

APONTIS PHARMA AG

Germany / Pharmaceuticals

Xetra

Bloomberg: APPH GR

ISIN: DE000A3CMGM5

H1 2024 results

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 17.00**

127.3%

Medium

FEWER PILLS TO POP, LESS CHANCE YOUR HEART WILL STOP

Overall, H1/24 results were as expected. Total sales increased by 19.2% to €22.7m and sales in the core single pill business rose by an impressive 47.9% to €17.9m. The two asthma products from the new cooperation with Novartis generated initial sales of €2.5m in the 25 months since their market launch which indicates they are in line to meet the FY/24 sales target of €9m. EBITDA came in at €2.1m (H1/23: €4.0m). Management confirmed the FY/24 guidance of €50.7m sales and €33m EBITDA upgraded on 5 April following the announcement of the Novartis agreement. Based on the solid H1/24 results, the guidance seems conservative, but management prefers to have some headroom for additional marketing spend in H2 that could accelerate future growth. On the conference call with investors, management confirmed that the implemented multichannel marketing efforts are gaining traction and that the promoted products are achieving notable growth. Apontis has gained Kaufmännische Krankenkasse Halle (KKH) as an additional partner for its seven exclusive single pill products and now has agreements with three statutory health insurers that account for ~28% of all prescriptions by statutory health insurance funds (previously two insurers accounting for ~23%). Negotiations are underway with other statutory health insurance funds. Health insurance funds are attracted by the higher compliance rates associated with single pills, which lead to better health outcomes and lower costs. The three new single pill launches scheduled for H2 are on track. Management is delivering as promised. Based on the positive development seen in H1/24 and unchanged estimates, we reiterate our Buy recommendation and price target of €17.

Solid H1/24 results in line with our forecasts – strong single-pills growth and positive EBITDA Total sales climbed 19.2% to €22.7m (FBe: €22.5m H1/23: €19.1m) and sales in the core single pill business rose by 47.9% to €17.9m, expanding to 79% of H1/24 total sales (FBe: €17.5m; H1/23: €12.1m 63% of sales). The sound growth in single pills stemmed from better availability of Atorimib (€+4.5m), sales of which... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2022	2023	2024E	2025E	2026E	2027E
Revenue (€m)	55.7	37.0	50.7	60.5	71.8	83.2
Y-o-y growth	8.9%	-33.7%	37.2%	19.3%	18.8%	15.8%
EBIT (€m)	3.8	-15.1	1.2	6.5	11.5	15.8
EBIT margin	6.8%	-40.9%	2.4%	10.8%	16.0%	19.0%
Net income (€m)	2.7	-11.3	1.1	4.7	8.2	11.3
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)	-3.2	-14.6	-11.8	2.0	6.8	9.7
Net gearing	-82.9%	-61.9%	-22.0%	-24.6%	-35.3%	-45.6%
Liquid assets (€m)	36.3	26.8	9.1	11.2	18.1	28.0

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.

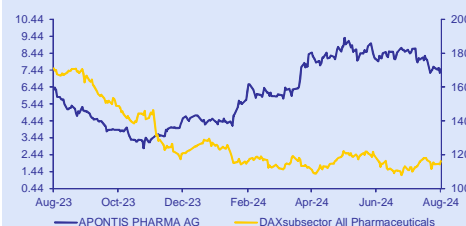
MARKET DATA

As of 15 Aug 2024

Closing Price	€ 7.48
Shares outstanding	8.50m
Market Capitalisation	€ 63.58m
52-week Range	€ 2.82 / 9.34
Avg. Volume (12 Months)	9,151

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%



... suffered from supply chain issues last year, as well as the positive development of the rest of the single pill portfolio. Single pill sales were boosted in particular by the temporary unavailability of a competitor to the Tonotec single pill, which is being put out to tender. Management originally expected Tonotec sales to drop by €2.1m in H1/24, but the reported decline was only €0.9m. The two asthma products from the new cooperation with Novartis, Enerzair and Atectura, generated initial sales of €2.5m in the 2.5 months since the market launch and in our view are on track to meet the FY/24 combined revenue and EBITDA target of €9m and €1.5m respectively. Management confirmed during the conference call that the company has already promoted the drugs to around 50% of key opinion leader (KOL) pulmonologists and expects to have contacted the remainder by around October. We note once again that the cooperation with Novartis has a performance-based structure and so there could be substantial EBITDA upside if Apontis succeeds in driving sales significantly above current levels. Group EBITDA came in at €2.1m (FBe: €2.0m; H1/23: €-4.0m), meaning that management has already achieved profitability for two quarters in a row.

Table 1: P&L H1/24 reported figures vs FB estimates and H1/23 (KPIs)

All figures in EUR '000	H1/24	H1/24E	Delta	H1/23	Delta
Revenue	22.7	22.5	1%	19.1	19%
thereof Single Pills	17.9	17.5	2%	12.1	48%
EBITDA	2.1	2.0	5%	-4.0	n.a.
margin	5%	5%	-	n.a.	-
EBIT	1.0	1.0	0%	-4.9	n.a.
margin	4%	4%	-	n.a.	-
Net income / loss	0.7	0.6	9%	-3.5	n.a.

Source: First Berlin Equity Research, DEWB

FY/24 outlook confirmed Management confirmed the FY24 guidance of €50.7m sales and €3.3m EBITDA upgraded on 5 April following the announcement of the Novartis deal. After the H1/24 results, the EBITDA guidance in particular seems conservative to us, but management prefers to have some headroom for additional marketing spend in H2 that could accelerate future growth.

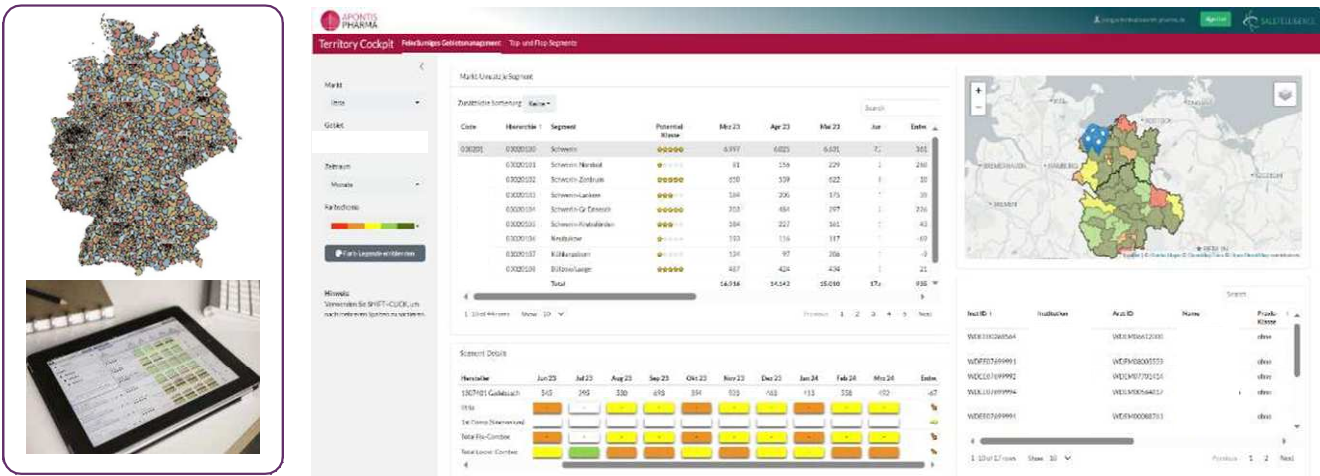
Solid cash position of €16.2m The cash position declined to €16.2m (YE/23: €26.8m) chiefly due to cash outflow from operating activities of €3.9m (H1 2023: €9.0m) and cash outflow from financing of €6.1m (H1 2023: €0). The operating cash outflow included the outflow of funds from the restructuring provision formed in the previous year in the amount of €2.9m and an increase in working capital of ~€1.0m, while the financing cash flow resulted from the repayment of a fully paid-out bank loan. The equity ratio increased to 64% (YE/23: 53%). We see Apontis as well financed to realise its growth strategy.

NEW MULTICHANNEL MARKETING STRATEGY SHOWS FIRST SIGNS OF SUCCESS

New capabilities to track effectiveness of sales force visits to targeted physicians As we mentioned above, the core single pill business is performing as expected, which suggests that the newly multi-channel marketing strategy introduced in March is working. Apontis is leveraging various platforms to reach healthcare professionals 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. The company has a new technical infrastructure for collecting, processing, and utilising data to monitor the impact of its off-line and online marketing efforts. During the conference call with investors, management shared initial findings from an analysis conducted for the three months since implementation of this strategy. We received a positive impression of the company's ability to track performance of the sales force using professional software (see figure 1 overleaf).



Figure 1: Tracking sales force effectiveness – snapshot of Apontis cockpit



Source: First Berlin Equity Research, APONTIS PHARMA AG

Use case with the high-potential single pill Iltria shows that the multi-channel marketing campaign is effective We believe a key focus of the company's marketing efforts in 2024 will be the seven products that currently have no competition: Iltria, Tonotec Lipid, LosAmlo, AmlaAto, RosuASS, RosuValsa and Caramlo HCT. As part of its life-cycle management measures, the company is placing particular emphasis on driving the conversion of doctors' prescriptions from the two hypertension double-combination pills facing the most intense competition, Tonotec and Caramlo, to the triplets Tonotec Lipid and Caramlo HCT (and the soon to be launched Caramlo Ato). Management confirmed that physicians are generally responding favourably to marketing efforts and referred to the Iltria example, comparing its 3-month performance following a marketing campaign with other products that were not promoted during the same period. Iltria showed a clear growth trend, while the non-promoted products were more or less stagnant (see figure 2 below).

Figure 2: Iltria use case – the product showed significant growth after the marketing efforts (chart on the right) compared to stagnating revenue for non-promoted products (chart on the left)



Source: First Berlin Equity Research, APONTIS PHARMA AG

Additional direct marketing campaigns and doctor conferences planned for H2/24 Following the initial success of the marketing activities in H1/24, the company intends to intensify marketing measures in H2/24. For example, the company is inviting key doctors to a heart conference in Munich on 8-9 November 2024, which will feature an acclaimed



Canadian cardiologist and speaker, Prof Salim Yusuf. He has been honoured by the Canadian Hall of Fame, Oxford University and the World Heart Federation, among others, for his achievements in Cardiology (<https://www.cdnmedhall.ca/laureates/salimyusuf>).

Distribution and rebate agreements with German health insurance organisations – Kaufmännische Krankenkasse Halle (KKH) added as partner Apontis has gained KKH as an additional partner for its core seven single pill products without competitors and now has contracts with three major statutory health insurers that account for ~28% of all prescriptions issued by statutory health insurance funds (previously ~23%). Previously, the company had contracts with Barmer for Iltria and LosAmlo and GWQ ServicePlus AG (GWQ+) for AmloAator, LosAmlo and Tonotec Lipid. The company is currently negotiating with these two partners to expand the agreed number of products by up to seven. Negotiations are also underway with other statutory health insurance funds. We therefore expect news about new contracts in the next 6-12 months.

Management changes In June, Apontis announced that the current CFO, Thomas Zimmermann, has been appointed to the Executive Board with effect from 1 July 2024. This is a positive move in our view as Mr Zimmermann is a key member of the management team. He has been CFO of Apontis since January 2022 and has been instrumental in the realignment of the company from September 2023. Mr Zimmermann is responsible for Finance, Investor Relations, Compliance, Contract Management, IT and ESG.

At the beginning of June, Apontis announced the appointment of Mila Brückel as Head of Supply Chain to prepare for planned company growth and upcoming internationalisation of the business. Ms Brückel is responsible for all aspects of supply chain management at Apontis including demand forecasting, procurement, inventory management, new product launches, and distribution to customers. Ms Brückel has more than 25 years of experience in supply chain management – including 15 years in the pharmaceutical industry – and joined Apontis from the healthcare segment of Merck KGaA.



VALUATION MODEL

Buy rating and price target confirmed Following strong H1 2024 financial results, we see Apontis in excellent shape to accelerate penetration of the highly attractive single pill market. We additionally see substantial revenue growth potential from the two asthma products from the new cooperation with Novartis, Enerzair and Atecura, which we believe are on track to meet the FY/24 combined revenue target of €9m. Management is delivering as promised and showed confidence during the investor conference call of achieving its goals for 2024. Based on unchanged estimates, we reiterate our Buy rating and price target of €17.00 for Apontis. For further details on Apontis, please refer to our comprehensive initiating coverage report, which was published on 24 June 2024.

Table 2: 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
working 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 FCFs	-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 cash/(net debt)	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 growth	2.5%
Terminal EBIT margin	10.0%

Sensitivity analysis

		Terminal growth rate (%)						
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
WACC	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

Fair value per share

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

Source: First Berlin Equity Research



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 working 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%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	24 June 2024	€8.42	Buy	€17.00
2	Today	€7.48	Buy	€17.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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