

Recommendation:
BUY (BUY)

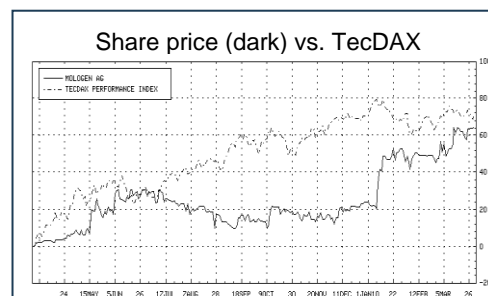
Risk:
HIGH (High)

Price Target:
EUR 14.30 (14.30)

07 April 2010

Annual figures for FY2009

- On 30 March 2010 MOLOGEN AG posted its financial figures for FY 2009 with sales revenue, as expected, at the low level of EUR 0.05m (PY: EUR 0.21m). Overall annual results were somewhat worse than expected. Due to extensive activities regarding further development of the product pipeline, the net loss FY2009 rose to EUR 6.28m (PY: EUR 6.09) (CBSR estimate: EUR 5.33m). Higher need for raw material necessary for clinical trials resulted in increased cost of goods sold, which rose by 24% and came in at EUR 2.17m in FY2009 (PY: EUR 1.75m). Personnel expenses have also slightly increased to EUR 2.25m (PY: EUR 2.08m). Other operating expenses declined from EUR 2.21m in FY2008 to EUR 1.82m in FY2009 and partly offset the increase in material costs and personnel costs.
- Cash and cash equivalents totaled EUR 6.17m on 31 December 2009 (31 December 2008: EUR 3.33m). For 2010E we expect that operative expenses will be somewhat higher than in FY2009. Primarily due to the increase of cost of materials which will be driven by phase 2 clinical trial with MGN1703. However, we do not expect the increase to be overly dramatic and the current cash position of EUR 6.17m should be sufficient to finance company's activity until the release of interim evaluation regarding phase 2 trial with MGN1703 which we expect to occur at the beginning of 2011E. However, this amount of cash should be sufficient only in case MOLOGEN will not increase its operating expenses drastically, otherwise further capital injections will be necessary.
- At the beginning of this week MOLOGEN AG announced that it had received funding (~EUR 280,000) for the pre-clinical development of a MIDGE®-based vaccine against hepatitis B. The project is being carried out jointly with Synvolux Therapeutics B. V., a company based in the Netherlands, and is planned to be concluded by the end of 2012E.
- The capital increase conducted in January 2010 gave renewed impetus to a very favourable share price development. Over the last three months MOLOGEN'S share has increased by ~30% and is currently at its highest position over the last three years. From our point of view this trend should be supported by an intensive newsflow anticipated in the ongoing year. We retain our price target at EUR 14.30 per share and reiterate our BUY recommendation.



Sources: CBS Research AG, Bloomberg

Change	2010e		2011E		2012E	
	new	old	new	old	new	old
Sales	0.3	0.6	22.0	25.0	20.4	-
EBIT	-6.5	-6.4	10.0	13.0	7.3	-
EPS	-0.61	-0.60	0.84	1.08	0.63	-

Internet: www.mologen.com Sector: Biotechnology
WKN: 663720 ISIN: DE0006637200
Reuters: MGNG.DE Bloomberg: MGN GY

Share data:

Share price (last closing price)	EUR 9.70
Shares outstanding (m):	10.66
Market capitalisation (EURm):	103.36
Enterprise value (EURm):	96.90
Ø daily trading volume (no. of shares):	14,084

Performance data:

High 52 weeks:	10.00
Low 52 weeks:	5.80
Absolute performance (12 months):	3.72
Relative performance (vs. TecDAX):	
1 month	-0.1%
3 months	30.1%
6 months	31.4%
12 months	11.38%

Shareholders:

Institutional investors:	30.4%
Deutscher Ring Krankenversicherungsv.:	10.0%
Bâloise Holding:	13.2%
Founder and management:	6.3%
Free float:	40.1%

Financial calendar:

1Q 2010 results 12 May 2010

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Key data

Y/E 31/12., EUR m	2008	2009	2010E	2011E	2012E
Sales revenues	0.2	0.1	0.3	22.0	20.4
EBIT	-6.3	-6.4	-6.5	10.0	7.3
Net income/loss	-6.1	-6.3	-6.5	9.0	6.7
EPS	-0.65	-0.64	-0.61	0.84	0.63
CPS	-0.53	-0.52	-0.56	0.76	0.77
DPS	0.00	0.00	0.00	0.00	0.00
EBIT margin	neg.	neg.	neg.	45.43%	35.92%
EV/EBIT	neg.	neg.	neg.	9.7	13.2
P/E	neg.	neg.	neg.	11.5	15.5

Source: MOLOGEN AG, CBS Research AG

FY 2009 figures

On 30 March 2010 MOLOGEN AG posted its financial figures for FY 2009 with sales revenue, as expected, at the low level of EUR 0.05m (PY: EUR 0.21m) and was mainly a result of the sale of goods and services for research. In contrast, other operating income increased to EUR 0.31m primarily due to subsidies received, and was significantly above the value for the previous year (EUR 0.04m). Overall annual results were somewhat worse than expected. Due to extensive activities for the further development of the product pipeline, the net loss for the period under review rose to EUR 6.28m (PY: EUR 6.09m).

In total, the company invested EUR 4.8m in research projects during the recent financial year (PY: EUR 4.4m). Higher need for raw material necessary for clinical trials resulted in higher cost of goods sold, which rose by 24% and came in at EUR 2.17m in FY2009 (PY: EUR 1.75m). Personnel expenses also slightly increased to EUR 2.25m (PY: EUR 2.08m). Although the decline in other operating expenses from EUR 2.21m in FY2008 to EUR 1.82m in FY2009 has partly offset the increase in material costs and personnel costs, net losses at EUR 6.28m (PY: EUR 6.09m) were deeper than we expected (CBSR estimate: EUR 5.33m).

Annual figures worse than expected...

...mostly due to higher cost of materials

Financial review for FY2009

in EUR m	FY 2008	FY 2009	CBSR estimates for FY 2009
Total group revenues	0.21	0.05	0.08
Cost of materials	-1.75	-2.17	-1.67
Personell expenses	-2.08	-2.25	-1.93
Other operating expenses	-2.21	-1.82	-1.82
EBIT	-6.30	-6.35	-5.41
Net income/loss	-6.09	-6.28	-5.33
Basic earnings per share (EUR)	-0.65	-0.64	-0.54

Source: MOLOGEN AG; CBS Research

Cash and cash equivalents totaled EUR 6.17m on 31 December 2009 (31 December 2008: EUR 3.32m). For 2010E we expect that operative expenses will be somewhat higher than in FY2009. Primarily due to the increase of cost of materials which will be driven by phase 2 clinical trial with MGN1703. However, we do not expect the increase to be overly dramatic and the current cash position of EUR 6.2m should be sufficient to finance company's activity until the release of interim evaluation regarding phase 2 trial with MGN1703 which we expect to occur at the beginning of 2011E. However, we consider that this amount of cash will be sufficient only in case MOLOGEN will not increase its operating expenses drastically, otherwise further capital injections will be necessary.

Current cash position should be sufficient for FY2010E

Other events

Approval for phase 2 clinical study with MGN1703

On 5 March 2010 MOLOGEN has received approval from the competent German and Austrian health authorities at the Paul Ehrlich Institute and the Federal Office for Safety in Health Care ("Bundesamt für Sicherheit im Gesundheitswesen"), respectively, to conduct a phase 2 study on its leading cancer drug candidate MGN1703. From our standpoint it is a very important milestone as the dSLIM® DNA molecule will now be tested in its most significant phase 2 trial (randomized, placebo-controlled, double-blind, multicenter clinical study (IMPACT study)) which is designed as a licensing-relevant confirmatory study and is intended to verify the efficacy of MGN1703 with statistical significance.

Approval for phase 2 trial with MGN1703

According to the company, the trial will be initiated in several study centers in Germany and Austria as soon as the approval from responsible Ethics Committees will be issued, which we expect to occur in April. Besides, MOLOGEN plans to enroll patients in Great Britain, Russia, and other countries as soon as the conduct of the study has been approved there. The study is anticipated to have an overall duration of up to three years. The company asserts that only nine to ten months are needed to reach initial evidence on the achievement of the study objectives. Thus, given this indication we expect that the company will release an interim report regarding the efficacy of MGN1703 at the beginning of 2011E.

Phase 2 study with MGN1703 should start in April 2010

Funding for the development of DNA vaccine against hepatitis B

At the beginning of this week MOLOGEN AG announced that it had received funding for the pre-clinical development of a MIDGE®-based vaccine against hepatitis B. The project, which aims to develop a new and highly effective vaccine against infection through hepatitis B viruses, has already commenced and is being carried out jointly with Synvolux Therapeutics B. V., a company based in the Netherlands. The new type of vaccine is based on the MIDGE® DNA vectors from MOLOGEN and is formulated with the well tolerated SAINT transfection reagent from Synvolux, which acts as an adjuvant. The vaccine is to be available for preventative (prophylactic) use as well as for treatment (therapeutic use).

Funding for the development of DNA vaccine against hepatitis B

The project is being funded by the German Federal Ministry of Education and Research, as part of the EU's EuroTrans-Bio initiative, with around EUR 280,000, which represents a 50% share of funding and is planned to be concluded by the end of 2012E. All the necessary pre-clinical studies will be carried out so that by the end of the project the vaccine will be available for testing in clinical trials.

Project is planned to be concluded by the end of 2012E

Although the project has just started and is presently on a very early stage it indicates that MOLOGEN's technology platform can be used not only for the development of cancer-specific medicines, but also for infectious diseases (so far the only infectious indication in MOLOGEN's product pipeline was leishmaniasis, which is funded by EU). This project creates further long term potential for the company.

Share price development

The capital increase conducted in January 2010 gave renewed impetus to a very favourable share price development. Over the last three months MOLOGEN's share has increased by ~30% and is currently at its highest position over the last three years. From our point of view this trend should be supported by an intensive newsflow anticipated in the ongoing year. Below we have briefly outlined the events which are expected in FY2010E. We retain our target price at EUR 14.30 per share and reiterate our BUY recommendation.

Newsflow for FY2010E

Expected share price catalyst in 2010E

Timing	Expected newsflow in 2010E
April 2010	Initiation of phase 2 trial with MGN1703
12 May 2010	Quarterly Report as of March 31, 2010
07 June 2010	Annual General Meeting 2010
Q2-Q3 2010	Expected approval of a phase 1/2 clinical study with MGN1601.
12 August 2010	Half-Year Report as of June 30, 2010
H2 2010	Start of Phase 1/2 clinical study with MGN1601
11 November 2010	Quarterly Report as of Sept 30, 2010

Source: MOLOGEN AG; CBS Research

Appendix

MOLOGEN

Profit and loss account

IFRS EUR 1,000	2008	2009	2010E	2011E	2012E
Revenues	210	53	250	22,000	20,400
YoY growth	40.0%	-74.8%	371.7%	8700.0%	-7.3%
Other operating income	36	308	300	230	350
as % of sales	17.1%	581.1%	120.0%	1.0%	1.7%
Cost of materials	-1,745	-2,173	-2,200	-6,600	-8,300
as % of sales	-831.0%	-4100.0%	-880.0%	-30.0%	-40.7%
Personell expenses	-2,084	-2,246	-2,300	-2,650	-1,428
as % of sales	-992.4%	-4237.7%	-920.0%	-12.0%	-7.0%
Amortization	-508	-471	-440	-286	-645
as % of sales	-241.9%	-888.7%	-176.0%	-1.3%	-3.2%
Other operating expenses	-2,212	-1,823	-2,100	-2,700	-3,050
as % of sales	-1053.3%	-3439.6%	-840.0%	-12.3%	-15.0%
EBIT	-6,303	-6,352	-6,490	9,994	7,327
as % of sales	-3001.4%	-11984.9%	-2596.0%	45.4%	35.9%
Net financial results	212	68	30	200	250
EBT (Earnings before income taxes)	-6,091	-6,284	-6,460	10,194	7,577
as % of sales	-2900.5%	-11856.6%	-2584.0%	46.3%	37.1%
Income taxes	0	0	0	-1,223	-909
as % of EBT	0.0%	0.0%	0.0%	-12.0%	-12.0%
Net income/loss	-6,091	-6,284	-6,460	8,971	6,668
as % of sales	-2900.5%	-11856.6%	-2584.0%	40.8%	32.7%
Shares outstanding (in thousands)	9,378	9,803	10,629	10,655	10,655
Basic earnings per share (EUR)	-0.65	-0.64	-0.61	0.84	0.63

Source: MOLOGEN AG; CBS Research AG

MOLOGEN

Balance Sheets

IFRS EUR 1,000	2008	2009	2010E	2011E	2012E
Assets					
Noncurrent assets	2,250	1,872	1,432	3,396	4,851
as % of total assets	36.9%	21.8%	63.1%	27.4%	
Tangible assets	185	187	38	243	238
Intangible assets	2,062	1,681	1,391	3,150	4,610
Financial assets	185	187	38	243	238
Other assets	3	4	3	3	3
Current assets	3,850	6,710	839	9,016	14,879
as % of total assets	63.1%	78.2%	36.9%	72.6%	75.4%
Inventories	19	20	28	200	184
Trade receivable	140	5	10	2,000	1,788
Profit tax entitlements	160	20	80	150	280
Other current assets	207	491	500	600	500
Cash and cash equivalents	3,324	6,174	221	6,066	12,127
Total assets	6,100	8,582	2,271	12,412	19,730
Shareholders' equity and liabilities					
Shareholders' equity	5,243	7,351	891	9,862	16,530
as % of total equity and liabilities	86.0%	85.7%	39.2%	79.5%	83.8%
Subscribed capital	9,378	10,143	10,655	10,655	10,655
Capital reserve	24,745	28,798	31,860	31,860	31,860
Deposits to effect the agreed capital increase entered in the commercial register on January 20, 2010	0	3,574	0	0	0
Balance sheet loss	-28,880	-35,164	-41,624	-32,653	-25,985
Noncurrent liabilities	91	86	100	100	100
as % of total equity and liabilities	1.5%	1.0%	4.4%	0.8%	0.5%
Accrual items	91	86	100	100	100
Provisions	0	0	0	0	0
Current liabilities	766	1,145	1,280	2,450	3,100
as % of total equity and liabilities	12.6%	13.3%	56.4%	19.7%	15.7%
Provisions	58	0	0	1,000	1,200
Trade liabilities	454	513	480	500	800
Other current liabilities	250	627	800	950	1,100
Liabilities to banks	4	5	0	0	0
Total equity and liabilities	6,100	8,582	2,271	12,412	19,730

Source: MOLOGEN AG; CBS Research AG

MOLOGEN

Cash flow statement

IFRS	EUR 1,000	2008	2009	2010E	2011E	2012E
Net income (loss)		-6,091	-6,284	-6,460	8,971	6,668
Amortisation of fixed assets		508	471	440	286	645
Deficit from disposal of fixed assets		2	4	0	0	0
Income from disposal of a subsidiary		0	0	0	0	0
Change in provisions		-23	-58	0	1,000	200
Other non-cash income and expenses		486	290	0	0	0
Change in trade receivables, inventories and other assets		-2	-10	-82	-2,332	198
Change in trade payables and other liabilities		119	446	149	170	450
Net cash used for operating activities		-5,001	-5,141	-5,953	8,095	8,161
Outflow for property, plant and equipment		-20	-85	0	-250	-100
Outflows for intangible assets		-1	-11	0	-2,000	-2,000
Inflow from disposals of subsidiary		0	0	0	0	0
Net cash provided by investing activities		-21	-96	0	-2,250	-2,100
Cash receipts from issuing of capital		306	8,113	0	0	0
Net cash provided by financing activities		306	8,113	0	0	0
Foreign currency effect		0	-26	0	0	0
Net increase (decrease) in cash and cash equivalents		-4,716	2,850	-5,953	5,845	6,061
Cash and cash equivalents, beginning of the year		8,040	3,324	6,174	221	6,066
Cash and cash equivalents at year's end		3,324	6,174	221	6,066	12,127

Source: MOLOGEN AG; CBS Research AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
10 July 2009	BUY (Initiating Coverage)	EUR 7.35	EUR 14.17
14 August 2009	BUY (Update)	EUR 7.15	EUR 14.17
11 November 2009	BUY (Update)	EUR 6.80	EUR 14.17
11 January 2010	BUY (Update)	EUR 7.17	EUR 14.30
07 April 2010	BUY (Update)	EUR 9.70	EUR 14.30

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