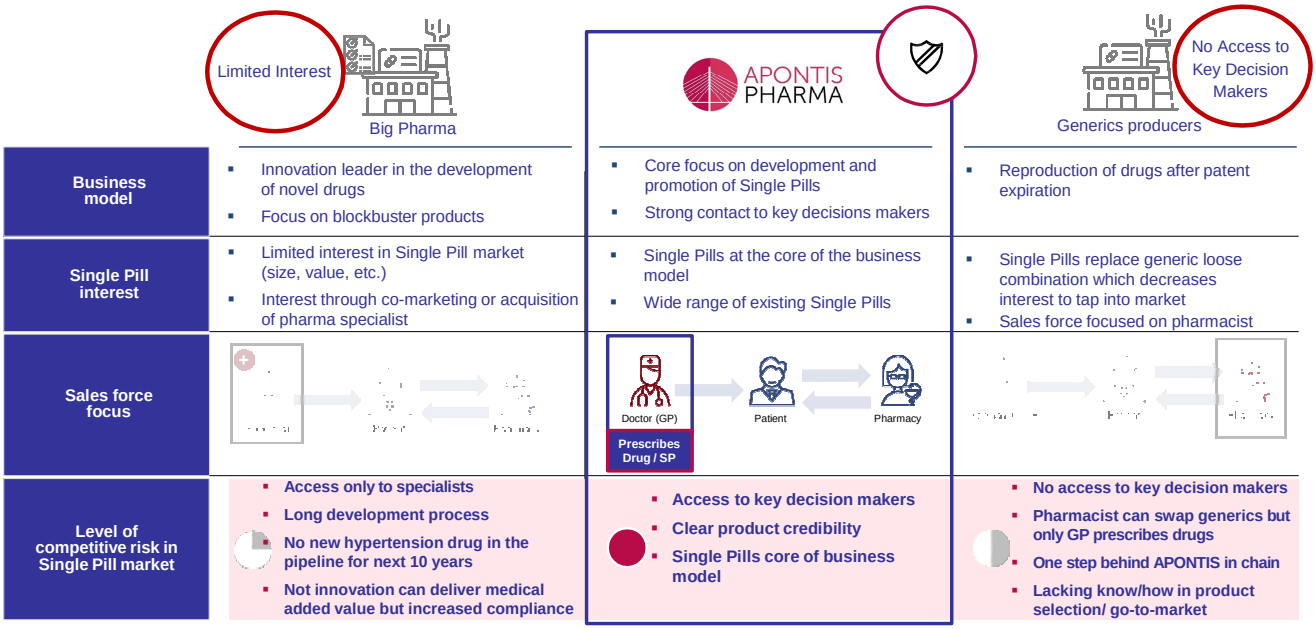
8 of the 15 single pills commercialised by Apontis have competitors – the largest products Atorimib (14 competitors), Caramlo (13), Tonotec (6) and Rosazimib (7) have the most competitors The German market for single pill products is highly competitive. Each of Apontis’ four major products have 6-14 competitors actively participating in public tenders. Some of the company’s main competitors include the German and European generic companies Hexal, Ratiopharm, TAD Pharma, Aristo Pharma, Aliud Pharma, Servier and Elpen (Greece). The tenders for Caramlo in 2022 and Atorimib in 2023 had a negative impact on sales. The other four smaller products have less competition (1-2 competitors each) and many of them do not participate in tenders.

Strategies to lower risks from public tenders As the most experienced supplier of single pills with deep expertise in regulation, reimbursement and tenders, Apontis has identified certain product management measures to reduce the impact of competition. These measures include the introduction of new package sizes that allow the company to be the only provider of a specific single pill and thus avoid public tenders. In addition, the company is focusing on developing new pill combinations where there are no competitors. In the next chapter we take a closer look at the company’s measures to promote the growth of the single pill business (see growth drivers #1-3).

Despite competition, the single-pill niche represents a sweet spot for Apontis, addressed by a strong doctor-directed sales force and marketing channels Apontis has a first mover advantage in Germany, as it was the first specialty pharmaceutical company focusing on single pills to enter the market. The company has a strong sales force and multiple marketing channels addressing doctors including general practitioners (GPs) and selected specialists from its key focus areas of cardiovascular and respiratory diseases. Penetration by single pills is still low - for many products just a low single digit percentage. The aim of Apontis is thus to persuade doctors to prescribe single pills instead of individual drugs, thereby increasing patient adherence to therapy and improving outcomes. At present, most single pills generate revenue of less than €15m, which makes them unattractive for large pharmaceutical companies. The natural competitors of a supplier of single pills are generic specialty companies. However, their sales forces lack a network among physicians and only visit pharmacies.

The main focus of generics specialists is to increase the distribution rate of their own products at pharmacy level. The doctor has no influence on the specific product when the product is tendered. The pharmacy compares the doctor's receipt with the tender winner and dispenses the tender winner's product, even if the doctor has prescribed the originator's product. Moreover, as generic drugs are essentially copies of off-patent branded drugs, their primary advantage is lower cost. The chemical compositions are the same as their branded counterparts, so doctors do not need detailed explanations of the pharmacological properties. The doctor generally prescribes the generic active ingredient and the pharmacist gives the patients a preparation of his choice. Therefore, generic companies do not visit doctors and focus their marketing efforts on pharmacies and wholesalers to ensure they are part of the pharmacies' inventory and are recommended to customers.

Figure 6: Apontis' unique competitive position in the single pill market



Source: First Berlin Equity Research, APONTIS PHARMA AG

What are generics? A "generic" is a drug based on the same active ingredient as an original brand drug. Due to bio-equivalence, generics offer the same quality, efficacy and safety, and can be launched on the market once the patent on the original drug has expired. One particular feature of the European market is the existence of two types of generics: branded generics (sold under their own brand name) and INN (International Non-proprietary Name) generics which are usually cheaper and sold under their abbreviated chemical name followed by the manufacturer's name (e.g. Rosuvastatin Ratiopharm).

The German generic market and the main players In Germany, the size of the pharmaceutical market reimbursed by statutory health insurance was €34.2bn, whereas the generic market accounted for €6.0bn in 2022. Market penetration of generic drugs amounted to ~79% of total prescriptions as of 2022. The German generic market is highly fragmented and the most significant generic players in Germany are: Sandoz/Hexal (Novartis spin-off), Ratiopharm/AbZ Pharma (Teva), Zentiva Pharma (Sanofi-Aventis spinoff), Stada, Aristo Pharma, 1A Pharma, ALIUD Pharma, Basics, and Medical Valley (source: Progenerika, 2022 and Statista).

BUSINESS GROWTH DRIVERS

Five main factors driving revenue and profit growth We have identified five key factors that will drive Apontis' revenue and increase profitability in the coming years and which we would like to draw investors' attention to. The first three factors will exclusively favour performance of the core single pill portfolio. The next two factors will have a positive impact on both the single pill and the cooperation business.

GROWTH DRIVER #1: SINGLE PILL PORTFOLIO EXPANSION

Continued investment in new single pill combinations In addition to the growth that can be generated by further penetration by the current portfolio of single pills, which is still low at <5% in most cases, Apontis will continue to invest in new single pill combinations. Following the launch of four new products with a combined mid-term sales potential >€15m (Rosazimib, RosuAmlo, RamBiso and RosuValsa) in 2023, the company plans to launch four new products in 2024 with a combined mid-term sales potential of ~€17m (Caramlo HCT launched in Q1/24; the launches of Caramlo Ator, AP-D-15 and AP-D-04 are still pending), and two further single pills with sales potential of ~€10m in H1 2025 (see table 2 below)..

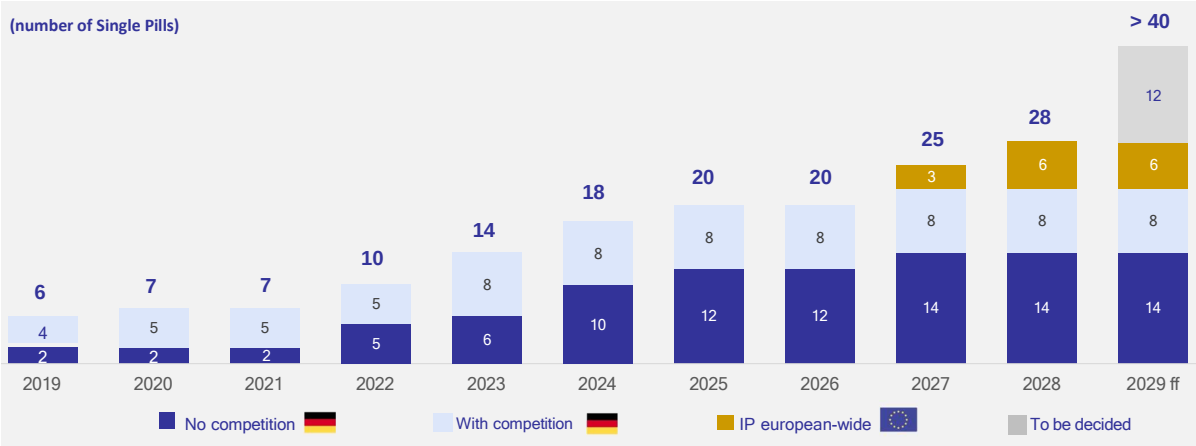
Table 2: Overview of Apontis product portfolio

#	Name (composition)	Indication	Launch	Estimated eligible patients (000s)	Mid-term sales potential (€m)	Number of competitors
16	Caramlo Ator (Candersatan/Amlodipin/Atorvastatin)	high cholesterol & hypertension	Q3 2024	50	€1.0	None
17	AP-D-15		Q4 2024	90	€4.5	None
18	AP-D-04		Q4 2024	100	€2.5	None
19	AP-D-03		H1 2025	500	€9.0	None
20	AP-D-02		H1 2025	50	€1.0	None

Source: First Berlin Equity Research, APONTIS PHARMA AG

Expansion in Europe planned after 2026 The company's current development pipeline will increase the size of the single pill portfolio from 14 in 2023, to 18 in 2024 and 20 in 2025 (see figure 7 below). In addition, Apontis is actively pursuing international expansion to broaden the reach of its single pill portfolio after 2026. For this purpose, between 2021 and 2023 Apontis entered into partnerships with the companies Midas Pharma (3 pills), Zentiva (1 pill) and Develco Pharma (2 pills) for the development of a total of six new single pill combinations, to which Apontis will own the EU-wide IP rights. These products, half of which are scheduled to reach the market in 2027 and the other half in 2028, will drive the company's international expansion enabling broader market access across Europe.

Figure 7: Single pill portfolio expansion focused on exclusive international licenses



Source: First Berlin Equity Research, APONTIS PHARMA AG

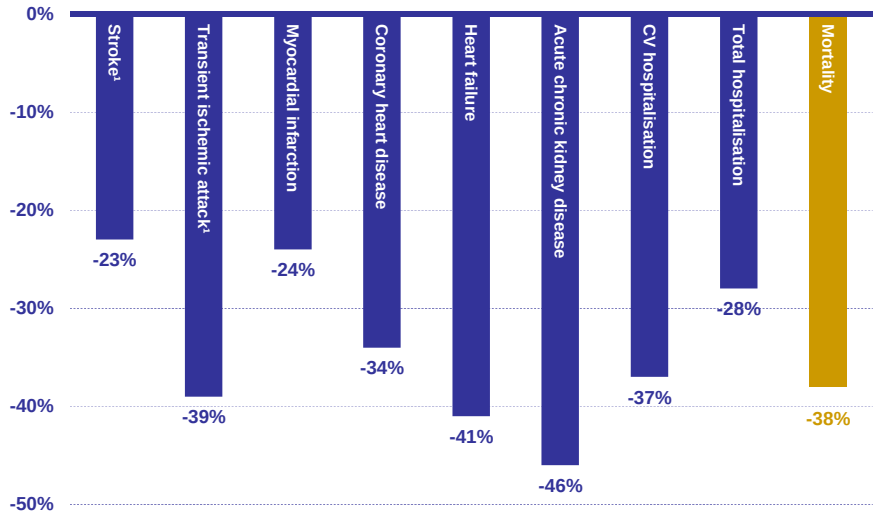
GROWTH DRIVER #2: INCREASING AWARENESS OF START & SECURE STUDIES

START and SECURE studies provide a new level of evidence of the clear advantages of administering Apontis single pills to CVD patients Scientific literature has documented evidence of the significant benefits of simplifying therapies since the early 2000s and the European Societies of Cardiology (ESC) and Hypertension (ESH) have advocated the use of single pills over multi-pill combinations since 2013. In 2017, Gupta et al. showed that with each additional pill in a treatment regimen, non-adherence increases by ~80% (see details in Appendix C). Yet the market penetration of single pills remains low at well <5% in most products. However, the two large studies START and SECURE, which included data from patients with CVD and were published (e.g. renowned New England Journal of Medicine; Hypertension, European Society of Cardiology Congress – ESC) between 2019 and 2022, provided a new level of clinical evidence that did not previously exist. We describe these two studies more in detail below.

Retrospective START study using AOK PLUS database in 59,336 patients comparing efficacy of treatment with single pill combination (SPC) vs multi pill combination (MPC) in CVD… A research group led by Thomas Wilke of the University of Wismar, in collaboration with several other German universities, AOK PLUS (health insurance provider for Saxony and Thuringia) and the Medical Department of Apontis, conducted a retrospective study between July 2012 and June 2018 on a data set of 59,336 patients over the age of 18 with CV disorders who were continuously insured with AOK PLUS in Germany. The study was conducted under real-life conditions and included patients who had been prescribed one of seven preparations, either as a single pill combination (SPC) or as a multi-pill combination (MPC). The aim of the study was to determine the difference between treatment with SPC or MPC.

…demonstrated that administration of single pills leads to substantially lower incidence of CV events and all-cause mortality The administration of single pills led to a relative reduction in major adverse cardiovascular events (e.g. myocardial infarction, heart failure) of 24% to 41%, a relative reduction in total hospitalisations of 28% and a significantly higher adherence rate of 70% to 80% compared to treatment with multiple pills of 20% to 50%. Importantly, the study demonstrated for the first time that a single pill regimen reduced all-cause deaths in CV patients by 38% compared to an identical regimen using MPC. We give an overview of the results of the various major adverse cardiac events comparing the two treatment regimens in figure 8.

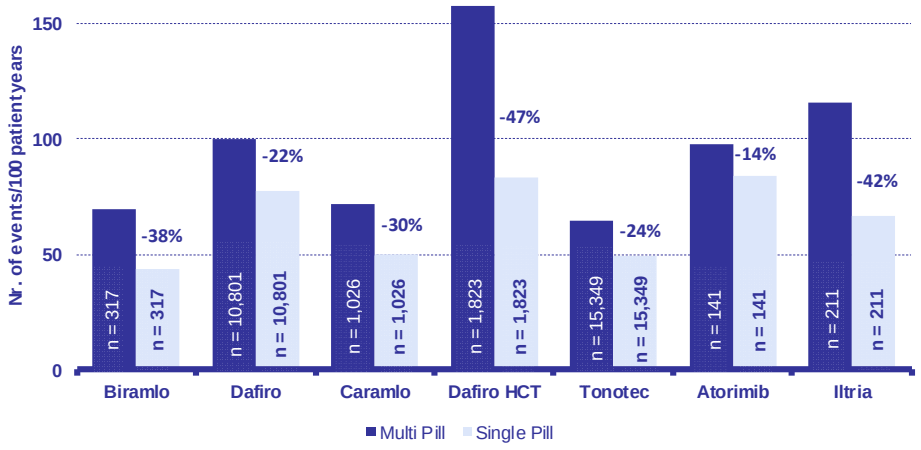
Figure 8: Relative reduction in major adverse cardiac events between SPC and MPC



Source: START study, results presented at the ESC 2022 in Barcelona; First Berlin Equity Research; APONTIS PHARMA AG

Number of all-cause hospitalisations lower for all seven Apontis single pills vs multi pill therapy The START study also showed that the number of all-cause hospitalisations per 100 patient-years was lower for all single pills investigated compared to their multi-pill counterparts (see figure 9). This difference was the most pronounced for the single pills consisting of a combination of three different active ingredients. This result is consistent with findings from previous work suggesting that non-adherence is directly proportional to the number of prescribed antihypertensive medications (see Appendix C on Gupta et al., 2017)

Figure 9: The number of all-cause hospitalisations per observed 100 patient-years in the respective cohorts

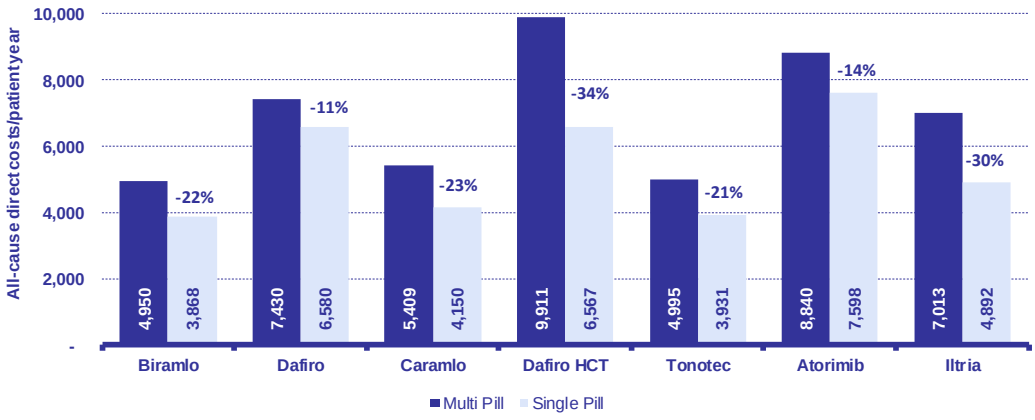


Note: All single pills used in the study are part of APONTIS PHARMA's current portfolio, excluding Dafiro and Dafiro HCT. These two drugs were co-marketing products from Novartis

Source: START study, First Berlin Equity Research, APONTIS PHARMA AG

Pharmacoeconomics analysis from the START study showed that treatment with single pills reduced total treatment costs in CV patients by an average of ~23%,... The results of this follow-up study using data from the START study were published in the peer-reviewed Journal of Comparative Effectiveness Research. Wilke et al. assessed the economic impact of using SPC versus MPC. The authors found that SPC administration leads to a reduction in total costs (e.g. costs for healthcare resource use such as visits to GPs and specialists and in-patient stays, direct CV-related costs and medication costs) per patient/year compared with MPC in CV patients (see figure 10).

Figure 10: Cost comparison of all-cause direct costs PPY between SPC and MPC in START study

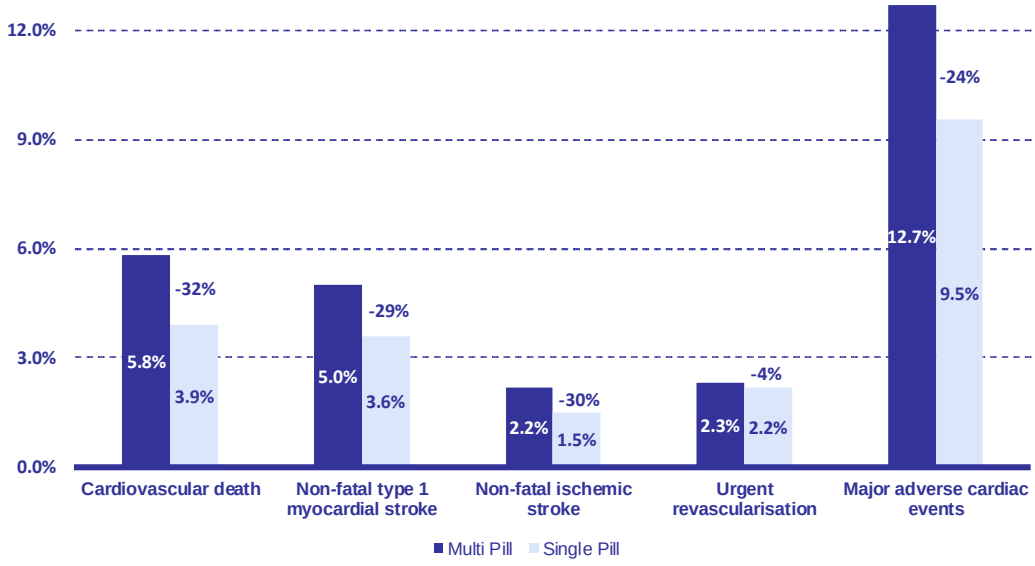


Source: First Berlin Equity Research, Cost comparison START study Wilke et al. 2022, APONTIS PHARMA AG

…and all seven single pill combinations exhibited a cost advantage The study showed that for all seven drug combinations, treatment with SPC was more cost effective than treatment with MPC. For the three single pills Biramlo, Atorimib & Iltria, the sample size was too small to achieve statistically significant results. At the time the data collection was completed, they had only been on the market for ~2-3 years. Excluding these single pills, SPC led to an average cost reduction of ~23%, with a single pill even leading to a 34% cost reduction compared to its MPC counterpart (see figure 10 above).

Phase 3 randomised SECURE study in 2,499 patients confirmed results from START study: single pills lead to substantial reduction in major cardiac adverse events and CV mortality The phase 3 randomised controlled SECURE study was conducted in 2,499 patients over 36 months. Patients that had experienced a myocardial infarction within the previous 6 months were randomised to a single pill combination treatment of aspirin+ramipril+atorvastatin or to standard of care with separate pills. The primary endpoint of the study was the occurrence of major adverse cardiac events (MACE – cardiovascular death, non-fatal type 1 myocardial infarction, non-fatal ischemic stroke and urgent revascularisation). The data showed that only 9.5% of the patients in the single pill group (118 patients out of 1,237) experienced a primary-outcome MACE event, compared to 12.7% of the patients in the standard care group (156 patients out of 1,229). Notably, the rate of cardiovascular death was much lower in the single pill group. Here only 48 patients (3.9%) died from cardiovascular causes compared to 71 patients (5.8%) in the standard care group. This represents a 32% decrease in the occurrence of cardiovascular death for the single pill group when compared to standard care. The rate of occurrence of the individual MACE in the study can be seen in figure 11 below.

Figure 11: Rate of occurrence of major adverse cardiac events in the respective cohort



Source: First Berlin Equity Research, SECURE study, APONTIS PHARMA AG

Adherence to treatment was also larger in single pill group – The SECURE study was published in the New England Journal of Medicine In the SECURE study, the self-reported adherence to treatment at 6 and 24 months is higher in the single pill group (see more details in Appendix C), confirming the results from the START study. The SECURE study was published in the prestigious New England Journal of Medicine (see: https://www.nejm.org/doi/full/10.1056/NEJMoa2208275) and the results were presented at the European Society of Cardiology Congress (ESC) in August 2022.

GROWTH DRIVER #3: MARKETING SUPPORT FOR SINGLE PILLS FROM INSURANCE COMPANIES

German health insurance system Germany has a well-established and comprehensive health insurance system that operates on a dual basis of statutory health insurance (SHI) and private health insurance (PHI). Statutory health insurance is provided by >100 public health insurance companies (Krankenkassen), which currently have ~74.4m members, corresponding to ~88% of the German population of ~84.4m. The remaining 12% are represented by >40 private insurance companies. The three largest statutory insurance companies are the Techniker Krankenkasse (TK) with 11.4m members or 15% of SHI, Barmer with 8.6m members or 12% of SHI and DAK Gesundheit with 5.5m members or 7.4% of SHI (source: Krankenkassen.de; as of March 2024).

Distribution and rebate agreements with two major German health insurance organisations, Barmer and GWQ ServicePlus AG (GWQ+) In August 2023, Apontis closed two distribution and rebate agreements with Barmer and GWQ+ to enhance the market reach and accessibility of four key single pill products without competition in Germany: Iltria, Tonotec Lipid, LosAmlo and AmloAtor. Both organisations, Barmer, one of the top 3 statutory insurance companies and GWQ+, a service company for a group of >30 statutory health insurance companies (mostly company health insurance funds, so-called “Betriebskrankenkassen” or BKKs, such as Audi BKK, BAHN-BKK or Bertelsmann BKK), offer access to ~23% of total SHI. These agreements enable the four products to be included in the benefits catalogue of the health insurance companies at reduced prices, so that their patients have access to the products.

Figure 12: Overview of single-pill combination contracts with two leading SHI organisations

Source: First Berlin Equity Research, APONTIS PHARMA AG

Why are these collaborations so important? The insurance companies are actively pursuing use of the specified single pills among their insured patients with the aim of improving patient adherence, which in turn leads to better CVD management and lower mortality. As the START and SECURE studies have shown, insurance companies benefit from significant medium to long-term total cost savings in these patients by avoiding potential CV events and hospitalisation. As a result, the two insurance companies are heavily engaged in the promotion of single pills and launched first campaigns in Q4 2023 to inform physicians about the benefits of single pills and recommend their use. The 2nd wave of communication with physicians took place in February 2024 and the company expects further campaigns to follow. We believe that the active recommendation of insurance companies represents a turning point in raising awareness of single pills among physicians by a more "neutral" party that is fundamentally interested in patient health and does not have a commercial bias. Therefore, these collaborations have the potential to change the prescribing behaviour of physicians and accelerate the adoption of the selected single pill products.

GROWTH DRIVER #4: NEW MULTICHANNEL MARKETING STRATEGY

Implementation of a modern multichannel strategy Apontis has embarked on an innovative marketing strategy that involves the adoption of a multi-channel-based go-to-market model leveraging various platforms to reach healthcare professionals and patients effectively. This approach integrates traditional off-line sales methods (sales team visits, conferences, etc.) and new digital tools including online marketing campaigns, and a digital platform that provides information and supports healthcare professionals in identifying the single-pill medication available to manage CVD (https://www.single-pill.de/fachkreise). This combined direct marketing pursues comprehensive coverage and engagement of physicians, at the same time enhancing the visibility and accessibility of their products. All these marketing efforts are aimed to educate healthcare professionals about the benefits of single pill therapies, thereby encouraging their recommendation and prescription. The company has also implemented a new technical infrastructure for collecting, processing, and utilising data to monitor the impact of its off-line and online marketing efforts. As a result, the company can make data-driven corrective decisions within weeks or months of implementation, such as modifying certain marketing efforts if results are not as expected or expanding efforts if results are as expected.

What are the advantages of multichannel strategies? Leading pharmaceutical companies such as Pfizer, Novartis, Merck, Roche, Astra Zeneca and others have successfully implemented multichannel approaches. Overall, multi-channel (using multiple off-line and online channels acting independently to address the physicians) and omnichannel (takes multichannel further, by integrating all channels into a unified system allowing data and insights to flow between the connected channels to enhance the physicians experience and engagement) marketing strategies have proven to be quite successful in the pharmaceutical industry as they enhance engagement with physicians, improve patient satisfaction, streamline operations and increase the effectiveness of marketing efforts.

Case study on Pfizer Japan showed excellent results on multichannel measures The industry leader Pfizer is at the forefront of implementing multichannel and omnichannel measures leveraging digital technologies. A case study on Pfizer's Japanese subsidiary, which was faced with tighter schedules for doctors and increasing difficulties in accessibility for its sales force, showed that multichannel measures supported by digitalisation achieved the following results: (1) the company shortened sales cycles, demonstrated marketing ROI and triggered unplanned sales growth for the off-patent portfolio brands; (2) virtual symposiums recorded excellent results, registrants increased by 264% and attendees even by 273%, cost per attendee dropped by 68% and the cost per target doctor dropped by 42%. The measures were so successful that they were expanded to the full Asian regional team. Experience from other industries shows that companies that do not utilise multiple channels miss out on 10-30% of sales (sources: Pfizer: https://www.pfizer.co.in/about-us/pfizer-is-being-the-new-for-our-customers-and-patients; https://www.superdrive.io/case-studies/pfizer-digital-transformation/; IMD research & knowledge – Study case on the retail industry 2021).

Mr Wohlschlegel, the driver of the success of the new marketing strategy The extent of marketing success often depends on how well these strategies are implemented or how effectively the data is used. Given the extensive marketing experience of CEO Mr Wohlschlegel, a recognised leader and marketing veteran with more than 26 years' experience at the major German pharmaceutical company Merck, where he was most recently responsible for the German subsidiary with sales in the Euro billions, we believe there is a very good chance that the new strategy will be successful.

Multichannel efforts will focus on the most frequently prescribing physicians and products with the greatest potential revenue contribution By focusing its multichannel marketing efforts on the most frequently prescribing physicians and the products that can generate the most revenue based on past sales data, market trends, and competitive analysis, Apontis can enhance its market penetration and sales effectiveness. We believe a key focus will be on the seven products currently without competitors: Iltria, Tonotec Lipid, LosAmlo, AmloAtor, RosuASS, RosuValsa and Caramlo HCT. For the first four, we expect the company to take measures to target in particular the core physicians contacted by Barmer and GWQ+ to benefit from the health insurers' measures and thus maximise sales potential. After segmenting the physicians, the company will analyse the prescription data to identify and target the physicians who most frequently prescribe the high-potential products mentioned above. This could include specialists or general practitioners located in geographical areas with higher demand for certain drugs.

GROWTH DRIVER #5: NOVARTIS EXCLUSIVE MARKETING DEAL, FURTHER DEALS ARE LIKELY

Exclusive five-year marketing deal for two patent-protected asthma drugs with Novartis In early April 2024, Apontis entered into a very attractive five-year distribution and marketing agreement with the German subsidiary of the Swiss pharmaceutical giant Novartis (expiration: end of March 2029) . This partnership involves the distribution and marketing of two asthma medications, Enerzair and Atectura, within Germany. Given that Apontis had a co-marketing franchise for asthma products in the past, it has the required physician network and knows this market well, making it an excellent match. We believe the products were too small for a large company like Novartis and therefore no longer the focus of the company. Both patent-protected asthma drugs have discount agreements with health insurance companies and Apontis was able to start promoting them immediately. This agreement is expected to contribute ~€9m in sales (equates to annualised sales of ~€12m) and up to €1.5m in profit contribution for 2024 (annualised profit contribution of up to €2m). Importantly, management mentioned in the Q1 2024 investor call, that the deal has very attractive financial conditions whereby Apontis will receive a disproportionately greater profit the higher the revenue level becomes.

Asthma, a disease with high unmet medical need In Germany, ~4-5% of population suffered from asthma in 2022, corresponding to a total of ~3.5-5m people. Despite treatment, 56% of asthma patients in Germany are currently only partially or insufficiently controlled (asthma control test [ACT] < 20). 38% of patients even suffer from symptoms on a daily basis despite therapy (source AOK Health Atlas Germany, 2022; Gelbe Liste Pharmaindex, 2020).

Enerzair Breezhaler – triple therapy in one inhaler Enerzair is offered in Novartis' highly effective inhaler device, Breezhaler, a triple combination therapy containing the two bronchodilators indacaterol (a long-acting beta-agonist – known as LABA) and glycopyrronium (a long-acting muscarinic antagonist – known as LAMA), and the anti-inflammatory agent mometasone (an inhaled corticosteroid – ICS – designed to relieve swelling and irritation). LABA and LAMA are both critical components in the management of asthma, particularly in patients with moderate to severe disease. They offer distinct and complementary benefits when used as part of combination therapy. This product is thus recommended for once-daily administration as maintenance therapy for adult patients who are not adequately controlled with a combination of inhaled LABAs + ICS.

Figure 13: Enerzair triple therapy

Source: First Berlin Equity Research, APONTIS PHARMA AG

Solid data from a phase 3 study demonstrated superiority against standard of care The product received EU approval based on data from the phase 3 IRIDIUM study in 3,092 patients, in which indacaterol/glycopyrronium/mometasone was demonstrated to be significantly superior to Atectura (indacaterol/mometasone) and the LABA/ICS standard therapy of salmeterol/fluticasone in improving lung function.

We see Enerzair as a highly attractive product with only one direct competitor in its target group At present, there is only one other triple combination of LABA+LAMA+ICS approved for asthma in Germany, namely Trimbow® (formoterol/glycopyrronium/beclometason) from the Italian family-controlled global pharmaceutical company Chiesi Farmaceutici S.p.A. Trimbow® demonstrated superior efficacy compared to dual-therapies in the TRIMARAN and TRIGGER phase 3 trials and has therefore a similar profile and performance to Enerzair. With only one competitor, we believe Enerzair has an attractive competitive position in its target patient population.

Atectura Breezhaler dual therapy Atectura Breezhaler from Novartis is a combination of the LABA active ingredient indacaterol and the ICS mometasone. It is intended for once-daily maintenance treatment of asthma in adults and adolescents whose asthma is not adequately controlled with inhaled short acting beta-2 agonists (SABA) + ICS. The dual combination is designed to improve lung function and control asthma symptoms with fewer medications compared to using multiple individual inhalers.

Figure 14: Atectura dual therapy

Source: First Berlin Equity Research, APONTIS PHARMA AG

Two phase 3 studies showed that the drug is more effective than ICS mometasone alone and a combination drug of LABA salmeterol+ICS fluticasone In two studies involving over 3,000 patients with asthma, Atectura Breezhaler was compared with the ICS mometasone alone and a combination drug consisting of the LABA salmeterol and the ICS

fluticasone. The main measure of efficacy was based on changes in patients' forced expiratory volume (FEV1, the maximum volume of air a person can breathe out in one second). In both studies, Atectura achieved superior average FEV1 values compared to both drugs. The studies also showed an improvement in symptoms such as breathlessness and wheezing.

Based on the efficacy shown, the drug has an attractive competitive profile Although there are multiple LABA+ICS approved combination drugs in the German asthma market, the positive phase 3 data shows an attractive efficacy profile, giving doctors an additional option for patients whose asthma cannot be adequately controlled.

Novartis deal represents a substantial quality improvement We believe Apontis has made a significant quality upgrade from the previous "co-marketing" to the currently targeted "exclusive" agreements, which have more attractive terms as they include a more generous profit share with Apontis in case of commercialisation success. Due to the professional multichannel marketing that Apontis has implemented and with the Novartis deal as a reference, we believe that it will be easier for the company to licence attractive products from big pharma if it wishes to increase its cooperation portfolio in the future. For the time being, we expect the company to focus its marketing resources on the single pill portfolio and this partnership.

FINANCIAL HISTORY AND OUTLOOK

Financial statement in accordance with German HGB Apontis has published its audited 2023 annual report and its unaudited Q1 2024 in accordance with German accounting principles and the German Commercial Code (Handelsgesetzbuch - HGB).

P&L

Table 3: Income statement 2018-2027E (KPIs)

€000's	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Sales	44,403	40,035	39,240	51,184	55,727	36,964	50,700	60,464	71,849	83,189
% Δ	n.a.	-9.8%	-2.0%	30.4%	8.9%	-33.7%	37.2%	19.3%	18.8%	15.8%
of which:										
Single pills	12,736	11,499	19,046	31,459	36,542	25,844	36,000	46,414	54,748	63,035
% Δ	n.a.	-9.7%	65.6%	65.2%	16.2%	-29.3%	39.3%	28.9%	18.0%	15.1%
Co-marketing	26,007	23,704	16,710	17,143	16,810	9,273	12,700	12,000	15,000	18,000
% Δ	n.a.	-8.9%	-29.5%	2.6%	-1.9%	-44.8%	37.0%	-5.5%	25.0%	20.0%
Own brand	5,660	4,832	3,484	2,582	2,375	2,054	2,000	2,050	2,101	2,154
% Δ	n.a.	-14.6%	-27.9%	-25.9%	-8.0%	-13.5%	-2.6%	2.5%	2.5%	2.5%
Cost of goods sold	11,304	11,064	14,215	17,397	20,735	13,793	22,000	24,482	28,587	32,740
Gross profit	33,099	28,971	25,025	33,787	34,992	23,171	28,700	35,981	43,262	50,449
% sales	74.5%	72.4%	63.8%	66.0%	62.8%	62.7%	56.6%	59.5%	60.2%	60.6%
Personnel costs	18,924	18,601	16,512	19,680	17,653	24,572	13,000	13,592	14,370	15,806
% sales	42.6%	46.5%	42.1%	38.4%	31.7%	66.5%	25.6%	22.5%	20.0%	19.0%
Net other operating expense	11,326	12,044	7,473	11,712	11,731	11,833	12,396	13,590	14,869	16,043
% sales	25.5%	30.1%	19.0%	22.9%	21.1%	32.0%	24.5%	22.5%	20.7%	19.3%
EBITDA	2,849	-1,674	1,040	2,396	5,607	-13,235	3,303	8,799	14,023	18,600
margin	6.4%	-4.2%	2.6%	4.7%	10.1%	-35.8%	6.5%	14.6%	19.5%	22.4%

Source: First Berlin Equity Research, APONTIS PHARMA AG

Weak sales performance in 2023 As table 3 above shows, 2023 sales fell by €18.8m (33.7%) to €37.0m (2022: €55.7m). Sales fell in all three businesses, but single pills accounted for 60% of the decline. 2023 sales of Atorimib and Caramlo, which together accounted for €22.4m or 61% of the single pill business last year fell by a combined €12m (53.5%) due to the impact of tendering and, in addition in the case of Atorimib, supply chain issues. The expiry on 30 September 2022 of the co-marketing contract with Novartis for Jalra and Incandra reduced co-marketing business sales by €6.0m. Sales for Ulunar fell by €1.8m. However, reduced sales of this product had little impact on the operating result because of its very low distribution margin. Lastly, sales of own-brand products fell by 13.5% to €2.1m (2022: €2.4m).

Restructuring measures burden operating result in 2023 The gross margin was stable at 62.7% (2022: 62.8%), but personnel costs more than doubled as a percentage of sales due to restructuring costs of €5.6m (2022: €0m) in connection with a 40% decrease in the workforce from 185 to 110. The sales team, which now numbers ~65 persons (previously: ~130) accounted for over four fifths of the headcount reduction. 2023 EBITDA came in at €-13.2m (2022: €5.6m).

Initial outlook for 2024 upgraded due to Novartis sales and distribution agreement 2024 guidance given with the 2023 results released on 28 March was for sales and EBITDA of €41.7m and €1.8m respectively. The contract announced with Novartis on 5 April for the distribution of the patented anti-asthma products, Enerzair and Atectura, prompted management to raise 2024 guidance for these numbers to €50.7m and €3.3m respectively. Table 4 overleaf shows the bridge between 2023 sales and 2024 sales guidance.

Table 4: Bridge gap between 2023 sales and 2024 sales guidance

€000's	
Single pills	**10.4**
of which:	
Atorimib	5.2
Caramlo	0.5
Other single pills	8.8
Tonotec	-4.1
Co-marketing	**3.4**
Own brand	**-0.1**
Total	**13.7**

Source: First Berlin Equity Research, APONTIS PHARMA AG

We project that the single pills business will be the main sales growth driver in 2024 Single pills account for 76% of the expected €13.7m sales increase. Main assumptions underlying the guidance are:

- Sales of Atorimib are expected to climb by €5.2m because of the resolution of the supply chain problems which affected 2023 sales of the product.
- Sales of other single pills are expected to climb mainly because of the market introduction of four new single pills this year. Sales of Tonotec are expected to decline because a competitor has introduced a competing 90-tablet package.
- Sales of the co-marketing business should climb by over €3m as the impact of the new Novartis contract outweighs the expiry of the co-promotion contracts with Astra Zeneca and Puren at the end of October 2023 and March 2024 respectively.

Restructuring measures and higher sales drive recovery in profitability in 2024 The fee-per-call contract with AstraZeneca for Trixeo expired in October 2023. This business had a gross margin of 100% and so its absence will reduce the gross margin in 2024. The start of the marketing agreement with Novartis for Atectura and Enerzair will also lower the gross margin as the margin on these products is lower than on single pills. These are the main factors behind our expectation of a reduction in the gross margin to 56.6% in 2024 (2023: 62.7%). However, last year's restructuring measures reduced the cost base by an annual €6.5m and lower costs along with increased sales will be the main driver of the recovery in profitability in 2024.

Projections 2024-27 We expect Apontis' single pill sales to grow at a CAGR of 20.5% over the period 2024-27 driven by the introduction of new single pills and increasing market penetration by the company's existing single pills. With single pills as the main growth driver, we model an overall 2024-27 sales CAGR of 17.9%.

From 2025 we expect the gross margin to widen as the margins on the Novartis contract rise in line with increasing sales.

BALANCE SHEET & CASH FLOW STATEMENT

Apontis' financial position at end 2023 was comfortable with net cash of €18.7m (equivalent to net gearing of -61.9%). On the basis of our forecasts, we expect the net cash position to grow further to €50.7m by end 2027 (equivalent to net gearing of -83.4%).

Table 5: Evolution of Apontis' net cash position

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Cash and equivalents	9,015	7,387	8,059	29,840	36,345	26,816	9,100	11,212	18,122	27,992
Securities held as fixed assets	541	590	639	690	743	801	801	801	801	801
Loan to a shareholder	0	20	22	0	0	0	0	0	0	0
Other loan assets	0	0	0	94	56	0	0	0	0	0
Short term debt	0	0	0	0	0	6,020	0	0	0	0
Long term debt	0	0	0	0	0	0	0	0	0	0
Pensions	1,982	2,126	2,265	2,423	2,686	2,855	2,998	3,148	3,305	3,471
Net cash	**7,574**	**5,871**	**6,455**	**28,202**	**34,458**	**18,742**	**6,903**	**8,865**	**15,617**	**25,322**
Equity	**7,035**	**4,642**	**3,458**	**40,713**	**41,566**	**30,263**	**31,388**	**36,049**	**44,235**	**55,543**
Net gearing	**-107.7%**	**-126.5%**	**-186.7%**	**-69.3%**	**-82.9%**	**-61.9%**	**-22.0%**	**-24.6%**	**-35.3%**	**-45.6%**
Operating cashflow	**782**	**-238**	**1,451**	**-159**	**11,020**	**-12,596**	**-7,439**	**9,467**	**10,954**	**14,327**
Investments in intangibles	-836	-1,042	-729	-1,655	-3,193	-3,257	-4,350	-7,450	-4,141	-4,555
Investments in PPE	-5	-8	-1	-5	-85	-5	-50	-55	-61	-67
Acquisitions	-9,937	-269	0	0	0	0	0	0	0	0
Other cashflow from investing	-13	-68	-47	-113	599	329	0	0	0	0
Cashflow from investing activities	**-10,791**	**-1,387**	**-777**	**-1,773**	**-2,679**	**-2,934**	**-4,400**	**-7,505**	**-4,202**	**-4,622**
Cashflow after investing	**-10,009**	**-1,625**	**674**	**-1,932**	**8,341**	**-15,529**	**-11,839**	**1,962**	**6,752**	**9,705**

Source: First Berlin Equity Research, APONTIS PHARMA AG

NEWSFLOW

In our view, Apontis' stock price will be driven by news about its product portfolio, partnership deals as well as by the achievement of financial milestones. We expect the company to make a number of announcements during the coming 12-18 months which will act as catalysts for the stock. These include:

Product portfolio & cooperations

- Licensing of new single pill combinations for distribution in Germany in H2 2024 or 2025.
- Agreements with additional statutory or private insurance companies as cooperation partners for single pill combinations in 2024.
- Expansion of the existing agreements with the health insurance companies Barmer and GWQ ServicePlus to include additional products in 2024.
- Additional partnership for the exclusive commercialisation of CVD or respiratory drugs in H2 2024 or 2025.

Financial results

The company publishes financial results and a business update on a quarterly basis. We expect the publication of financial results, including detailed updates on the business development and performance of the product portfolio as follows:

- Q2 2024 results including business update is due on 9th August 2024.
- Q3 2024 results including business update is due on 7th November 2024
- FY 2024 results including business update is due on ~March 2025
- Q1 2025 results including business update is due on ~May 2025

MANAGEMENT

Bruno Wohlschlegel, CEO

Mr Wohlschlegel has been the Chief Executive Officer of Apontis Pharma AG since September 2023. He is a recognised leader and marketing expert with >26 years of experience in the pharmaceutical industry, particularly at the major German company, Merck. Mr Wohlschlegel began his career in 1996 as a sales representative at Merck Pharma. He then held a number of key positions at Merck Serono such as managing director of Merck s.a. Portugal and Senior VP of Europe at Merck KGaA, until he was appointed General Manager of Merck Serono GmbH in 2020. At Merck, he was responsible for a business with sales in the multi-billion Euro range.

He earned a degree in Chemistry with a focus on targeted therapies in tumours from the Albert-Ludwigs-University Freiburg in 1996 and a degree in business administration for non-economists from the German AKAD University in 2000.

Thomas Milz, CPO

Mr Milz has been the Chief Product Officer of Apontis Pharma AG since April 2021. He has >30 years of business development, product development and regulatory experience in the pharmaceutical industry marked by a series of strategic leadership roles. Mr Milz began his career in 1991 as a marketing trainee at Schwarz Pharma. He worked in various roles of increasing responsibility for Schwarz Pharma, first as Product Manager, then as Marketing Manager and later as Director of Strategic Projects and Director of Strategic Business Development. At Apontis he is responsible for business development, market access, medical and regulatory affairs and product development.

Mr Milz completed his education as a banker at Volksbank Neuss in 1987 and later obtained his Master of Business Administration at the University of Applied Sciences Düsseldorf.

Thomas Zimmermann, CFO

Mr Zimmermann has been the Chief Financial Officer of Apontis Pharma AG since January 2022. He has >25 years of experience as a financial manager. Mr Zimmermann started his career at Ernst & Young as a certified public auditor and subsequently in the transaction advisory services division. He subsequently worked in Germany and Austria as a financial director for the Swiss pharmaceutical company, Galderma, and as a tax consultant. At Apontis he is in charge of finances as well as investor relations, ESG and IT matters.

Mr Zimmermann received his business diploma at Universität-GH Siegen and is a certified public accountant.

SUPERVISORY BOARD

Matthias Wiedenfels, Chairman of the Board

Dr Wiedenfels has been the Chairman of the Supervisory Board since May 2022. Dr Wiedenfels is an attorney at law and a serial entrepreneur. He was previously CEO of Stada Arzneimittel AG and is currently the CEO of Perspix Biotech GmbH and is a Member of the Supervisory Board at BioMedion Holding GmbH. Dr Wiedenfels has been elected as Chairman of the Supervisory Board of Apontis Pharma until 2027.

Olaf Elbracht, Vice Chairman of the Board

Mr Elbracht has been the Vice Chairman of the Supervisory Board of Apontis Pharma since May 2022. Olaf Elbracht is a certified tax advisor in Germany and a certified public accountant in the USA. He was the CFO at Schwarz Pharma and VP of Global Business Services Finance at UCB Pharma S.A. Mr Elbracht has been elected vice Chairman of the Supervisory Board of Apontis Pharma until 2027.

Anna Lisa Picciolo-Lehrke, Member of the Board

Dr Picciolo-Lehrke has been a Member of the Supervisory Board of Apontis Pharma since May 2022. Dr Picciolo-Lehrke worked for the Technology Transfer Office at the German Cancer Research Center in Heidelberg in 2000 and later worked for the Business Development & Licensing team of Schwarz Pharma in 2005. She was later a member of the Corporate Business Development of UCB Pharma and then the head of Global Business Development Neurology at UCB Pharma from 2008. She currently holds board positions as EIT Health Germany GmbH and Grin Therapeutics Inc. Dr Picciolo-Lehrke has been elected as a Member of the Supervisory Board of Apontis Pharma until 2027.

Edin Hadzic, Member of the Board

Dr Hadzic has been a Member of the Supervisory Board of Apontis Pharma since April 2021. Dr Hadzic was a founding partner of Paragon Partners and was a partner at Triton Partners and an associate at Drueker & Co. He holds board positions as a Member of the Supervisory Board at Duo Plast AG and is managing director as various companies in the portfolio of Paragon Partners. Dr Hadzic has been elected as a Member of the Supervisory Board until 2027.

Christian Bettinger, Member of the Board

Mr Bettinger has been a Member of the Supervisory Board of Apontis Pharma since April 2021. Christian Bettinger has worked at Paragon Partners since 2014 and was previously Head of Strategy/Data/Project Management at CLIQZ and worked at McKinsey & Company as well as Siemens AG. He is a Member of the Supervisory Board at inprotec AG and a managing director at various companies in the portfolios of Paragon Partners. Mr Bettinger has been elected as a Member of the Board until 2027.

SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	DE000A3CMGM5
WKN	A3CMGM
Bloomberg ticker	APPH
No. of issued shares	8.5m
Transparency Standard	Medium
Country	Germany
Sector	Healthcare
Subsector	Specialty & Generic Pharma

Source: Börse Frankfurt, First Berlin Equity Research

Shareholder Structure	
Paragon	38.0%
Kreissparkasse Biberach	5.3%
DekaBank	2.9%
Free float and other	53.8%

Source: APONTIS PHARMA AG

INCOME STATEMENT

All figures in EUR '000	2022A	2023A	2024E	2025E	2026E	2027E
Revenues	**55,727**	**36,964**	**50,700**	**60,464**	**71,849**	**83,189**
Cost of goods sold	20,735	13,793	22,000	24,482	28,587	32,740
Gross profit	**34,992**	**23,171**	**28,700**	**35,981**	**43,262**	**50,449**
Personnel costs	17,653	24,572	13,000	13,592	14,370	15,806
Other operating income	2,644	1,690	2,004	2,197	2,404	2,593
Other operating expenses	14,375	13,523	14,400	15,787	17,273	18,636
EBITDA	**5,607**	**-13,235**	**3,303**	**8,799**	**14,023**	**18,600**
Depreciation and amortisation	1,795	1,884	2,072	2,279	2,507	2,757
Operating income (EBIT)	**3,812**	**-15,119**	**1,232**	**6,521**	**11,516**	**15,843**
Net financial result	16	274	375	138	177	312
Pre-tax income (EBT)	**3,828**	**-14,846**	**1,607**	**6,659**	**11,694**	**16,155**
Income taxes	1,139	-3,543	482	1,998	3,508	4,847
Minority interests	0	0	0	0	0	0
Net income / loss	**2,689**	**-11,303**	**1,125**	**4,661**	**8,186**	**11,309**
Diluted EPS (in €)	**0.32**	**-1.33**	**0.13**	**0.55**	**0.96**	**1.33**
Ratios						
Gross margin	62.8%	62.7%	56.6%	59.5%	60.2%	60.6%
EBITDA margin on revenues	10.1%	-35.8%	6.5%	14.6%	19.5%	22.4%
EBIT margin on revenues	6.8%	-40.9%	2.4%	10.8%	16.0%	19.0%
Net margin on revenues	4.8%	-30.6%	2.2%	7.7%	11.4%	13.6%
Tax rate	29.8%	23.9%	30.0%	30.0%	30.0%	30.0%
Expenses as % of revenues						
Personnel costs	31.7%	66.5%	25.6%	22.5%	20.0%	19.0%
Depreciation and amortisation	3.2%	5.1%	4.1%	3.8%	3.5%	3.3%
Other operating expenses	25.8%	36.6%	28.4%	26.1%	24.0%	22.4%
Y-Y Growth						
Revenues	8.9%	-33.7%	37.2%	19.3%	18.8%	15.8%
Operating income	486.8%	n.m.	n.m.	429.3%	76.6%	37.6%
Net income/ loss	n.m.	n.m.	n.m.	314.4%	75.6%	38.2%

BALANCE SHEET

All figures in EUR '000	2022A	2023A	2024E	2025E	2026E	2027E
Assets						
Current assets, total	**42,427**	**35,106**	**24,056**	**27,477**	**37,449**	**50,370**
Cash and cash equivalents	36,345	26,816	9,100	11,212	18,122	27,992
Receivables	2,352	847	2,281	2,721	3,233	3,743
Inventories	3,164	6,618	11,661	12,335	14,657	16,970
Other current assets	566	826	1,014	1,209	1,437	1,664
Non-current assets, total	**17,426**	**22,353**	**24,682**	**29,938**	**31,633**	**33,497**
Property, plant & equipment	45	30	60	93	130	169
Goodwill & other intangibles	16,148	17,540	19,839	25,032	26,691	28,515
Financial assets	799	801	801	801	801	801
Other assets	435	3,982	3,982	4,011	4,011	4,011
Total assets	**59,853**	**57,460**	**48,738**	**57,414**	**69,082**	**83,867**
Shareholders' equity & debt						
Provisions, total	**11,489**	**15,245**	**10,197**	**12,339**	**14,227**	**16,115**
Pension provisions	2,686	2,855	2,998	3,148	3,305	3,471
Tax provisions	1,235	829	1,115	1,330	1,581	1,830
Other provisions	7,568	11,561	6,084	7,860	9,340	10,815
Liabilities, total	**6,093**	**11,390**	**6,591**	**8,465**	**10,059**	**11,646**
Short-term debt	0	6,020	0	0	0	0
Accounts payable	5,359	5,090	6,084	7,860	9,340	10,815
Other current liabilities	734	280	507	605	718	832
Difference from capital consolidation	**631**	**561**	**561**	**561**	**561**	**561**
Deferred tax liabilities	**74**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**41,566**	**30,263**	**31,388**	**36,049**	**44,235**	**55,543**
Total consolidated equity and debt	**59,853**	**57,460**	**48,738**	**57,414**	**69,082**	**83,867**
Ratios						
Current ratio (x)	0.00	0.00	0.00	0.00	0.00	0.00
Quick ratio (x)	0.00	0.00	0.00	0.00	0.00	0.00
Net debt	-34,458	-18,742	-6,903	-8,865	-15,617	-25,322
Net gearing	-82.9%	-61.9%	-22.0%	-24.6%	-35.3%	-45.6%
Equity ratio	75.2%	69.4%	52.7%	64.4%	62.8%	64.0%
Book value per share (in €)	4.89	3.56	3.69	4.24	5.20	6.53
Return on equity (ROE)	6.5%	-31.5%	3.6%	13.8%	20.4%	22.7%

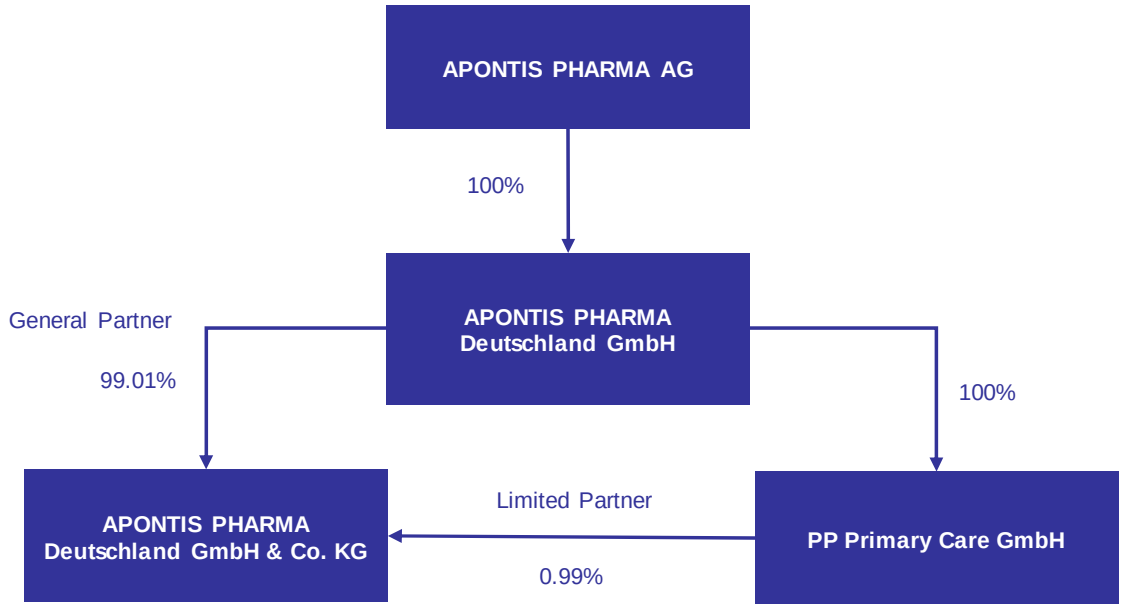
CASH FLOW STATEMENT

All figures in EUR '000	2022A	2023A	2024E	2025E	2026E	2027E
Net profit	**2,689**	**-11,303**	**1,125**	**4,661**	**8,186**	**11,309**
Depreciation and amortisation	1,795	1,884	2,072	2,279	2,507	2,757
Changes in w orking capital	4,476	-2,895	-10,636	2,527	262	261
Other adjustments	2,060	-282	0	0	0	0
Restructuring charge	0	0	0	0	0	0
Operating cash flow	**11,020**	**-12,596**	**-7,439**	**9,467**	**10,954**	**14,327**
Investments in PP&E	-85	-5	-50	-55	-61	-67
Investments in intangibles	-3,193	-3,257	-4,350	-7,450	-4,141	-4,555
Free cash flow	**-3,233**	**-14,565**	**-11,839**	**1,962**	**6,752**	**9,705**
Acquisitions & disposals, net	0	0	0	0	0	0
Other	599	329	0	0	0	0
Investment cash flow	**-2,679**	**-2,934**	**-4,400**	**-7,505**	**-4,202**	**-4,622**
Debt financing, net	0	6,000	-6,020	0	0	0
Equity financing, net	-1,836	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Other financing	0	0	143	150	157	165
Financing cash flow	**-1,836**	**6,000**	**-5,877**	**150**	**157**	**165**
FOREX & other effects	0	0	0	0	0	0
Net cash flows	**6,505**	**-9,529**	**-17,716**	**2,112**	**6,910**	**9,870**
Cash, start of the year	29,840	36,345	26,816	9,100	11,212	18,122
Cash, end of the year	**36,345**	**26,816**	**9,100**	**11,212**	**18,122**	**27,992**
EBITDA/share (in €)	**0.66**	**-1.56**	**0.39**	**1.04**	**1.65**	**2.19**
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	15.7%	30.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	244.2%	43.7%
EBITDA/share	134.0%	n.m.	n.m.	166.4%	59.4%	32.6%

APPENDIX A: COMPANY STRUCTURE OF APONTIS PHARMA AG

Complex company structure was implemented for reasons of tax optimisation in connection with the acquisition of Apontis by Paragon Partners The Apontis Pharma AG acts as the holding company for the entities within the APONTIS Group. Apontis Pharma AG owns 100% of Apontis Pharma Deutschland GmbH. Apontis Pharma Deutschland GmbH in turn owns 100% of PP Primary Care GmbH and is a general partner in Apontis Pharma Deutschland GmbH & Co. KG, with a 99.01% stake in the company. PP Primary Care GmbH owns the remaining 0.99% stake in Apontis Pharma Deutschland GmbH & Co. KG as a limited partner. These holding companies were implemented for tax optimisation purposes in connection with the acquisition of Apontis Pharma by Paragon Partners. In the medium term, a simplification of the corporate structure is planned by merging the holding companies Apontis Pharma Deutschland GmbH and PP Primary Care GmbH.

Figure 15: Apontis company structure



Source: Apontis Pharma AG, First Berlin Equity Research

APPENDIX B: SINGLE PILL PORTFOLIO WITH 60 DIFFERENT DOSAGES

Apontis currently has 15 single pills in the portfolio, which are available in 60 different dosages.

Figure 16: Single pill portfolio and dosages

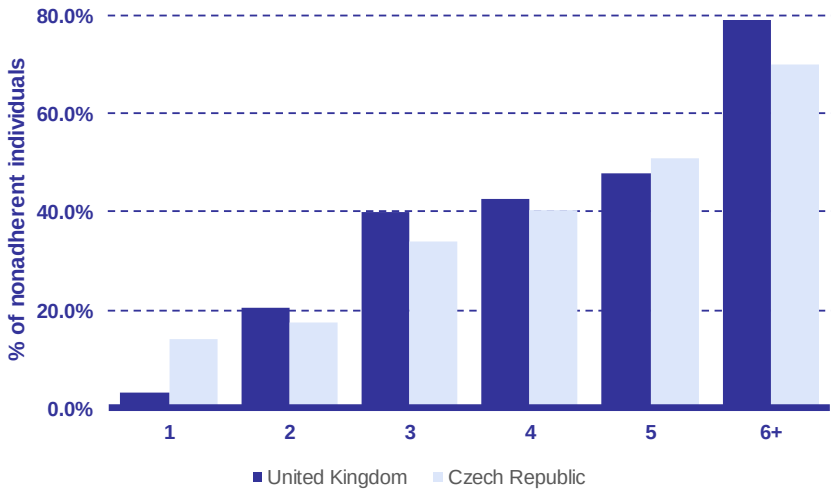
Source: Apontis Pharma AG, First Berlin Equity Research

APPENDIX C: ADDITIONAL RELEVANT STUDY DATA SHOWING ADVANTAGE OF SINGLE PILLS

GUPTA ET AL. STUDY FROM 2017

Single pills can drastically improve adherence to treatment of blood pressure There has been extensive literature documenting that adherence to treatment decreases as the complexity of the treatment increases. In 2004, Schroeder et al. recommended that reducing the number of daily doses should be the first line strategy to increase adherence to blood pressure (BP) lowering medication. In 2017, a study by Gupta et al. was showed that for every additional pill in a treatment regimen, nonadherence increases by ~80%. For a treatment consisting of one (single) pill, the average non-adherence was less than 10%. As can be seen in figure w, the rate of nonadherence grows to ~40% with a treatment regimen consisting of three pills and once the regimen reaches 6 or more pills, the average rate of nonadherence far exceeds the average rate of adherence. By combining several BP medications that are prescribed in tandem into one pill, the complexity of the treatment can be simplified, which in turn can lead to an increase in adherence.

Figure 17: Association between the number of prescribed antihypertensive medications and rate of nonadherence by population



Source: Gupta et al., 2017; First Berlin Equity Research

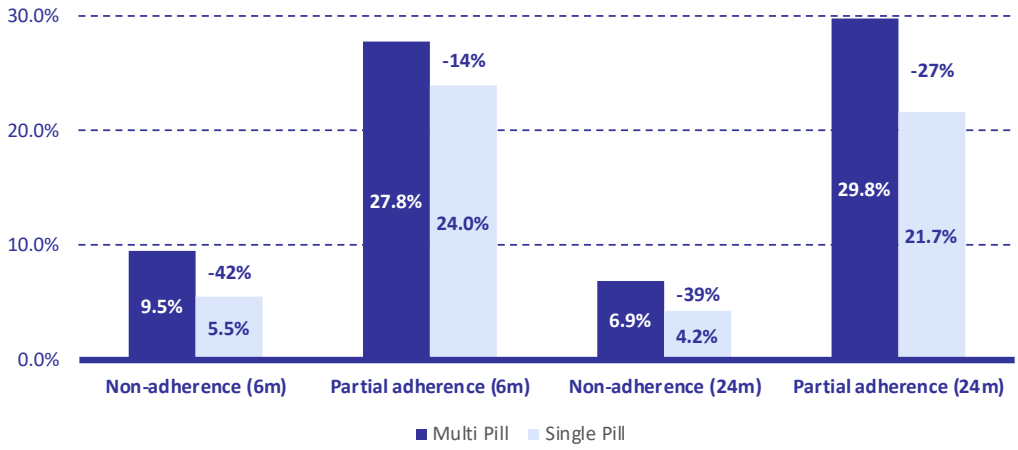
EUROPEAN SOCIETIES OF CARDIOLOGY (ESC) GUIDANCE

European Societies of Cardiology (ESC) and Hypertension (ESH) favour the use of single pills Since 2013; the ESC and ESH recommend the use of single pill combinations (SPC) over multi pill combinations (MPC). This recommendation was made based on several studies from 2010 suggesting that single pills lead to an increase in adherence and improve the rate of blood pressure control (see Gupta et al., 2010; Corrao et al., 2010). In the updated 2018 joint hypertension guideline, both agencies reiterated their position that the use of single pills is preferable to a loose pill combination to improve blood pressure control and adherence. They also state in section 10.4 that: “There is growing evidence that poor adherence to treatment […] is the most important cause of poor BP control”. Because of the direct relation between the number of pills in a treatment and a decrease in adherence, this recommendation makes sense. In section 7.5.2.4 of their 2018 guideline, they also mention that it would be desirable to see the range of available single pills expanded.

SECURE RESULTS ON ADHERENCE

Adherence to treatment of single pills compared to multi pills at 6 and 24 months In the SECURE study, the self-reported adherence is higher in the single-pill group at both 6 and 24 months. As can be seen in figure 18 below, the rate of partial adherence and non-adherence in the single-pill group decreases between 6 and 24 months, while in the multi-pill group the rate of partial adherence increases over the same period. These results support the conclusions of several previous papers, such as the 2018 ESC/ESH guidelines and the 2017 paper by Gupta et al, which suggest that reducing treatment complexity can lead to an increase in adherence. The study data also support the premise that single-pill treatment is superior to identical multi-pill treatment.

Figure 18: Non-adherence and partial adherence at 6 months and 24 months in the respective cohorts



Source: SECURE study, First Berlin Equity Research

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UST-Id.: 251601797
Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV
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The production of this recommendation was completed on 24 June 2024 at 10:23

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	Today	€8.42	Buy	€17.00

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