

Formycon AG

Germany / Biopharmaceuticals

Xetra

Bloomberg: FYB GR

ISIN: DE000A1EWVY8

Update

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 105.00**

73.8%

High

WE FORECAST FREE CASHFLOW WILL REACH €500M BY 2030

Formycon has launched one biosimilar (FYB201; reference product: Lucentis) and has five disclosed biosimilar candidates under development, which we expect to reach the market over the period 2025-2030. We forecast the sum of expensed and capitalised development costs to decline from 2023 and free cashflow to climb as revenues from the new products ramp. We expect the current portfolio to generate free cashflow of over €500m in 2030. This compares with the current enterprise valuation of ca. €930m. We maintain our Buy recommendation, but have reduced the price target from €130 to €105. The two reasons for our price target reduction are firstly that we no longer include the covid antiviral drug candidate FYB207 in our valuation model, and secondly that we now forecast a slower sales ramp for the biosimilar candidates to reflect a longer timelag between drug approval and implementation of reimbursement than we had previously modelled.

We expect total milestones of €25m from Fresenius Kabi this year For 2023 Formycon is guiding towards sales significantly above last year's figure of €42.5m while EBITDA is expected to remain at roughly prior year level. As figure 1 overleaf shows, our 2023 sales forecast of €69.3m is comprised of €6.8m in royalties on sales of FYB201, €37.5m in development fees from partners and €25m of milestones. Only half of our total 2023 FYB201 royalty forecast of €13.6m is booked under sales. The other half is booked under financial income as Formycon's 50% share of the joint venture with Bioeq AG. The development fees split roughly 40:60 between Formycon's two partnered products, FYB201 and FYB203 (reference product: Eylea). Formycon received a first milestone payment from Fresenius Kabi on conclusion of a global commercialisation agreement for FYB202 in Q1/23. In April Formycon announced positive results of the extended phase I pharmacokinetics study of FYB202. We expect these results to have triggered a second milestone from Fresenius Kabi to take the total for the year to €25m.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023E	2024E	2025E	2026E
Revenue (€m)	36.61	42.50	69.32	56.41	61.18	101.81
Y-o-y growth	6.8%	16.1%	63.1%	-18.6%	8.5%	66.4%
EBITDA (€m)	-12.57	-15.87	-14.66	5.41	55.03	95.30
EBITDA margin	-34.3%	-37.3%	-21.2%	9.6%	89.9%	93.6%
Net income (€m)	-13.29	35.99	-45.16	-16.03	9.20	46.70
EPS (diluted) (€)	-1.20	2.59	-2.80	-0.99	0.57	2.88
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-17.26	-55.95	-44.26	-39.69	-39.84	4.47
Net gearing	-45.1%	-2.8%	-2.6%	-19.0%	-5.9%	-3.7%
Liquid assets (€m)	25.18	9.82	9.96	68.44	21.90	15.40

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 18 Aug 2023

Closing Price	€ 60.40
Shares outstanding	16.04m
Market Capitalisation	€ 968.74m
52-week Range	€ 56.80 / 91.70
Avg. Volume (12 Months)	12,135

Multiples	2022	2023E	2024E
P/E	23.3	n.a.	n.a.
EV/Sales	22.0	13.5	16.6
EV/EBITDA	n.a.	n.a.	172.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 9.82m
Current Assets	€ 30.50m
Intangible Assets	€ 532.97m
Total Assets	€ 853.70m
Current Liabilities	€ 50.67m
Shareholders' Equity	€ 356.58m

SHAREHOLDERS

Athos KG	26.7%
Wendeln & Cie. KG	14.9%
Active Ownership S.a.r.l.	6.7%
DSP Beteiligungsges. GmbH & Co. KG	5.5%
Free Float and other	46.2%

**Figure 1: Forecast revenue and development cost development 2022-2030**

in €000's	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	42,497	69,318	56,413	61,181	101,808	177,474	283,653	411,564	615,322
% Δ	n.a.	63.1%	-18.6%	8.5%	66.4%	74.3%	59.8%	45.1%	49.5%
of which:									
Development fees from partners	42,168	37,500	11,458	0	0	0	0	0	0
Milestones	0	25,000	35,000	0	0	0	0	0	0
Royalties	329	6,818	9,956	61,181	101,808	177,474	283,653	411,564	615,322
Development costs	85,361	118,979	96,000	97,950	94,513	76,733	52,962	38,201	23,449
% Δ	n.a.	39.4%	-19.3%	2.0%	-3.5%	-18.8%	-31.0%	-27.9%	-38.6%
of which:									
Expensed	58,363	83,979	51,000	6,150	6,513	6,733	5,962	6,201	6,449
% Δ	n.a.		-39.3%	-87.9%	5.9%	3.4%	-11.4%	4.0%	4.0%
by product:									
FYB201	11,676	15,000	2,000	0	0	0	0	0	0
FYB202	3,092	0	0	0	0	0	0	0	0
FYB203	26,287	21,000	9,000	900	1,000	1,000	0	0	0
FYB206	6,130	0	0	0	0	0	0	0	0
FYB207	6,699	15,000	0	0	0	0	0	0	0
FYB208	1,001	14,000	21,000	0	0	0	0	0	0
FYB209	1,251	14,000	14,000	0	0	0	0	0	0
Other	2,227	4,979	5,000	5,250	5,513	5,733	5,962	6,201	6,449
of which:									
Capitalised	26,998	35,000	45,000	91,800	88,000	70,000	47,000	32,000	17,000
% Δ		29.6%	28.6%	104.0%	-4.1%	-20.5%	-32.9%	n.a.	n.a.
by product:									
FYB202	21,256	24,000	1,000	0	0	0	0	0	0
FYB206	5,742	11,000	44,000	54,000	30,000	24,000	11,000	6,000	1,000
FYB208	0	0	0	18,900	29,000	23,000	18,000	14,000	6,000
FYB209	0	0	0	18,900	29,000	23,000	18,000	12,000	10,000
EBITDA	-15,866	-14,661	5,413	55,031	95,295	170,741	277,691	405,363	608,873
Free cashflow	-55,948	-44,265	-39,687	-39,841	4,471	105,741	208,966	322,019	502,627

Source: Formycon, First Berlin Equity Research estimates

We model earnout as 15% of FYB201 plus FYB202 royalties Formycon receives royalties equivalent to ca. 15% of peak net sales from its FYB201 marketing partners. Our royalty forecasts for both FYB201 and FYB202 (reference product: Stelara) are before deduction of the earnout payable to Athos under the terms of the partnership deal concluded in Spring 2022. We assume that the earnout payments are equivalent to ca. 15% of royalties received by Formycon on sales of both drugs and that the earnout payments will continue until the late 2030s.

Coherus guiding for 2023 FYB201 (Cimerli) sales of USD100m FYB201 is marketed by Coherus in the US under the name Cimerli. Cimerli was approved in the US in August 2022. US sales did not gain momentum until the allocation to Cimerli on 1 April 2023 of a Q-code, which simplifies the reimbursement process. In its Q2/23 results published on 2 August, Coherus reported that Cimerli's sales more than quadrupled to USD26.7m compared to the prior quarter. For the full-year, Coherus is guiding for Cimerli sales of "at least USD100m."

Heterogeneity of healthcare systems means FYB201 progress likely to be slower in EU/UK than in US this year Outside the US, FYB201 is marketed by Teva as Ranivisio in the EU and as Ongavia in the UK. Teva does not break out sales of Ranivisio and Ongavia but includes their sales under generic products. Ranivisio was approved in the EU in August 2022 and Ongavia in the UK in May 2022. We expect the heterogeneity of the healthcare systems in the EU countries and UK to lead to slower initial take-up of FYB201 in these territories than in the US. Our 2023 forecast for Teva sales of FYB 201 is USD25m.



FYB203 BLA submitted to FDA in June 2023, FYB202 BLA to follow by end 2023

Formycon submitted a biologics license application (BLA) to the FDA with respect to FYB203 at the end of June. The company has indicated that it will submit a BLA for FYB202 to the FDA and also file for approval of both biosimilar candidates in the EU by the end of this year. We expect FDA and EU approval of both drugs by the end of 2024.

FYB202 expected to be among first Stelara biosimilars on the US market in early 2025

In early August Formycon and Fresenius Kabi announced that they had reached a settlement with the originator of Stelara, Johnson & Johnson (J&J), concerning marketing of FYB202 in the US. The settlement allows Formycon and Fresenius Kabi to launch FYB202 in the US, subject to approval by the FDA, no later than 15 April 2025. Formycon thus joins competitors Amgen and Alvotech, who are also developing Stelara biosimilars, in reaching a settlement with J&J. These settlements avoid patent disputes with the originator, J&J. In May this year Amgen settled with J&J to allow the launch of its biosimilar no later than 1 January 2025 and in June Alvotech announced a settlement with J&J allowing the launch of its biosimilar no later than 21 February 2025. Agreements with J&J covering Europe and other markets are likely in due course. Despite the ca. one year delay caused by the extension of the FYB202 phase 1 comparative pharmacokinetics trial, Formycon will be among the first companies to launch a Stelara biosimilar on the US market.

US FYB203 launch expected late 2024/early 2025 We expect the US launch of FYB203 in late 2024/early 2025. However patent expiration for Eylea in the EU is not until November 2025 and so the European launch will be at a correspondingly later date.

Figure 2: Changes to our forecasts

in € 000s	2023E			2024E			2025E			2026E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ	Old	New	Δ
Revenues	79.30	69.32	-12.6%	161.56	56.41	-65.1%	484.30	61.18	-87.4%	508.04	101.81	-80.0%
EBITDA	22.70	-14.66	-	104.06	5.41	-94.8%	448.30	55.03	-87.7%	474.04	95.30	-79.9%
margin	28.6%	-21.2%	-	64.4%	9.6%	-	92.6%	89.9%	-	93.3%	93.6%	-
EBIT	21.65	-16.09	-	102.99	3.96	-96.2%	447.23	22.23	-95.0%	472.92	59.12	-87.5%
margin	27.3%	-23.2%	-	63.7%	7.0%	-	92.3%	36.3%	-	93.1%	58.1%	-
Net profit	21.65	-45.16	-	100.93	-16.03	-	316.88	9.20	-97.1%	335.09	46.70	-86.1%
margin	27.3%	-65.1%	-	62.5%	-28.4%	-	65.4%	15.0%	-	66.0%	45.9%	-
EPS (diluted, in €)	1.44	-2.80	-	6.70	-0.99	-	21.03	0.57	-97.3%	15.06	2.88	-80.9%

Source: First Berlin Equity Research estimates

We maintain our Buy recommendation but lower the price target to €105 (previously: €130)

Changes to our forecasts reflect more cautious assumptions regarding the speed of post-launch revenue ramp-up of Formycon's biosimilars compared with our most recent study of 23 September 2022. To a large extent this is a function of a longer timelag between drug approval and implementation of reimbursement than we had previously modelled. We have also removed the covid antiviral, FYB207, from our valuation model. Formycon had always planned to engage a partner to share the cost of clinical trials with FYB207. With covid now in abeyance, finding a partner has become more challenging. We now see fair value for the Formycon share of €105 (previously: €130). We maintain our Buy recommendation.



Figure 3: Valuation model

Compound	Project ¹⁾	Present Value	Patient Pop	Treatment Cost	Market Size	Market Share	Peak Royalties	PACME Margin ²⁾	Discount Factor	Patent Life ³⁾	Time to Market
FYB201	nAMD,DR (ex-US)	€173M	199K	€5,921	€1,178M	20%	€39M	5%	10%	n.a.	-
FYB201	nAMD,DR (US)	€232M	82K	€9,845	€807M	20%	€42M	15%	10%	n.a.	-
FYB202	Pso,CrD (ex-US)	€399M	62K	€31,981	€1,983M	12%	€126M	33%	13%	n.a.	2 years
FYB202	Pso,CrD (US)	€676M	69K	€52,013	€3,589M	12%	€218M	33%	13%	n.a.	2 years
FYB203	nAMD,DR (ex-US)	€104M	425K	€4,689	€1,993M	12%	€34M	9%	13%	n.a.	3 years
FYB203	nAMD,DR (US)	€204M	411K	€8,980	€3,691M	12%	€64M	9%	13%	n.a.	2 years
FYB206	multiple cancer types (ex-US)	€425M	65K	€79,625	€5,176M	12%	€413M	33%	16%	n.a.	7 years
FYB206	multiple cancer types (US)	€821M	59K	€138,393	€8165M	12%	€652M	33%	16%	n.a.	6 years
FYB208	n.a.	€117M									
FYB209	n.a.	€99M									
PACME PV		€3,250M									
Costs PV ⁴⁾		€1,742M									
NPV		€1,508M									
Proforma net Cash		€176M									
Fair Value		€1,684M									
Proforma share count		16,039K									
Fair Value Per Share		€105.00									

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

Figure 4: Changes to our valuation model

	Old	New	Delta
NPV	€1,929M	€1,508M	-21.8%
Proforma net Cash	€29M	€176M	507.0%
Fair Value	€1,958M	€1,684M	-14.0%
Share Count	15,065K	16,039K	6.5%
Fair value per share	€130.00	€105.00	-19.2%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EURm	2021A	2022A	2023E	2024E	2025E	2026E
Revenue	36.6	42.5	69.3	56.4	61.2	101.8
Cost of sales	-26.5	-30.4	-33.9	-16.4	-17.3	-21.6
Gross profit	10.1	12.1	35.4	40.0	43.8	80.2
R&D expenses	-16.8	-16.9	-25.2	-15.3	-1.8	-2.0
Selling expenses	-0.6	-1.4	-2.5	-1.5	-0.2	-0.2
Administrative expenses	-6.5	-11.4	-23.8	-19.2	-19.6	-18.9
Net other op. expenses	-0.2	0.0	0.0	0.0	0.0	0.0
Operating income (EBIT)	-14.0	-17.7	-16.1	4.0	22.2	59.1
Equity participations	0.0	76.8	6.8	10.0	14.1	16.3
Dividends from Bioeq	0.0	0.0	0.0	0.0	0.0	0.0
Net financial result	-0.2	-22.5	-32.8	-30.0	-27.1	-28.7
Pre-tax income (EBT)	-14.2	36.6	-42.1	-16.0	9.2	46.7
Income taxes	0.9	-0.6	-3.1	0.0	0.0	0.0
Net income / loss	-13.3	36.0	-45.2	-16.0	9.2	46.7
Diluted EPS (in €)	-1.20	2.59	-2.80	-0.99	0.57	2.88
EBITDA	-12.6	-15.9	-14.7	5.4	55.0	95.3
Ratios						
Gross margin on revenue	27.6%	28.4%	51.1%	70.9%	71.7%	78.8%
EBIT margin on revenue	-38.2%	-41.7%	-23.2%	7.0%	36.3%	58.1%
Net margin on revenue	-36.3%	84.7%	-65.1%	-28.4%	15.0%	45.9%
Tax rate	-6.5%	-1.7%	7.4%	0.0%	0.0%	0.0%
Expenses as % of revenue						
Cost of sales	-72.4%	-71.6%	-48.9%	-29.1%	-28.3%	-21.2%
R&D expenses	-45.9%	-39.8%	-36.3%	-27.1%	-3.0%	-1.9%
Selling expenses	-1.6%	-3.4%	-3.6%	-2.7%	-0.3%	-0.2%
Administrative expenses	-17.8%	-26.9%	-34.3%	-34.0%	-32.0%	-18.6%
Y-Y Growth						
Revenues	6.8%	16.1%	63.1%	-18.6%	8.5%	66.4%
Operating income	n.m.	n.m.	n.m.	n.m.	460.9%	166.0%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	407.6%



BALANCE SHEET

All figures in EURm	2021A	2022A	2023E	2024E	2025E	2026E
Assets						
Current assets, total	37.9	30.5	22.1	82.3	46.1	51.4
Cash and cash equivalents	25.0	9.8	10.0	68.4	21.9	15.4
Other liquid assets	0.2	0.0	0.0	0.0	0.0	0.0
Inventories	0.2	0.6	0.7	0.5	0.6	0.9
Receivables	10.9	14.3	10.1	10.6	19.9	29.5
Contract assets	1.0	1.2	0.8	1.1	2.1	3.2
Other current assets	0.6	4.6	0.5	1.7	1.6	2.4
Non-current assets, total	32.8	823.2	847.0	864.7	902.1	971.7
Investment participation Bioeq AG	23.6	186.4	193.2	203.2	217.3	233.6
Loan to associate Bioeq AG	0.0	92.3	74.3	37.2	0.0	0.0
Property, plant & equipment	2.7	2.6	2.5	2.4	2.3	2.3
Right of use assets	5.7	8.9	9.0	9.0	9.1	9.1
Goodwill & other intangibles	0.7	533.0	568.0	613.0	673.4	726.7
Prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	70.7	853.7	869.1	947.1	948.2	1,023.0
Shareholders' equity & debt						
Current liabilities, total	10.4	50.7	52.6	35.7	43.7	54.9
Current lease obligations	0.9	0.9	1.0	1.0	1.1	1.1
Accounts payable	7.6	11.3	14.9	19.0	27.8	37.7
Tax liability	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder loan	0.0	20.8	20.8	0.0	0.0	0.0
Loan	0.0	0.0	0.0	0.0	0.0	0.0
Conditional purchase price payments	0.0	14.9	15.4	15.0	14.1	15.0
Other current liabilities	1.9	2.7	0.5	0.7	0.6	1.1
Long-term liabilities, total	4.4	446.5	440.1	550.9	535.0	551.9
Non-current lease obligations	4.4	7.6	8.0	8.4	8.8	9.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder loan	0.0	20.0	0.0	0.0	0.0	0.0
Loan	0.0	0.0	0.0	120.0	120.0	120.0
Conditional purchase price payments	0.0	299.3	309.3	299.8	283.3	299.7
Other liabilities	0.0	0.0	0.1	0.2	0.2	0.4
Deferred tax liabilities	0.0	119.5	122.6	122.6	122.6	122.6
Shareholders' equity	55.9	356.6	376.4	360.4	369.6	416.3
Total consolidated equity and debt	70.7	853.7	869.1	947.1	948.2	1,023.0
Key figures						
Current ratio (x)	3.64	0.60	0.42	2.31	1.06	0.94
Quick ratio (x)	3.62	0.59	0.41	2.29	1.04	0.92
Financial leverage (%)	-45.1	-2.8	-2.6	-19.0	-5.9	-3.7
Book value per share (€)	514.55	446.99	486.38	554.64	624.52	695.90
Return on equity (ROE)	-21.6%	17.5%	-12.3%	-4.4%	2.5%	11.9%



CASH FLOW STATEMENT

All figures in EURm	2021A	2022A	2023E	2024E	2025E	2026E
Net profit	-13.3	36.0	-45.2	-16.0	9.2	46.7
Depreciation and amortisation	1.6	1.9	1.4	1.5	32.8	36.2
Net finance income	0.2	-54.3	22.7	18.7	12.9	12.3
Effect of stock options	0.8	0.5	0.0	0.0	0.0	0.0
Net loss (gain) from disposal of non-current assets	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash transactions	0.0	0.0	0.0	0.0	0.0	0.0
Income tax expense	-0.9	0.6	3.1	0.0	0.0	0.0
Change in working capital	-1.8	-3.4	10.0	2.6	-1.5	-1.3
Change in other financial assets	0.1	0.2	0.0	0.0	0.0	0.0
Income taxes paid	0.0	-0.3	0.0	0.0	0.0	0.0
Operating cash flow	-13.4	-18.9	-7.9	6.7	53.4	93.9
CAPEX	-3.9	-37.1	-36.4	-46.4	-93.2	-89.5
Free cash flow	-17.3	-55.9	-44.3	-39.7	-39.8	4.5
Repayment of Bioeq loan	0.0	0.0	18.0	37.2	37.2	0.0
Earnout	0	0.0	-19.0	-38.6	-44.3	-11.5
Equity financing, net	1.5	1.8	65.0	0.0	0.0	0.0
Shareholder loan	0.0	40.0	-20.0	-20.8	0.0	0.0
Loan	0.0	0.0	0.0	120.0	0.0	0.0
Payment of lease liabilities	-1.0	-0.9	0.4	0.4	0.5	0.5
Interest paid	-0.2	-0.1	0.0	0.0	0.0	0.0
Net cash from financing activities	0.3	40.7	44.4	98.2	-6.7	-11.0
Net cash flows	-17.0	-15.2	0.1	58.5	-46.5	-6.5
Cash and liquid assets, start of the year	42.0	25.0	9.8	10.0	68.4	21.9
Cash and liquid assets, end of the year	25.0	9.8	10.0	68.4	21.9	15.4
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	695.2%	75.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	91.1%	n.m.	n.m.	-18.2%	-30.7%	-4.7%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 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

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 21 August 2023 at 13:25

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

Copyright© 2023 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Formycon AG the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Formycon AG for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of Formycon AG the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Formycon AG for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

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...35	↓	↓	↓	↓
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	7 September 2022	€70.40	Buy	€103.00
43	23 September 2022	€70.40	Buy	€130.00
44	Today	€60.40	Buy	€105.00

INVESTMENT HORIZON

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

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.