

MagForce

NanoTherm US prostate cancer trial initiates

MagForce has announced the enrolment of the first patient in its pivotal clinical trial evaluating NanoTherm focal ablation therapy in the US for prostate cancer. The trial started as expected in Q218 and further patient recruitment is underway at the two clinical sites (CHRISTUS Santa Rosa and the University of Washington). Prostate cancer presents a significant market opportunity in the US (representing ~60% of our rNPV) and makes sense strategically as a first US indication.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/16	0.5	(7.2)	(0.28)	0.0	N/A	N/A
12/17	0.7	(7.5)	(0.28)	0.0	N/A	N/A
12/18e	2.9	(8.8)	(0.33)	0.0	N/A	N/A
12/19e	7.1	(7.9)	(0.30)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Financial forecasts prepared under HGB.

First US patient broadens NanoTherm use

In February 2018, MagForce received IDE approval to start its first pivotal clinical trial evaluating NanoTherm focal ablation therapy in the US for prostate cancer. The company believes there are potentially 50,000 to 100,000 men in active surveillance programmes in prostate cancer in the US who could benefit from this focal therapy. Importantly, the first patient has now been enrolled, effectively broadening the geographic and therapeutic reach of NanoTherm therapy beyond Europe, where it is already approved for brain cancer.

Paving the way for a late 2019 launch

MagForce anticipates the single-arm trial to recruit up to 120 prostate cancer patients (who have Gleason score grade 7 prostate cancer and are under active surveillance) to assess NanoTherm therapy as a focal treatment. Assuming the trial takes around 12-15 months to complete, data could become available in 2019. We assume approval and first sales of the pNanoActivators from Q419, allowing time for filing and regulatory review following data in 2019. NanoTherm US in prostate cancer (risk adjusted, we assign 80% probability of success and forecast peak sales of \$268m) contributes €7 per share to our MagForce valuation (60% of our rNPV).

Valuation: €307.6m (€11.7 per share)

Our valuation of MagForce is unchanged at €307.6m or €11.7 per share based on a risk-adjusted NPV analysis. It is centred on NanoTherm therapy, risk adjusted to reflect the current development status and the respective core strategies for the EU and US. We value only glioblastoma multiforme (GBM) in the EU and prostate cancer in the US. While we recognise MagForce's intention to treat additional indications in each region, we do not currently value these opportunities. Our valuation takes into account net debt of €4.3m net debt at 31 December 2017.

First prostate cancer patient enrolled

Pharma & biotech

4 July 2018

Price €4.78

Market cap €126m

\$1.17/€

Net debt (€m) at 31 December 2017 4.3

Shares in issue 26.3m

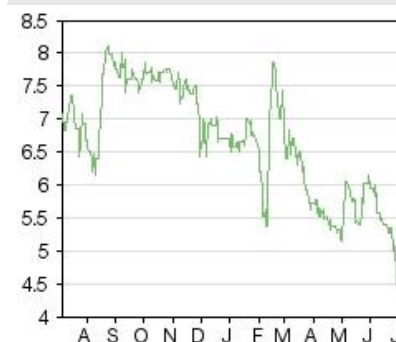
Free float 70%

Code MF6

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (19.9) (17.4) (30.5)

Rel (local) (17.4) (19.7) (29.7)

52-week high/low €8.2 €4.5

Business description

MagForce is a German firm with the first European approved nanotechnology-based therapy to treat brain tumours. NanoTherm therapy consists of nanoparticle injection into the tumour, activated by an external magnetic field, producing heat and thermally destroying or sensitising the tumour.

Next events

Further EU NanoActivator installations 2018

US prostate trial data readout 2019

Analysts

Dr Susie Jana +44 (0)20 3077 5700

Dr Daniel Wilkinson +44 (0)20 3077 5734

healthcare@edisongroup.com

[Edison profile page](#)

MagForce is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	€'000s	2016	2017	2018e	2019e
December		HGB	HGB	HGB	HGB
PROFIT & LOSS					
Revenue		474	716	2,898	7,107
Cost of Sales		(574)	(974)	(3,935)	(6,143)
Gross Profit		(101)	(258)	(1,037)	964
EBITDA		(6,554)	(6,739)	(7,613)	(6,646)
Operating Profit (before amort. and except.)		(7,456)	(7,410)	(7,975)	(7,068)
Intangible Amortisation		(5)	(1)	(2)	(0)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		(7,461)	(7,411)	(7,977)	(7,068)
Net Interest		231	(53)	(814)	(875)
Profit Before Tax (norm)		(7,225)	(7,463)	(8,788)	(7,943)
Profit Before Tax (reported)		(7,230)	(7,464)	(8,790)	(7,943)
Tax		(1)	(1)	0	0
Profit After Tax (norm)		(7,226)	(7,464)	(8,788)	(7,943)
Profit After Tax (reported)		(7,231)	(7,465)	(8,790)	(7,943)
Average Number of Shares Outstanding (m)		26.0	26.3	26.3	26.3
EPS - normalised (c)		(27.8)	(28.3)	(33.4)	(30.2)
EPS - (reported) (€)		(0.28)	(0.28)	(0.33)	(0.30)
Dividend per share (€)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	13.6
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		18,742	20,672	21,596	22,587
Intangible Assets		3	1	0	0
Tangible Assets		3,706	3,589	4,515	5,506
Investments		15,033	17,082	17,082	17,082
Current Assets		1,536	1,360	4,219	5,706
Stocks		71	301	323	505
Debtors		71	85	1,588	3,894
Cash		614	666	2,000	1,000
Other		780	307	307	307
Current Liabilities		(4,431)	(3,747)	(4,292)	(5,445)
Creditors		(4,431)	(3,747)	(4,292)	(5,445)
Short term borrowings		0	0	0	0
Long Term Liabilities		(197)	(5,091)	(15,240)	(24,509)
Long term borrowings		0	(5,012)	(15,161)	(24,430)
Other long term liabilities		(197)	(79)	(78)	(78)
Net Assets		15,650	13,193	6,284	(1,660)
CASH FLOW					
Operating Cash Flow		(1,078)	(7,930)	(8,594)	(7,981)
Net Interest		231	(53)	(814)	(875)
Tax		(1)	(1)	0	0
Capex		(115)	(553)	(1,287)	(1,413)
Acquisitions/disposals		0	0	0	0
Financing		0	5,000	0	0
Dividends		0	0	0	0
Net Cash Flow		(963)	(3,538)	(10,694)	(10,269)
Opening net debt/(cash)		(1,393)	(614)	4,347	13,161
HP finance leases initiated		0	0	0	0
Other		184	(1,423)	1,880	(0)
Closing net debt/(cash)		(614)	4,347	13,161	23,430

Source: Company data, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by MagForce and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.