

MagForce

EIB loan

Funding in place for EU roll-out

MagForce has announced a loan of up to €35m from the European Investment Bank (EIB), of which €10m is available immediately. This funding will enable MagForce to roll out its NanoTherm devices across Europe and reach patients who were previously reluctant to travel across the border to Germany for glioblastoma treatment. While we believe the extra funds could accelerate EU device roll-out above our current assumptions, we retain our forecasts and await more details on progress. Our valuation of MagForce remains unchanged at €226m (€8.6/share).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	2.6	(4.5)	(0.18)	0.0	N/A	N/A
12/16	0.5	(7.2)	(0.28)	0.0	N/A	N/A
12/17e	3.5	(4.6)	(0.17)	0.0	N/A	N/A
12/18e	6.5	(5.6)	(0.21)	0.0	N/A	N/A

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

Broader EU roll-out now financed

To drive uptake of NanoTherm treatment, MagForce will roll out devices across the EU in an effort to target glioblastoma patients who were reluctant to travel to Germany (where MagForce has six devices installed, three used commercially) for treatment. In addition to glioblastoma therapy, MagForce plans to utilise this new funding to both support NanoTherm's use in prostate cancer and the development of next-generation nanoparticles (capable of transporting drugs as well as generating heat). While access to the devices remains a key factor in driving treatment numbers, we believe efforts to raise both clinicians' and patients' awareness of the therapy will ultimately determine the success of the devices in these new territories.

EIB financing agreement flexible in nature

MagForce has agreed a loan of €35m for the EIB, €10m of which is available immediately, with the remaining €25m obtainable in up to four tranches within the next 36 months. The ability to draw down the remaining €25m will be based on certain operational milestones; however, it should be noted that MagForce has no commitment to draw the tranches. Each tranche must be repaid within five years and, while no interest rate was disclosed, we have assumed 5%, paid annually, for modelling purposes. We have included the €10m in our 2017 forecasts but at the moment make no assumptions on if and when the remaining €25m will be utilised.

Valuation: Unchanged at €226m (€8.6/share)

We continue to value MagForce at €226m, or €8.6 per share. While we believe that extra debt funding from the EIB could accelerate roll-out of the NanoTherm devices above our current assumptions, uncertainty remains on exact timings. As such, we retain our assumptions and await more detailed information on the progress of the roll-out.

Healthcare equipment & services

11 August 2017

Price €6.14

Market cap €162m

Net cash (€m) at 31 December 2016 0.6

Shares in issue 26.3m

Free float 70%

Code MF6

Primary exchange Frankfurt

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(13.6)	(22.6)	34.4
Rel (local)	(10.4)	(17.8)	19.1

52-week high/low	€9.1	€4.0
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Business description

MagForce is a German firm with a 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

US prostate cancer IDE approval	H217
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Start of US prostate cancer trial	H217
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Further NanoActivator installations	H217
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**MagForce is a research client
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Exhibit 1: Financial summary

	€'000s	2015	2016	2017e	2018e
December		HGB	HGB	HGB	HGB
PROFIT & LOSS					
Revenue		2,576	474	3,450	6,486
Cost of Sales		(2,959)	(574)	(2,756)	(4,247)
Gross Profit		(383)	(101)	694	2,239
EBITDA		(4,421)	(6,554)	(3,849)	(4,337)
Operating Profit (before amort. and except.)		(4,871)	(7,456)	(4,194)	(4,753)
Intangible Amortisation		(5)	(5)	(2)	(0)
Exceptionals		3,000	0	0	0
Other		0	0	0	0
Operating Profit		(1,876)	(7,461)	(4,197)	(4,753)
Net Interest		329	231	(391)	(814)
Profit Before Tax (norm)		(4,542)	(7,225)	(4,586)	(5,566)
Profit Before Tax (reported)		(1,547)	(7,230)	(4,588)	(5,567)
Tax		(0)	(1)	0	0
Profit After Tax (norm)		(4,542)	(7,226)	(4,586)	(5,566)
Profit After Tax (reported)		(1,547)	(7,231)	(4,588)	(5,567)
Average Number of Shares Outstanding (m)		25.6	26.0	26.3	26.3
EPS - normalised (c)		(17.73)	(27.81)	(17.41)	(21.13)
EPS - normalised and fully diluted (€)		(0.18)	(0.28)	(0.17)	(0.21)
EPS - (reported) (€)		(0.06)	(0.28)	(0.17)	(0.21)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	20.1	34.5
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		19,533	18,742	20,097	21,076
Intangible Assets		7	3	0	0
Tangible Assets		4,494	3,706	5,064	6,043
Investments		15,033	15,033	15,033	15,033
Current Assets		5,325	1,536	20,135	14,421
Stocks		81	71	226	349
Debtors		91	71	1,890	3,554
Cash		1,393	614	17,239	9,738
Other		3,760	780	780	780
Current Liabilities		(1,779)	(4,431)	(5,116)	(5,948)
Creditors		(1,779)	(4,431)	(5,116)	(5,948)
Short term borrowings		0	0	0	0
Long Term Liabilities		(197)	(197)	(18,597)	(18,597)
Long term borrowings		0	0	(18,400)	(18,400)
Other long term liabilities		(197)	(197)	(197)	(197)
Net Assets		22,881	15,650	16,519	10,952
CASH FLOW					
Operating Cash Flow		(8,808)	(1,078)	(5,138)	(5,292)
Net Interest		329	231	(391)	(814)
Tax		(0)	(1)	0	0
Capex		(1,357)	(115)	(1,704)	(1,395)
Acquisitions/disposals		0	0	0	0
Financing		0	0	5,000*	0
Dividends		0	0	0	0
Net Cash Flow		(9,837)	(963)	(2,233)	(7,500)
Opening net debt/(cash)		(11,153)	(1,393)	(614)	1,161
HP finance leases initiated		0	0	0	0
Other		77	184	458	(0)
Closing net debt/(cash)		(1,393)	(614)	1,161	8,662

Source: MagForce, Edison Investment Research. Note: *Gross equity proceeds. Historical and forecast cash flow numbers are Edison estimates as MagForce does not publish a statement of cash flows. All financial data are on an unconsolidated basis and do not include MagForce USA.

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