



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

MOLOGEN AG

Issuance of new shares (capital increase)

01/20/2010

Please notice the indications concerning the preparation of this document, the indications concerning potential conflicts of interest, the compulsory information required by paragraph 34b WpHG (Wertpapier-handelsgesetz - Securities Trade Act) and the liability declaration at the end of this document. This financial analysis in the meaning of paragraph 34b WpHG shall only be distributed to professional clients or eligible counterparties according to § 31a WpHG.

Capital increase**Financing for 2010 secured****MOLOGEN AG 6)****Recommendation: Buy****before:** -
as of: -

- ⇒ The biotech company announced that it had made a capital increase at the end of December 2009. MOLOGEN issued 512,000 shares at a price of EUR7.00 apiece. Gross issuing proceeds amounted to EUR3.58m. The number of shares has increased to 10.655m (before: 10.143). The capital increase was mainly subscribed by the existing shareholders.
- ⇒ In our opinion, the move demonstrates MOLOGEN's ability to raise capital even under challenging capital market conditions. The company had already made a capital increase of 425,000 shares at EUR6.50 apiece (gross issuing proceeds: EUR2.76m) at the end of March 2009. Thus in 2009, MOLOGEN made full use of its scope to make capital increases of up to 10% of the capital stock per year under relaxed regulatory conditions. Together with the proceeds from the employee stock option programme (gross proceeds: EUR2.08m), MOLOGEN raised EUR8.42m gross in 2009.
- ⇒ According to our calculations, MOLOGEN's pro-forma liquidity position was EUR8.36m as of September 30, 2009. Thus, financing is probably secured at least until the end of September 2010. MOLOGEN plans to initiate its Phase II trial of MGN1706 for prostate cancer only in H2 2010 and to first concentrate on the Phase II trial of MGN1703 for colorectal cancer and the Phase I/II trial of MGN1601 for renal cell cancer. Therefore, cash burn ought to be lower in the first months of the year. Therefore, financing should be secured even for the full year 2010.
- ⇒ By concluding the Phase Ib clinical trial of MGN1703 and filing for authorisation of the Phase II and combined Phase I/II clinical trials of MGN1703 and MGN1601, respectively, MOLOGEN achieved all important goals in 2009.

Price target (in EUR) (6 months)	14.50
Share price(Xetra) (in EUR) 01/12/10 5:30 PM	8.45
Share price potential	71.62%

Company date

Country	GE
Sector	Biotechnology
Market segment	Prime Standard
ISIN	DE0006637200
Reuters	MGNG.DE
Bloomberg	MGN
Internet	www.molgen.com

Data shares

Shares (m)	10.655
Freefloat	41.20%
Market cap. (EURm)	90.0
∅ Trading volume	6,768
52W High 01/12/10	EUR8.88
52W Low 02/24/09	EUR5.50
Beta	1.5
Volatility (60 days)	34.98

Multiples

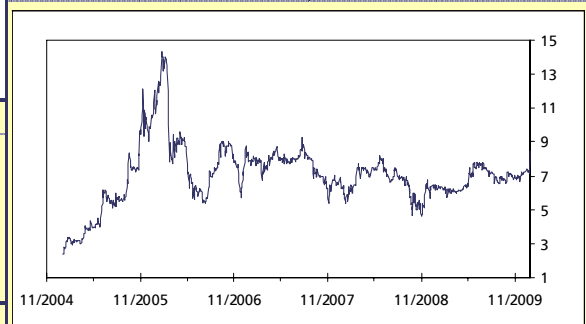
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2007	350.2	neg.	neg.	0.0%
2008	265.6	neg.	neg.	0.0%
2009E	179.5	neg.	neg.	0.0%
2010E	685.2	neg.	neg.	0.0%
2011E	4.7	10.6	12.8	0.0%

Performance (in %)

	1m	3m	6m	12m
absolut	19.7	20.2	8.5	33.1
related to:				
DAX	15.9	15.6	-13.8	3.8
Prime Pharma	17.8	12.9	-7.6	18.1

Index weighting

CDAX	0.008%
Prime Pharma	0.183%

**Author: S. Röhle (analyst)**

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2007	0.15	-6.78	-6.47	-6.47	-0.71
IFRS	2008	0.21	-6.30	-6.09	-6.09	-0.65
IFRS	2009E	0.36	-5.51	-5.51	-5.51	-0.56
IFRS	2010E	0.12	-10.75	-10.75	-10.75	-1.01
IFRS	2011E	17.35	7.79	7.79	7.01	0.66
CAGR 2007 - 2011E		228.0%	-	-	-	-

Figures in EURm except EPS, hist. PERs based on average share prices

1)2)3)4)6) **Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document**

- ⇒ In our opinion, it has become more likely that the Phase II trial will reach the primary end point (proof of concept) following the promising results of the Phase Ib trial of MGN1703. Furthermore, chances of licensing out the drug earlier than in 2011, which we had presumed so far, have increased.
- ⇒ Due to the dilutive effect of the capital increase, we revise our EPS forecast for 2010E, now forecasting EUR-1.01 (before: -1.06). For 2011E, we estimate EPS of EUR+0.66 due to the receipt of the upfront payment from the licensing out of MGN1703.
- ⇒ Since our last report (December 10, 2009), the stock has gained about 17.5%, reflecting the positive newsflow. This particularly applies to the one-month and three-months horizon (with strong price increases on the last two trading days: +11.6% and +5.6%). We expect more good news in the next two months. Based on our DCF model (2010E through 2019E (before: 2009E through 2018E)) incorporating the capital increase, we have calculated a new price target of EUR14.50 (before: 14.00). We reaffirm our Buy recommendation.

DCF model MOLOGEN AG										
in EURm	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Sales	0.12	17.35	16.60	24.86	45.05	67.87	87.20	91.84	119.32	122.58
Sales growth	-66.7%	14361.0%	-4.3%	49.8%	81.2%	50.7%	28.5%	5.3%	29.9%	2.7%
EBIT margin	neg.	44.9%	53.6%	56.6%	69.4%	73.3%	74.7%	74.0%	75.4%	74.4%
EBIT	-10.75	7.79	8.89	14.08	31.27	49.76	65.15	67.93	89.94	91.20
- Income tax	0.00	-0.78	-1.42	-2.82	-9.38	-14.93	-19.54	-20.38	-26.98	-27.36
+ Depreciation	0.48	0.49	0.50	0.52	0.55	0.58	0.61	0.64	0.67	0.70
+/- Change in long-term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+/- Other	0.63	0.78	0.98	1.22	1.53	1.91	2.38	2.98	3.73	4.66
Operating cash flow	-9.65	8.28	8.94	13.01	23.96	37.31	48.59	51.16	67.35	69.20
-/+ Change in working capital	0.00	-0.52	-0.50	-0.75	-1.35	-2.04	-2.62	-2.76	-3.58	-3.68
-/+ Net capital expenditure	-0.15	-0.20	-0.25	-0.30	-0.42	-0.53	-0.60	-0.62	-0.71	-0.72
Free cash flow	-9.80	7.56	8.20	11.96	22.19	34.75	45.38	47.79	63.06	64.80
Present values	-8.30	5.39	4.92	6.05	9.45	12.46	13.71	12.15	13.51	11.69
Sum of present values	81.03									
Terminal value	67.98									
				in % of total value:	46%					
Value of operating business (EURm)	149.01									
+ Excess cash (EURm)	7.80									
- Financial debt (EURm)	0.00									
Fair value of equity (EURm)	156.81									
Number of shares (m)	10.655									
Fair value per share in EUR	14.72									

Model parameters / Entity DCF model:			
Long-term capital structure ->	Equity:	70%	Financial debt: 30%
Risk free rate of return: 4.0%	Beta:	1.5	Risk premium debt: 8.5%
	Risk premium:	10.0%	Tax shield: 0%
	Cost of equity:	19.2%	Cost of debt: 12.5%
Growth rate FCF: 0.0%	WACC :	17.2%	Date: 01/13/10

Source: Independent Research

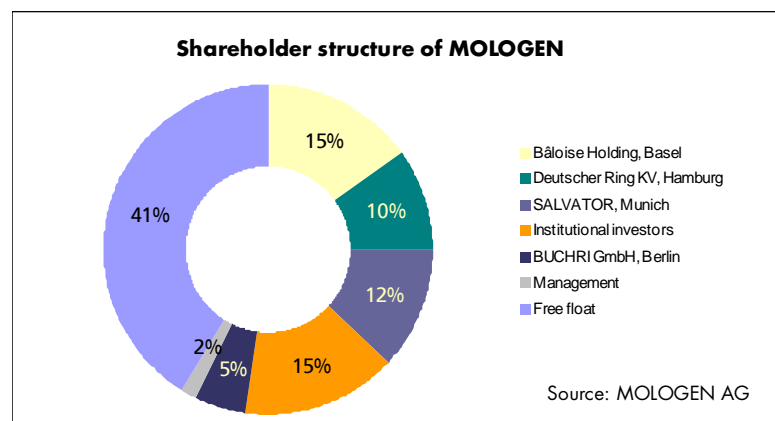
Sensitivity analysis (in EUR)					
		Discount rate			
		16.7%	17.2%	17.7%	18.2%
Growth	0.0%	15.53	14.72	13.96	13.26
	0.5%	15.78	14.94	14.16	13.44
	1.0%	16.04	15.18	14.38	13.63
	1.5%	16.32	15.43	14.61	13.84

Source: Independent Research

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MOLOGEN AG													
Profit and loss account													
Unit: End of fiscal year: Reporting standard:	EURm Dec 31 IFRS	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Revenue		0.21	0.36	0.12	17.35	16.60	24.86	45.05	67.87	87.20	91.84	119.32	122.58
yoy in %		40.0%	71.4%	-66.7%	>100%	-4.3%	49.8%	81.2%	50.7%	28.5%	5.3%	29.9%	2.7%
Others		0.21	0.06	0.12	0.13	0.13	0.14	0.15	0.15	0.16	0.17	0.18	0.19
MGN1601/dSLIM, MIDGE RCC		-	-	-	-	-	15.00	0.00	7.50	26.99	9.04	13.64	18.30
MGN1703/dSLIM CRC		-	-	-	15.00	0.00	7.50	34.41	23.96	36.15	48.49	60.97	49.07
MGN1706/dSLIM PC		-	-	-	-	15.00	0.00	7.50	32.48	20.07	30.29	40.63	51.09
Leishmaniasis (vet)		-	0.30	0.00	2.23	1.47	2.23	3.00	3.78	3.82	3.86	3.90	3.94
Other operating income		0.04	0.55	0.55	0.55	0.17	0.18	0.20	0.22	0.24	0.27	0.29	0.32
Increase/decrease in stocks finished products		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross profit		0.25	0.91	0.67	17.90	16.77	25.05	45.25	68.09	87.44	92.11	119.61	122.90
Research & Development		-1.75	-1.24	-6.13	-4.71	-2.14	-4.57	-6.76	-10.18	-13.08	-13.78	-17.90	-18.39
Others		-	-0.07	-0.08	-0.09	-0.10	-4.45	-6.76	-10.18	-13.08	-13.78	-17.90	-18.39
MGN1601/dSLIM, MIDGE RCC		-	-0.10	-0.40	-1.94	-1.94	-0.12	-	-	-	-	-	-
MGN1703/dSLIM CRC		-	-1.07	-3.20	-0.23	-	-	-	-	-	-	-	-
MGN1706/dSLIM PC		-	-	-2.45	-2.45	-0.10	-	-	-	-	-	-	-
Leishmaniasis (vet)		-	-	-	-	-	-	-	-	-	-	-	-
General R&D and Administrative		-4.80	-5.18	-5.29	-5.41	-5.73	-6.40	-7.22	-8.15	-9.21	-10.41	-11.77	-13.31
Salaries		-2.08	-2.19	-2.30	-2.41	-2.65	-2.99	-3.43	-3.95	-4.54	-5.22	-6.00	-6.91
Amortization		-0.51	-0.47	-0.48	-0.49	-0.50	-0.52	-0.55	-0.58	-0.61	-0.64	-0.67	-0.70
Other operating expenses		-2.21	-2.52	-2.51	-2.50	-2.58	-2.89	-3.24	-3.63	-4.06	-4.55	-5.10	-5.71
Operating Expenses		-6.55	-6.42	-11.42	-10.11	-7.87	-10.97	-13.98	-18.33	-22.29	-24.18	-29.67	-31.70
EBIT		-6.30	-5.51	-10.75	7.79	8.89	14.08	31.27	49.76	65.15	67.93	89.94	91.20
in % of revenues		neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.3%	74.7%	74.0%	75.4%	74.4%
Financial result		0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBT		-6.09	-5.51	-10.75	7.79	8.89	14.08	31.27	49.76	65.15	67.93	89.94	91.20
in % of revenues		neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.3%	74.7%	74.0%	75.4%	74.4%
Income taxes		0.00	0.00	0.00	-0.78	-1.42	-2.82	-9.38	-14.93	-19.54	-20.38	-26.98	-27.36
in % of EBT		0.0%	0.0%	0.0%	-10.0%	-16.0%	-20.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
EBT (and minority interests)		-6.09	-5.51	-10.75	7.01	7.47	11.26	21.89	34.83	45.60	47.55	62.96	63.84
in % of revenues		neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%	52.1%
Minority interests		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change of the accounting method		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net profit/loss for the year		-6.09	-5.51	-10.75	7.01	7.47	11.26	21.89	34.83	45.60	47.55	62.96	63.84
in % of revenues		neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%	52.1%
Weighted average number of shares (m)		9.356	9.867	10.655	10.655	10.655	10.655	10.655	10.655	10.655	10.655	10.655	10.655
EPS (in EUR)		-0.65	-0.56	-1.01	0.66	0.70	1.06	2.05	3.27	4.28	4.46	5.91	5.99

Source: Independent Research, MOLOGEN AG



1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

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Recommendations concerning particular shares (starting December 18, 2009)

- Buy: According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
- Hold: According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
- Sell: According to our assessment, the stock should register an absolute loss within a 6-month period.

Recommendations concerning particular shares (until December 17, 2009)

- Buy: According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
- Accumulate: According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
- Reduce: According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
- Sell: According to our assessment, the stock should register an absolute loss of at least 15% within a 6-month period.

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As at: 20.01.2010

**Independent Research GmbH
Senckenberganlage 10-12
60325 Frankfurt am Main
Germany**

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(Bundesanstalt für Finanzdienstleistungsaufsicht)
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Independent Research

Senckenberganlage 10-12
60325 Frankfurt am Main
Germany

Phone: +49 (69) 971490-0

Fax: +49 (69) 971490-90

Email: info@irffm.de

Internet: www.irffm.de