GBC AG
Investment Research

Research Report (Anno)

MagForce AG

magforce®
THE NANOMEDICINE COMPANY

Significant treatment revenues generated for the first time, roll-out in Europe and Germany to be continued; Approval for prostate treatment expected in 2021

Target Price: 11.00 €

Rating: BUY

IMPORTANT NOTE:
Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 15

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II

Date and time of completion of the study: 12.11.2020 (08:35 am)
Date and time of first distribution of the study: 12.11.2020 (10:00 am)
Validity of the target price: up to max. 31.12.2021

MagForce AG*5a,6a,11

Buy
Target Price: € 11.00
(previously: € 13.50)

Current price: € 2.50
11.11.20 / XETRA / 5:36 pm
Currency: EUR

Key information:

ISIN: DE000A0HGQF5
WKN: A0HGQF
Ticker symbol: MF6
Number of shares³: 27.71
Marketcap³: 69.26
EnterpriseValue³: 92,96
³ in million / in million EUR

Transparency level:
Entry Standard

Market segment:
Open market

Accounting:
HGB

Financial year-end: 31.12.

Designated Sponsor:
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* Catalogue of possible conflicts of interest on page 16

Company profile

Sector: Medical technology

Specialty: Cancer therapy

Employees: 26 Status: 31.12.2019

Foundation: 1997

Head office: Berlin

Board of Directors: Dr. Ben J. Lipps, Christian von Volkmann

By its own account, MagForce AG, with its registered office in Berlin, is a leading company in the field of nanomedicine with a focus on cancer treatment. The NanoTherm® treatment developed by the company could be suitable for the local treatment of almost all solid tumours. The treatment is based on heat that is created by the activation of injected superparamagnetic nanoparticles. The components of this treatment, the medical devices NanoTherm® and NanoPlan® and the thermometric catheter TK01 and NanoActivator® with a thermometric unit are certified in the EU for the treatment of brain tumours. The objective of this new cancer treatment is to establish itself as a further pillar of cancer treatment alongside conventional treatment methods such as surgery, radiotherapy and chemotherapy. In addition, the MagForce technology is currently being approved for the treatment of prostate cancer in the United States. According to available data, the NanoTherm therapy displays a promising degree of effectiveness as well as being tolerated well.

P&L in EUR million \ End of FY	2019	2020e	2021e	2022e	2023e	2024e
Sales	0.84	0.94	3.87	19.72	30.17	48.42
EBITDA	-5.56	-7.30	-5.81	3.68	7.64	17.84
EBIT	-6.20	-7.90	-6.87	2.27	5.92	15.47
Net profit before minorities	-8.73	-10.76	-10.17	-1.22	3.19	13.06

Key figures						
EV/Sales	110.66	98.89	24.02	4.71	3.08	1.92
EV/EBITDA	neg.	neg.	neg.	25.26	12.17	5.21
EV/EBIT	neg.	neg.	neg.	40.95	15.70	6.01
P/E ratio (before minorities)	neg.	neg.	neg.	neg.	21.71	5.30

Financial dates
16-18.11.20: Equity Forum (digital)

**latest research published by GBC:
Date: Publication / Target Price in EUR / Rating
28.11.2019: RS / 13.50 / BUY
10.09.2019: RS / 13.50 / BUY
07.11.2018: RS / 15.30 / BUY
10.08.2018: RS / 15.80 / BUY
04.07.2018: RS / 15.80 / BUY
** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

EXECUTIVE SUMMARY

- In the first six months of 2020, MagForce AG treated a significant number of glioblastoma patients for the first time. By treating 11 patients in Germany and six patients in Poland, the company garnered treatment revenues of € 0.38 million (previous year: € 0.03 million). Although the revenue level is still low, which with an EBIT of € -3.42 million (previous year: € -3.61 million) means an unchanged negative earnings level, the first half of 2020 could mark the beginning of a high growth dynamic in the number of treatments. The basis for this has been laid by the expansion strategy implemented in previous reporting periods. In April 2019, the first NanoActivator device was installed in Poland, a region from which MagForce AG had received an above-average number of enquiries. Another treatment device was also installed in Germany in Zwickau, at the Paracelsus Clinic. From November 2020, the Hufeland Clinic in Mühlhausen will be the third location in Germany.

- Parallel to the technology roll-out in Poland and Germany, MagForce AG has successfully continued a clinical study for approval for the treatment of prostate cancer in the USA. After successfully completing patient recruitment for the first stage of the study in August 2019, MagForce AG received approval from the FDA for the second stage in April 2020. In the first stage, only minimal treatment-related side effects were observed. The multi-stage, single-arm study is currently being conducted due to COVID-19 only at a MagForce-owned treatment centre in the USA. Since MagForce AG has established a streamlined procedure in which the treatment of a patient can be completed within one day, an accelerated study duration can be assumed. The treatments of the next and final stage will then take place in three MagForce-owned treatment centres. We expect approval in the second half of 2021 and the first significant sales revenues from the 2022 financial year onwards.

- Under the agreement with the European Investment Bank (EIB) and the agreed convertible bond program with Yorkville, MagForce AG can raise a substantial amount of capital. Of the agreed EIB volume of €35 million, €13 million had been drawn down as of the balance sheet date. As of June 30, 2020, convertible bonds amounting to €2.5 million had been issued under the Yorkville agreement, which has a total volume of €15 million.

- We expect the growth momentum in commercial glioblastoma treatment to continue, with strong revenue growth from 2022 onwards in prostate cancer patients. In 2022, we expect the EBITDA break-even point to be reached, and from 2023 onwards, we also expect to break even at the level of after-tax earnings.

- As part of the DCF valuation model, we have determined a fair value per share of €11.00 (previously: €13.50). The reduction in the price target is due, on the one hand, to the time lag in sales revenues in both indication areas. On the other hand, we have adopted a somewhat more conservative approach to medium-to-long-term sales expectations and assume a lower growth dynamic. We continue to assign the BUY rating.

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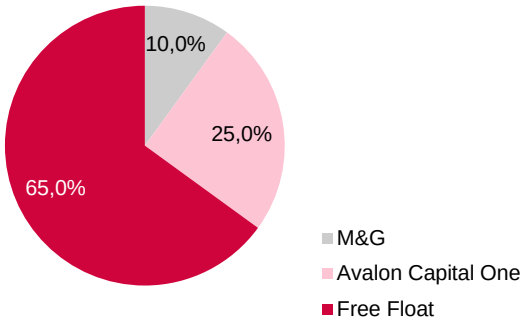
COMPANY

Shareholder structure

Shareholders	in %
M&G	10.0%
Avalon Capital One	25.0%
free float	65.0%

Source: MagForce AG; GBC AG



The MagForce technology

The NanoTherm® technology developed and patented by MagForce AG to combat solid tumours consists of the medical products NanoTherm®, NanoPlan® thermometry catheters and the NanoActivator® with thermometry unit.

NanoTherm® therapy		
NanoTherm®	**NanoActivator®**	**NanoPlan®**
		

Source: MagForce AG; GBC AG

NanoTherm® therapy, which has been approved in Europe for the treatment of brain tumours since 2010, is a novel method for the treatment of solid tumours. In this process, magnetic nanoparticles are inserted either directly into the tumour or into the resection cavity wall. These particles are then "heated" by an alternating magnetic field, thereby destroying the cancer cells. MagForce AG is pursuing the goal of establishing this novel therapy as a further standard of treatment in addition to conventional therapies such as surgery, radiation and chemotherapy.

NanoTherm®

NanoTherm®, a ferrofluid developed and patented by MagForce, is a liquid that contains nanoparticles containing iron oxide and thus reacts to magnetic fields generated by the NanoActivator. The particles have special, so-called superparamagnetic properties and allow the polarity to change a hundred thousand times per second, which generates the desired heat.

Thanks to the patented aminosilane coating, the NanoTherm® particles can be very finely distributed in water and can be introduced precisely into the tumor tissue. This coating also ensures that the nanoparticles remain inert, i.e. chemically and pharmacologically uninvolved, in the human body and that the NanoTherm® ferrofluid agglomerates in the tissue. In this way, it remains as desired for a long time at the site of insertion and does not penetrate into the surrounding healthy tissue. All these properties make the NanoTherm® magnetic fluid unique and are the prerequisite for the feasibility of NanoTherm® therapy.

NanoActivator®

NanoTherm® therapy is carried out in an alternating magnetic field applicator specially developed for this form of therapy, the patented NanoActivator®. The patient sits on the bed and is exposed to a rapidly changing magnetic field at the desired body location. This rapid change in polarity causes the iron oxide particles of the NanoTherm® magnetic fluid to generate heat. This is how the therapeutic treatment temperatures are generated.

NanoPlan®

The NanoPlan® software developed by MagForce AG is used for planning the treatment temperature and, thus, the magnetic field strength by the treating physician. After the injection of NanoTherm®, a post-instillation CT scan is used to show the exact location and distribution of the nanoparticle depots. This, in combination with imaging prior to nanoparticle instillation, serves as a data basis for the calculation and simulation of the temperature distribution in the tumor and surrounding healthy tissue in relation to the alternating magnetic field used. On this basis, NanoPlan® determines the optimum magnetic field strength of the NanoActivator® to reach the therapeutic temperature, taking into account all safety measures for healthy tissue.

During the first treatment, the temperature reached in the tumour tissue is accurately measured by a temperature probe inserted into a catheter inserted during the installation of NanoTherm®. The measured temperatures are compared with the simulated and calculated temperatures and the magnetic field strength is adjusted if necessary.

Current marketing status

According to current plans, the MagForce technology is to be used for the treatment of malignant brain tumors in Europe and for the treatment of intermediate prostate cancer in the USA. All necessary approvals have already been obtained in Europe and the MagForce technology is already being used commercially. Approval for the treatment of prostate cancer in the US is currently still pending, with a pivotal trial underway. In the 2019 financial year and in the 2020 financial year to date, important progress has been made for both treatment paths:

Glioblastoma treatment in Europe

The European roll-out of the technology is primarily closely related to the installation of NanoActivator® devices. In April 2019, the first NanoActivator® was installed at the Independent Public Clinic No. 4 in Lublin, Poland, thus enabling MagForce AG to offer treatment outside Germany for the first time. This is particularly important because glioblastoma patients generally require quick access to therapy, and regional proximity is therefore an important aspect here. In the first half of 2020, six glioblastoma patients were already treated in Poland.

In December 2019, the second NanoActivator® in Germany was installed at the Paracelsus-Klink in Zwickau, the second NanoActivator® in Germany after Münster. With the further installation at the Hufeland Klinikum in Mühlhausen (Thuringia), broad coverage in eastern Germany will be achieved from November 2020. In recent years, the company has developed a mobile solution (NanoActivator® container), which enables a cost-

effective and fast roll-out. The container is easy to install for the treatment centres, as it does not require high investment or complex adjustments to the hospital infrastructure.

Prostate cancer treatment in the USA

The approval to conduct a clinical trial in up to 120 prostate patients granted by the US regulatory authority in 2018 was successfully continued. In August 2019, patient recruitment was successfully completed and the first stage treatment was completed with minimal treatment-related side effects as expected. Based on these results, the FDA granted approval for the next stage of the US streamlined trial in April 2020.

The next and final stage of the multi-stage, single-arm study will be conducted at MagForce-owned treatment centres in Texas, Washington and Florida. The aim is to show that prostate cancer patients can stay longer in the so-called active surveillance programmes. A longer stay in such programmes means a stable course of the disease, which eliminates the need for treatments with high side effects. Since MagForce AG has established a streamlined procedure in which a patient's treatment can be completed within one day, an accelerated study duration can be assumed.

MARKET AND MARKET ENVIRONMENT

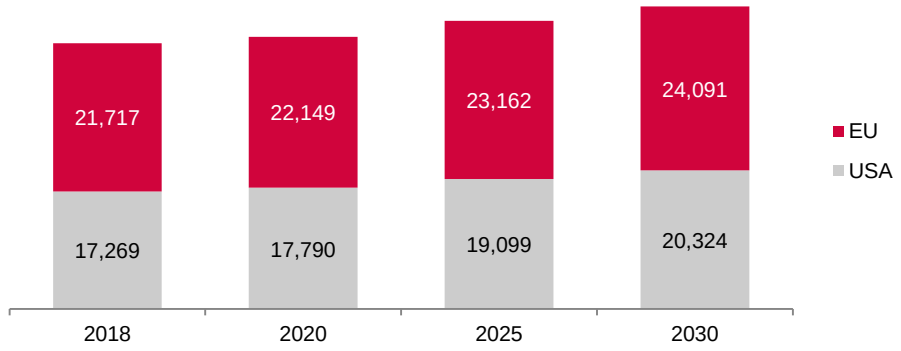
With its technology, MagForce AG is initially addressing the indication areas of "glioblastoma" and "prostate cancer", but, in principle, a cross-indication treatment of solid tumors is possible. In presenting the market potential, however, the company will focus on the areas of glioblastoma and prostate cancer in accordance with the indication areas addressed by the company.

Market potential glioblastoma

Compared to our last research study (Anno) of 10 September 2019, there have been no changes in the number of glioblastoma cases. Based on data from GLOBOCAN, a WHO database, the number of cancers of the brain and nervous system in 2018 was 296.8 thousand worldwide. Statements on the exact incidence of glioblastoma vary and do not provide an accurate picture. According to data from the Robert Koch Institute, 95% of all cancers of the brain and nervous system affect the brain, with the malignant form glioblastoma being particularly common. The prevalence is just under 3.0 per 100,000 adults and the median age at diagnosis is around 65 years. The particular aggressiveness of glioblastoma is evident from the comparatively low mean survival time. Despite treatment, the median survival time is only 14.6 months, although hardly any improvement has been achieved in the last three decades.

Based on the established prevalence of central nervous system cancers, we have identified an unchanged 21,500 glioblastoma patients in Europe and around 17,300 in the US.

GBC-forecast regarding glioblastoma



Source: GLOBOCAN; Robert Koch Institute; own calculations

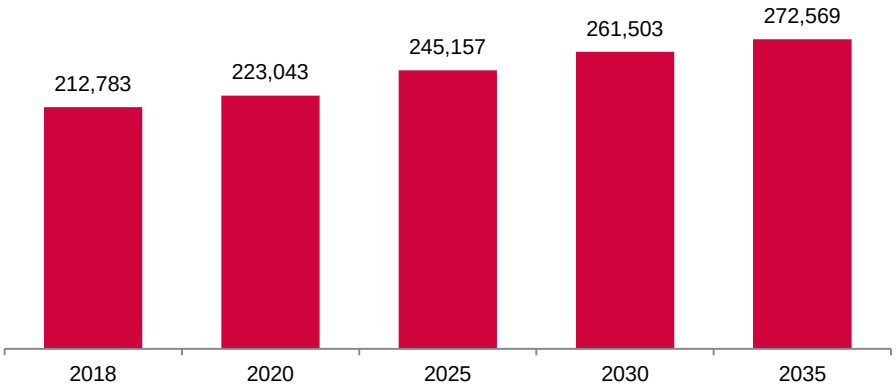
Despite its low incidence compared to the general population, the need for treatment of this disease is very high. Without treatment, the median survival time is just three months. In view of the poor prognosis of this disease, glioblastoma patients are generally open to new treatment methods in addition to standard therapies (surgical removal, chemotherapy, and radiotherapy). With a corresponding expansion of the range of treatments on offer, the new MagForce treatment approach should benefit accordingly from high demand. External influencing factors, such as the current COVID-19 pandemic, should also not have a significant effect on the timing of the therapy due to the severity of the glioblastoma disease and the need for a timely start of treatment.

Market potential prostate cancer

Compared to glioblastoma, the second indication area addressed by MagForce AG, "prostate cancer", has significantly higher market potential due to significantly higher case numbers. Prostate cancer is a disease that occurs particularly frequently in industrialised countries, with the focus on Australia, North America and Western Europe. In these regions, the probability of developing prostate cancer is between 85.0 and 111.6 / 100,000 inhabitants and thus significantly higher than in the rest of the world (30.6 / 100,000 inhabitants).

In the USA, the market initially addressed by MagForce AG, around 210,000 men are diagnosed with prostate cancer every year, with a significant increase in the annual number of cases expected in the coming years. By 2035, around 272,000 new cases are expected to be added annually. The age distribution of prostate cancer cases plays an important role, with an expected disproportionate increase in the older population group. This is because the median age at the time of diagnosis is 66 years, with the majority of prostate cancer cases being diagnosed between 65 and 74 years.

GBC-forecast regarding prostate cancer in USA



Source: GLOBOCAN; GBC AG

The overall very high number of cases, combined with a comparatively slow progression of the disease, is the main reason for the expenditure on the treatment of prostate cancer. At 93.0%, the relative five-year survival rate for prostate cancer is relatively high compared to other types of cancer, which means a long treatment period with correspondingly high expenditure. According to statistics from a recent study (Total Medicare Costs Associated With Diagnosis and Treatment of Prostate Cancer in Elderly Men), the average cost per patient in the US is $14,500 over the three years following diagnosis. In total, the costs add up to USD 1.2 billion, which is a significant amount for payors.

The two indication areas currently addressed by MagForce AG illustrate the high market potential in the important regions of Europe and the USA. In principle, MagForce technology can also be used for the treatment of other solid tumors, so that a broader coverage of the market potential is conceivable. The treatment of glioblastoma and prostate cancer is supported by MagForce AG was used as a "Proof of Concepts" in the first step.

CORPORATE DEVELOPMENT

Business development 2019/1.HY 2020

in million €	FY 2017	FY 2018	FY 2019	1ST HY 2019	1ST HY 2020
Sales	0.72	0.07	0.84	0.03	0.38
Total output	4.64	14.98	1.96	0.36	0.92
EBIT	-7.41	6.83	-6.20	-3.61	-3.42
Net profit	-7.47	4.36	-8.73	-4.91	-4.88

Source: MagForce AG; GBC AG

After the company had generated barely noticeable treatment revenues in previous reporting periods, a significant number of patients were treated for the first time in the first six months of 2020. In Germany, 11 glioblastoma patients were treated, and six in Poland, generating treatment revenue of € 0.38 million (previous year: € 0.03 million). Revenue in previous financial years was dominated by revenues from the supply of treatment equipment to subsidiaries and was therefore not related to patient treatment. In the full year 2019, treatment revenues of only €0.05 million were achieved.

In parallel to the expansion of treatment numbers, the company focused in 2019 and the first half of 2020 on continuing the European roll-out of the technology for the treatment of brain tumours in Europe and on the first stage of the US pivotal trial for prostate cancer treatment. In addition to the installation of two NanoActivator® devices in Poland and Germany, the "NanoTherm Therapy School" was established.

As the level of revenues remains low, the company continues to report negative earnings. Despite the increase in treatment revenue, EBIT improved to € -3.42 million in the first six months of 2020 (previous year: € -3.61 million), but was still negative. All in all, MagForce AG's operating costs remained comparatively constant.

Since MagForce AG has been increasingly using debt capital for corporate financing from the fiscal year 2018 on, the financial result has declined significantly since then. In the first half of 2020, the company posted a net financial result of € -1.44 million (previous year: € -1.30 million). Prior to 2018, the financial result was either positive or balanced. Most of the borrowed capital is related to the financing agreement with the European Investment Bank (EIB), under which the outstanding loan amount is around €13.0 million. In addition, MagForce AG has concluded an agreement with Yorkville for the issue of convertible bonds of up to €15 million. Although a tranche of €2.5 million had been drawn down as of the reporting date of 30.06.2020, this did not yet have a significant impact on the financial result for the first half of the year.

Taking financial expenses into account, MagForce AG achieved an after-tax result of € -4.88 million (previous year: € -4.91 million), which is thus largely in line with our expectations.

Net assets as of 30.06.2020

in million €	31.12.2017	31.12.2018	31.12.2019	30.06.2020
Equity	13.19	18.16	14.71	9.83
thereof accumulated loss	*-56.42*	*-52.06*	*-60.80*	*-65.67*
Bank liabilities and convertible bond	5.00	15.88	16.67	23.70
Cash and cash equivalents	0.67	1.49	0.17	1.68
Valuation of subsidiaries	17.08	30.98	30.98	30.99
Cash flow (operating)	-5.34	-7.11	-5.67	-2.29
Cash flow (investment)	-0.58	-1.37	-1.94	-1.85
Cash flow (financing)	5.97	9.30	6.29	5.65

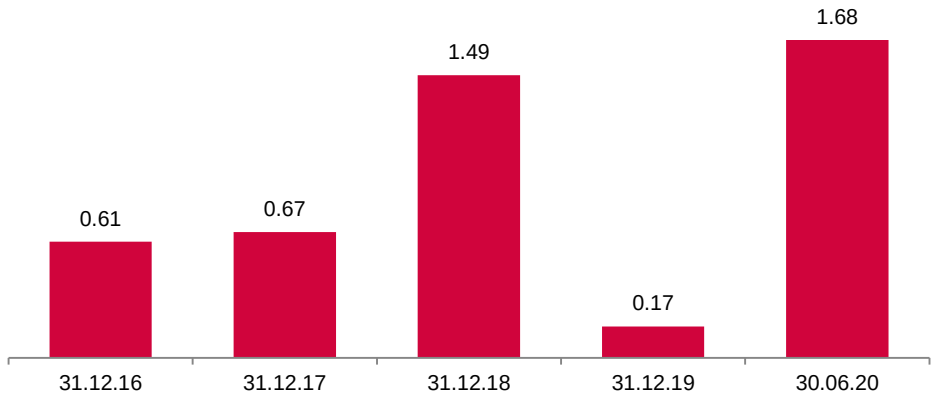
Source: MagForce AG; GBC AG

The current phase of the company is still characterised by low commercialisation revenues in Europe as well as the ongoing approval phase in the USA. The resulting negative after-tax result led to an increase in net accumulated losses, which in total reduced equity to € 9.71m (31.12.19: €14.71m).

After a gross capital increase of € 5.00 million in the previous year, the company had primarily taken up debt capital (EIB bank; convertible bonds) in the amount of € 7.03 million in the first half of 2020. This more than compensated for the outflow of liquid funds from operating activities and investments made (free cash flow: € -4.14 million) and slightly increased the liquidity portfolio to € 1.68 million (31.12.19: € 0.17 million).

Although the liquidity position looks low, especially against the background of the still expected negative cash flow, MagFroce AG has further capital-raising possibilities from the financing agreement with the EIB and the convertible bond programme with Yorkville. As of the balance sheet date, only € 13 million of the total €35 million of EIB financing agreement had been drawn down. Under the Yorkville agreement amounting to €15 million, up to five tranches are to be raised from Yorkville in the form of MagForce convertible bonds with a maturity of 12 months each. At the reporting date 30 June 2020, convertible bonds totalling € 2.5 million had been issued. This provides a high degree of overall financing flexibility, and MagForce AG should therefore be in a good position to cover its liquidity requirements in the coming reporting periods.

Cash and cash equivalents and capital increases (in € million)



Source: MagForce AG; GBC AG

FORECAST AND EVALUATION

in million €	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e
Sales	0.94	3.87	19.72	30.17	48.42	69.46	101.96	115.18
EBITDA	-7.30	-5.81	3.68	7.64	17.84	33.44	52.89	59.62
EBIT	-7.90	-6.87	2.27	5.92	15.47	29.83	47.43	53.55
JÜ before minorities	-10.76	-10.17	-1.22	3.19	13.06	28.60	48.16	69.62

Source: GBC AG

In line with the corporate strategy, we have used the two commercialization paths of MagForce technology as the basis for our revenue and earnings forecasts. As in previous years, we have thus prepared a separate forecast for each of the indication areas of glioblastoma and prostate cancer. The possible expansion into other indication areas is not included in our forecasts and, in our opinion, should only be viewed as additional upside potential.

Glioblastoma indications

Following the installation of a further NanoActivator® device at the Hufeland Clinic in Mühlhausen in November, MagForce AG currently has a total of three locations for glioblastoma treatment in Germany. In the past reporting periods in particular, treatment capacities have been greatly expanded as part of the roll-out strategy. This trend is expected to continue in the coming financial year with the planned installation of further equipment. In particular, it is planned to address the north and southwest of Germany more intensively and to install two additional NanoActivator® devices for this purpose. This was accompanied in January 2019 by the launch of the NanoTherm Therapy School, which enables surgeons and medical staff to use the MagForce technology.

Expansion activities into other European countries are also to be continued, particularly in Spain and Italy. However, as both regions were particularly affected by the COVID-19 pandemic, delays of about six to nine months have occurred. The installations in these regions planned for the second half of 2020 are not scheduled to take place until 2021.

Parallel to the planned regional expansion of the range of treatments, an efficient cost reimbursement procedure is to be established in Germany, Poland and the target regions of Spain and Italy. In Poland, for example, a so-called Investigator Initiated Trial was initiated, on the basis of which reimbursement is to be applied for. In Germany, the reimbursement of costs is to be addressed to a greater extent within the framework of a trial procedure. Currently, glioblastoma treatments are financed on an individual application basis, by private health insurance companies and in Poland by crowd funding or by the patient himself.

MagForce AG plans to significantly increase the number of commercial treatments in the current 2020 fiscal year, starting from a still low level. With the development of the first half of 2020, a high growth dynamic in the number of treatments is already being achieved, which was not negatively affected even by the effects of the COVID-19 pandemic. In any case, the company expects only minor pandemic-related effects in the treatment of glioblastoma. This is due in particular to the severity of the disease, which usually does not allow any delay in treatment.

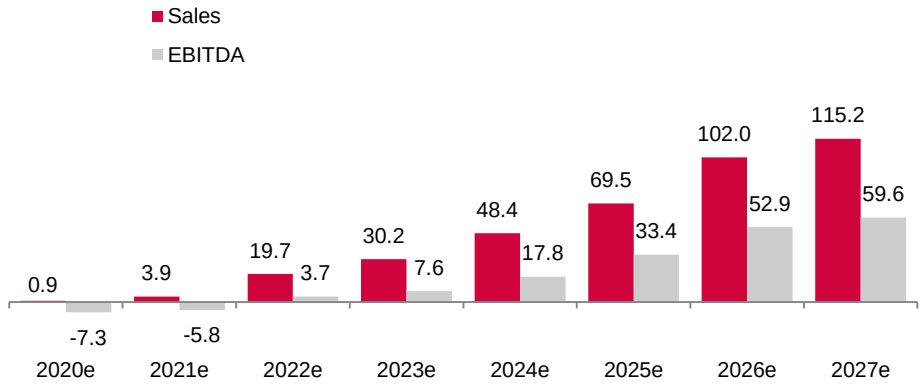
Indication area prostate cancer

In the first stage of the pivotal trial for prostate cancer treatment in the US, which started in 2018, only minimal side effects were observed and a very good effect was documented. At the same time, this first part of the study was used to make adjustments to the NanoActivator developed for this indication area, thereby achieving a high degree of automation. In addition, a new standardised clinical procedure was developed. This results in an overall streamlined treatment procedure, within the framework of which the treatment of a patient can in future be completed within one day. Due to the resulting shorter treatment duration, the Company could complete the patient treatments of the current stage 2a before the end of the current fiscal year, which means that approval would be possible in the second half of 2021 after successful completion of the last stage 2b. The first significant revenues could be generated in this area from 2022 onwards.

Sales and earnings forecasts

According to the management statement, the treatment numbers for 2021 are to be tripled compared to 2020. This is based on the treatment devices installed in the last reporting periods as well as the upcoming installations in Germany and other European countries. The first commercial sales within the prostate segment, which has a much more extensive treatment potential, should not be significant until the 2022 financial year. In 2022, we are assuming that the operating break-even point will be reached for the first time, both on EBITDA and EBIT basis. Higher financial costs should not allow break-even on an after-tax level until the 2023 financial year.

Revenue and EBITDA forecasts (in € million)



Source: GBC AG

Note: Revenues from prostate treatment in the USA are generated by the 65.3% subsidiary MagForce USA, Inc. In our forecasts, we apply a quasi-full consolidation method and deduct the average share of minorities in the valuation.

Evaluation

Model assumptions

We have valued MagForce AG using a DCF model. In doing so, we prepared concrete revenue and earnings estimates based on the company's commercialisation plan for the years 2020 - 2027. Due to the accumulated loss carryforwards, we have not taken into account a tax rate of 30% until fiscal year 2027e. In the second phase, a residual value will also be determined after the end of the forecast horizon by means of the perpetual annuity. In the terminal value, we assume a sales growth rate of 3.0%.

Determination of the cost of capital

MagForce AG's weighted average cost of capital (WACC) is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Technical Committee for Company Valuations and Business Administration (FAUB). It is based on the zero-bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The currently used value of the risk-free interest rate is 1.00%, which is also our lower limit.

As a reasonable expectation of a market premium, we apply the historical market premium of 5.50 %. This is supported by historical analysis of equity market returns. The market premium reflects the percentage by which the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, the current beta is 1.77 (previously 1.77).

Using the assumptions made, the cost of equity is calculated at 10.72% (previously: 10.72%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 85% (previously: 85%), the weighted average cost of capital (WACC) is 9.70% (previously: 9.70%).

Evaluation result

The resulting fair value per share at the end of financial year 2021 corresponds to a target price of € 11.00 (previously: € 13.50). The reduction in the price target is partly a consequence of the time lag in sales revenues in both indication areas. On the other hand, we have adopted a somewhat more conservative approach to medium- to long-term revenue expectations and assume a lower growth dynamic.

DCF model

ANNEX

I.
Research under MiFID II
1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.
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