

Formycon AG

Germany / Biopharmaceuticals
 Xetra
 Bloomberg: FYB GR
 ISIN: DE000A1EWWY8

Preliminary H1/22
 results

RATING
BUY

PRICE TARGET
€ 103.00

Return Potential 46.3%
 Risk Rating High

AUTUMN WILL BRING RICH HARVEST OF NEWSFLOW

H1/22 sales of €17.6m (FBe: €16.0m; H1/21: €20.3m) and EBITDA of €7.6m (FBe: €-8.0m; H1/21: €9.7m) were close to our expectations. However, net income of €80m (FBe: €-9.0m; H1/21: €-10.6m) was boosted by an extraordinary profit of €90m in connection with the Athos transaction which completed in May. We had not included an estimate for this figure in our forecast. It is a non-cash item, whose tax implications will also be limited as only 5% of the amount is taxable. As we pointed out in our note of 30 August, we expect Formycon to generate a steady flow of positive news over the next few months. The highlight will be the launch of the Lucentis biosimilar, FYB201, in the EU and US in Q4. In addition, before the end of this year, we expect topline results from the phase 3 trial of FYB203 (reference product: Eylea), the disclosure of the FYB206 reference product, as well as the announcement of marketing partners for FYB202 (reference product: Stelara) and FYB203. We continue to advise investors to make use of the recent recoil in the Formycon share price to buy the share. We maintain our Buy recommendation and price target of €103.

Sales lower because volume of work on partnered projects is falling H1/22 sales fell (see figure 1 overleaf) because of a lower volume of work on the partnered projects FYB201, FYB202 and FYB203. The H1/22 EBITDA loss narrowed because of an unusually high volume of work on the unpartnered projects FYB206 (reference product not yet disclosed) and FYB207 (antiviral drug candidate against SARS-CoV-2) in Q2/21. Liquid assets at the end of June amounted to €18.2m (FY/21: €25.0m). The extraordinary profit of €90m resulted from the sale of the minority stake (24.9%) in FYB202 GmbH & Co. KG to Aristo Pharma GmbH. The stake was booked on Formycon's 2021 balance sheet at €23.7m. In parallel, Formycon acquired 100% of the shares in FYB202 Project GmbH, in which the global assets and commercialisation rights to FYB202 are located.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022E	2023E	2024E	2025E
Revenue (€m)	34.23	36.97	45.35	79.30	161.56	484.30
Y-o-y growth	3.2%	8.0%	22.7%	74.9%	103.7%	199.8%
EBITDA (€m)	-4.81	-12.39	-4.31	22.70	104.06	448.30
EBITDA margin	-14.1%	-33.5%	-9.5%	28.6%	64.4%	92.6%
Net income (€m)	-5.93	-13.47	84.72	21.65	100.93	316.88
EPS (diluted) (€)	-0.58	-1.22	6.22	1.44	6.70	21.03
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-5.70	-15.43	-12.17	13.89	82.58	232.22
Net gearing	-62.1%	-44.9%	-11.0%	-19.5%	-46.8%	-64.3%
Liquid assets (€m)	42.25	25.18	13.01	26.90	109.48	341.70

RISKS

Product failures, failure to obtain funding, loss of key personnel.

COMPANY PROFILE

Formycon AG is a Munich, Germany based pharmaceuticals company specialising in the development of biosimilars, e.g. generic versions of biotechnology products.

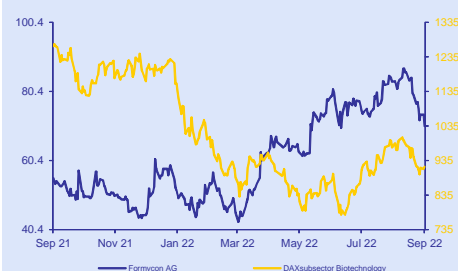
MARKET DATA

As of 06 Sep 2022

Closing Price	€ 70.40
Shares outstanding	15.06m
Market Capitalisation	€ 1060.56m
52-week Range	€ 42.65 / 87.00
Avg. Volume (12 Months)	10,346

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	49.0
EV/Sales	28.2	23.0	13.1
EV/EBITDA	n.a.	n.a.	45.9
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2021

Liquid Assets	€ 25.18m
Current Assets	€ 37.99m
Intangible Assets	€ 0.79m
Total Assets	€ 66.33m
Current Liabilities	€ 5.59m
Shareholders' Equity	€ 56.07m

SHAREHOLDERS

Family Offices	43.0%
Institutional Investors	23.0%
Founders and Management	7.0%
Free Float	27.0%

**Figure 1: H1/22 results**

€m	H1 22A	H1 22E	Delta	H1 21A	Delta
Sales	17.6	16.0	10.0%	20.3	-13.3%
EBITDA	-7.6	-8.0	n.a.	-9.7	n.a.
margin	neg.	neg.	-	neg.	-
EBIT	-8.5	-9.0	n.a.	-10.6	n.a.
Margin	neg.	neg.	-	neg.	-
Net income	80.0	-9.0	n.a.	-10.6	n.a.
Margin	neg.	neg.	-	neg.	-

Source: Formycon

Figure 2: H1/22 revenues of Formycon biosimilar candidates' reference products

USDm	H1/22	H1/21	Delta
Lucentis	1,627	1,819	-10.5%
Stelara	4,887	4,422	10.5%
Eylea	4,877	4,438	9.9%
Total	11,391	10,678	6.7%

Source: Companies

Aggregate reference product sales up 7% in H1/22 Figure 2 above shows H1/22 sales development of the FYB201, FYB202 and FYB203 reference products - respectively Lucentis, Stelara and Eylea. Both Stelara and Eylea sales were up by ca. 10%, but sales of Lucentis retreated due to the launch of biosimilars by Formycon (in the UK in Q3 and in the EU and US from Q4) and Samsung Bioepis (in the US from Q3).

Abundant near-term newsflow We expect newsflow during the remainder of this year to include the following:

- Q4 launch of FYB201 in the EU by Teva and in the US by Coherus;
- FYB203 topline phase 3 results;
- Announcement of the FYB206 reference product;
- Announcement of marketing partners for FYB202 and FYB203;
- Completion of preclinical studies of FYB207 preparatory to the start of clinical trials in 2023.

Buy recommendation maintained at unchanged price target of €103 Our forecasts are unchanged except for the increase in our 2022 net profit forecast from €-5.3m to €84.7m to reflect the extraordinary gain of €90m in connection with the Athos deal. As this is a non-cash item, there is no impact on our valuation. We maintain our Buy recommendation at an unchanged price target of €103.



Figure 3: Pipeline valuation model

Compound	Project ¹⁾	Present Value	Patient Pop	Treatment Cost	Market Size	Market Share	Peak Sales	PACME Margin ²⁾	Discount Factor	Patent Life ³⁾	Time to Market
FYB201	nAMD,DR (ex-US)	€355M	199K	€9,862	€1,964M	20%	€371M	15%	10%	n.a.	1 year
FYB201	nAMD,DR (US)	€245M	82K	€16,436	€1,355M	20%	€256M	15%	10%	n.a.	1 year
FYB202	Pso,CrD (ex-US)	€486M	62K	€46,943	€2,905M	12%	€396M	33%	13%	n.a.	2 years
FYB202	Pso,CrD (US)	€784M	69K	€78,237	€5,398M	12%	€638M	33%	13%	n.a.	2 years
FYB203	nAMD,DR (ex-US)	€126M	425K	€7,691	€3,265M	12%	€456M	9%	13%	n.a.	3 years
FYB203	nAMD,DR (US)	€224M	411K	€12,818	€5,265M	12%	€723M	9%	13%	n.a.	3 years
FYB206	n.a.	€135M									
FYB207	COVID-19 (ex-US)	€128M	149K	€20,000	€2,976M	12%	€50M	18%	16%	20	2 years
FYB207	COVID-19 (US)	€122M	142K	€20,000	€2,836M	12%	€486M	8%	16%	20	2 years
FYB208	n.a.	€101M									
FYB209	n.a.	€101M									
PACME PV		€2,805M									
Costs PV ⁴⁾		€1,283M									
NPV		€1,522M									
Proforma net Cash		€29M									
Fair Value		€1,552M									
Proforma share count		15,065K									
Fair Value Per Share		€103.00									

1) A project typically refers to a specific indication or, where necessary or relevant, a combination between indication and geographic market.

2) PACME (Profit After Costs and Marketing Expenses) reflects the company's profit share on future revenues.

This share may be derived in the form of royalties (outsourced marketing/manufacturing) or operating EBITDA margin (in-house model).

3) Remaining patent life after the point of approval.

4) Includes company-level R&D, G&A, Financing Costs, CapEx and Taxes; COGS and S&M are factored into the PACME margin for each project.

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EURm	2020A	2021A	2022E	2023E	2024E	2025E
Revenue	34.2	37.0	45.3	79.3	161.6	484.3
Increase/decrease in unfinished products	0.6	0.4	0.0	0.0	0.0	0.0
Total output	34.8	37.3	45.3	79.3	161.6	484.3
Other operating income	0.4	3.2	8.8	2.4	0.0	0.0
Cost of goods sold	-26.1	-36.3	-40.4	-39.7	-36.9	-23.1
Gross profit	9.2	5.7	13.8	42.0	124.6	461.2
Personnel costs	-10.0	-13.0	-15.1	-16.3	-17.6	-11.0
Other operating expenses	-4.0	-5.1	-3.0	-3.0	-3.0	-1.8
EBITDA	-4.8	-12.4	-4.3	22.7	104.1	448.3
Depreciation and amortisation	-0.9	-0.9	-1.0	-1.1	-1.1	-1.1
Operating income (EBIT)	-5.7	-13.3	-5.3	21.6	103.0	447.2
Net financial result	-0.1	-0.2	90.0	0.0	0.0	0.0
Pre-tax income (EBT)	-5.8	-13.5	84.7	21.6	103.0	447.2
Income taxes	-0.1	0.0	0.0	0.0	-2.1	-130.3
Net income / loss	-5.9	-13.5	84.7	21.6	100.9	316.9
Diluted EPS (in €)	-0.58	-1.22	6.22	1.44	6.70	21.03
Ratios						
Gross margin on output	26.3%	15.3%	30.3%	53.0%	77.1%	95.2%
EBIT margin on output	-16.5%	-35.7%	-11.6%	27.3%	63.7%	92.3%
EBITDA margin on output	-13.8%	-33.2%	-9.5%	28.6%	64.4%	92.6%
Net margin on output	-17.0%	-36.1%	186.8%	27.3%	62.5%	65.4%
Tax rate	1.7%	-0.2%	0.0%	0.0%	-2.0%	-29.1%
Expenses as % of output						
Cost of goods sold	-74.8%	-97.3%	-89.1%	-50.0%	-22.9%	-4.8%
Personnel costs	-28.8%	-34.8%	-33.2%	-20.6%	-10.9%	-2.3%
Depreciation and amortisation	-2.6%	-2.5%	-2.1%	-1.3%	-0.7%	-0.2%
Net other operating exp.	-10.2%	-5.1%	12.8%	-0.8%	-1.8%	-0.4%
Y-Y Growth						
Revenues	3.2%	8.0%	22.7%	74.9%	103.7%	199.8%
Operating income	n.m.	n.m.	n.m.	n.m.	375.7%	334.2%
Net income/ loss	n.m.	n.m.	n.m.	-74.4%	366.2%	214.0%



BALANCE SHEET

All figures in EURm	2020A	2021A	2022E	2023E	2024E	2025E
Assets						
Current assets, total	50.5	38.0	32.9	55.3	158.3	476.3
Cash and cash equivalents	42.0	25.0	12.9	26.8	109.3	341.5
Other liquid assets	0.2	0.2	0.2	0.2	0.2	0.2
Receivables	6.9	7.7	13.5	19.8	40.4	121.1
Inventories	1.2	1.9	1.8	2.0	1.9	3.9
Other current assets	0.1	3.2	4.5	6.6	6.5	9.7
Non-current assets, total	25.1	28.3	94.4	94.8	95.3	97.9
Investment participations	20.7	23.7	0.0	0.0	0.0	0.0
Financial assets	0.0	0.0	90.0	90.0	90.0	90.0
Property, plant & equipment	3.5	3.3	3.3	3.6	3.4	3.4
Goodwill & other intangibles	0.5	0.7	0.6	0.6	0.6	0.6
Prepaid expenses	0.1	0.3	0.4	0.6	1.3	3.9
Deferred tax assets	0.3	0.3	0.0	0.0	0.0	0.0
Total assets	75.6	66.3	127.2	150.1	253.5	574.2
Shareholders' equity & debt						
Current liabilities, total	5.0	5.6	5.8	6.9	9.2	12.1
Accounts payable	4.5	4.7	4.9	5.6	6.5	8.2
Other current liabilities	0.5	0.9	0.9	1.3	2.7	3.9
Long-term liabilities, total	2.5	4.7	3.6	5.2	10.3	30.6
Provisions	2.1	4.3	3.2	4.8	9.7	29.1
Other liabilities	0.4	0.4	0.3	0.4	0.6	1.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	68.0	56.1	117.9	138.0	234.0	531.5
Total consolidated equity and debt	75.6	66.3	127.2	150.1	253.5	574.2
Key figures						
Current ratio (x)	10.06	6.79	5.67	8.01	17.19	39.34
Quick ratio (x)	9.82	6.46	5.35	7.72	16.98	39.02
Financial leverage (%)	-62.1	-44.9	-11.0	-19.5	-46.8	-64.3
Book value per share (€)	394.32	435.73	352.78	386.18	420.24	454.99
Return on equity (ROE)	-10.2%	-21.7%	97.4%	16.9%	54.3%	82.8%



CASH FLOW STATEMENT

All figures in EURm	2020A	2021A	2022E	2023E	2024E	2025E
EBIT	-5.7	-13.3	-5.3	21.6	103.0	447.2
Depreciation and amortisation	0.9	0.9	1.0	1.1	1.1	1.1
EBITDA	-4.8	-12.4	-4.3	22.7	104.1	448.3
Changes in working capital	-0.5	-4.1	-7.0	-7.5	-18.5	-84.7
Taxes paid	0.0	0.0	0.0	0.0	-2.1	-130.3
Other adjustments	0.2	2.3	0.0	0.0	0.0	0.0
Operating cash flow	-5.1	-14.2	-11.3	15.2	83.5	233.3
CAPEX	-0.6	-1.3	-0.9	-1.3	-0.9	-1.1
Free cash flow	-5.7	-15.4	-12.2	13.9	82.6	232.2
Debt financing, net	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing, net	25.8	1.5	0.0	0.0	0.0	0.0
Other changes in cash	-0.2	0	0	0	0	0
Net cash flows	19.9	-17.1	-12.2	13.9	82.6	232.2
Cash and liquid assets, start of the year	22.4	42.2	25.2	13.0	26.9	109.5
Cash and liquid assets, end of the year	42.2	25.2	13.0	26.9	109.5	341.7
EBITDA/share (in €)	-0.5	-1.1	-0.3	1.5	6.9	29.8
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	449.9%	179.5%
Free cash flow	n.m.	n.m.	n.m.	n.m.	494.3%	181.2%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	358.3%	330.8%

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Simon Scholes, Analyst

All publications of the last 12 months were authored by Simon Scholes.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

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

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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.

ASSET VALUATION SYSTEM

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.

RISK ASSESSMENT

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	17 April 2013	€3.50	Buy	€7.30
2...33	↓	↓	↓	↓
34	7 January 2021	€61.00	Buy	€78.00
35	26 March 2021	€62.60	Buy	€78.00
36	20 May 2021	€56.80	Buy	€78.00
37	5 July 2021	€62.80	Add	€78.00
38	23 September 2021	€50.20	Buy	€78.00
39	14 April 2022	€67.30	Buy	€89.00
40	11 July 2022	€74.20	Buy	€97.00
41	30 August 2022	€76.80	Buy	€103.00
42	Today	€70.40	Buy	€103.00

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

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

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