

Recommendation:
BUY (BUY)

Risk:
HIGH (High)

Price Target:
EUR 14.30 (14.17)

11 January 2010

Good start in a new year

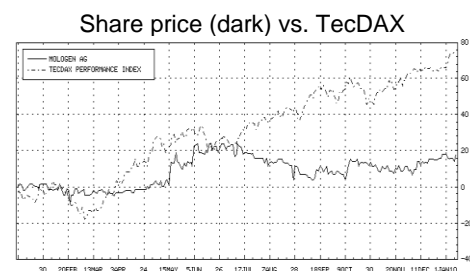
Capital increase secures financing for FY 2010

- On 7 January 2010 the company completed a capital increase against cash contributions and excluding subscription rights. Overall, 512,000 new ordinary bearer shares (around 5% of the total share capital) have been placed with institutional investors. With an issue price of EUR 7.00, which corresponds approx. to the average market price during Q4/2009, MOLOGEN managed to increase its liquid funds by roughly EUR 3.6m. The registration of the capital increase with the respective commercial register is currently under preparation. As a result of this capital injection the share capital of MOLOGEN totals 10,655,348 EUR. The increase contributes share capital with approx. EUR 0.5m and capital reserve with about EUR 3.1m. The company plans to invest the received cash specifically in clinical development programs for cancer medications.
- Given that the capital increase has secured financing only for the ongoing year, it is now a crucial issue for MOLOGEN to out license their leading candidate in early 2011E, otherwise the company will have to search for further capital. So the next most important task for MOLOGEN is to find a suitable partner, to whom the company could out-license its drug candidate MGN1703 for the treatment of colorectal cancer. Therefore, we think that company will concentrate the bulk of its activity on the development of its leading drug candidate MGN1703 in order to achieve proof of concept by the end of FY 2010E, which should be the basis for further out licensing, whereas, the development of the second drug candidate MGN1706 will be most probably delayed. Considering that MOLOGEN has already applied to the responsible authorities and ethics committees in Germany and Austria to carry out a phase 2 clinical study with its cancer drug MGN1703, it is likely that this study will launch in Q1/2010E. From our point of view it is realistic to expect that the company will be able to achieve a proof of concept by the end of 2010E, and conclude a partnership in early 2011E.
- In view of the last events we have slightly increased our target price. This increase was contributed by improved cash position as well as the filing of phase 2 clinical trials with MGN1703 at the end of 2009, which should increase the probability of success. Therefore, despite some dilution effect resulted from the capital increase, we raise our target price to EUR 14.30 per share and retain our BUY recommendation.

Key data

Y/E 31/12., EUR m	2007	2008	2009E	2010E	2011E
Sales revenues	0.2	0.2	0.1	0.6	25.0
EBIT	-6.8	-6.3	-5.4	-6.4	13.0
Net income/loss	-6.5	-6.1	-5.3	-6.4	11.4
EPS	-0.69	-0.65	-0.54	-0.60	1.07
CPS	-0.55	-0.53	-0.55	-0.54	1.02
DPS	0.00	0.00	0.00	0.00	0.00
EBIT margin	neg.	neg.	neg.	neg.	51.98%
EV/EBIT	neg.	neg.	neg.	neg.	5.3
P/E	neg.	neg.	neg.	neg.	6.7

Source: MOLOGEN AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2009e		2010E		2011E	
	new	old	new	old	new	old
Sales	-	0.1	-	0.6	-	25.0
EBIT	-	-5.4	-6.4	-7.1	-	13.0
EPS	-	-0.54	-0.60	-0.67	1.07	1.08

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

Share data:

Share price (last closing price)	EUR 7.17
Shares outstanding (m):	10.66
Market capitalisation (EURm):	76.33
Enterprise value (EURm):	68.50
Ø daily trading volume (no. of shares):	4,869

Performance data:

High 52 weeks:	7.98
Low 52 weeks:	5.50
Absolute performance (12 months):	1.13
Relative performance (vs. TecDAX):	
1 month	-0.6%
3 months	-6.3%
6 months	-24.6%
12 months	-7.1%

Shareholders:

Institutional investors:	27.1%
Deutscher Ring Krankenversicherungsv.:	10.0%
Bâloise Holding:	15.0%
Founder and management:	6.7%
Free float:	41.2%

Financial calendar:

n.a. n.a.

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Appendix

Profit and loss account

IFRS EUR 1,000	2007	2008	2009E	2010E	2011E
Revenues	150	210	75	620	25,000
YoY growth	-96.5%	40.0%	-64.3%	726.7%	3932.3%
Other operating income	737	36	406	120	230
as % of sales	491.3%	17.1%	541.3%	19.4%	0.9%
Cost of materials	-1,567	-1,745	-1,671	-2,800	-6,600
as % of sales	-1044.7%	-831.0%	-2228.0%	-451.6%	-26.4%
Personell expenses	-3,325	-2,084	-1,952	-2,000	-2,650
as % of sales	-2216.7%	-992.4%	-2602.7%	-322.6%	-10.6%
Amortization	-536	-508	-440	-342	-286
as % of sales	-357.3%	-241.9%	-586.7%	-55.1%	-1.1%
Other operating expenses	-2,234	-2,212	-1,823	-2,000	-2,700
as % of sales	-1489.3%	-1053.3%	-2430.7%	-322.6%	-10.8%
EBIT	-6,775	-6,303	-5,405	-6,402	12,994
as % of sales	-4516.7%	-3001.4%	-7206.7%	-1032.5%	52.0%
Net financial results	304	212	74	0	0
EBT (Earnings before income taxes)	-6,471	-6,091	-5,331	-6,402	12,994
as % of sales	-4314.0%	-2900.5%	-7108.0%	-1032.5%	52.0%
Income taxes	0	0	0	0	-1,559
as % of EBT	0.0%	0.0%	0.0%	0.0%	-12.0%
Net income/loss	-6,471	-6,091	-5,331	-6,402	11,435
Minorities	0.0	0.0	0.0	0.0	0.0
Net income/loss	-6,471	-6,091	-5,331	-6,402	11,435
as % of sales	-4314.0%	-2900.5%	-7108.0%	-1032.5%	45.7%
Shares outstanding (in thousands)	9,317	9,378	9,803	10,647	10,655
Basic earnings per share (EUR)	-0.69	-0.65	-0.54	-0.60	1.07

Source: MOLOGEN AG; CBS Research AG

Balance Sheets

IFRS EUR 1,000	2007	2008	2009E	2010E	2011E
Assets					
Noncurrent assets	2,740	2,250	1,930	1,588	3,552
as % of total assets	24.2%	36.9%	32.6%	49.8%	22.1%
Tangible assets	275	185	215	164	369
Intangible assets	2,460	2,062	1,712	1,421	3,180
Financial assets	275	185	215	164	369
Other assets	5	3	3	3	3
Current assets	8,559	3,850	3,984	1,603	12,524
as % of total assets	75.8%	63.1%	67.4%	50.2%	77.9%
Inventories	44	19	400	154	200
Trade receivable	107	140	95	210	2,192
Profit tax entitlements	84	160	20	80	150
Other current assets	284	207	850	700	900
Cash and cash equivalents	8,040	3,324	2,619	459	9,082
Total assets	11,299	6,100	5,914	3,191	16,076
Shareholders' equity and liabilities					
Shareholders' equity	10,517	5,243	4,693	1,891	13,326
as % of total equity and liabilities	93.1%	86.0%	79.4%	59.3%	82.9%
Subscribed capital	9,317	9,378	10,143	10,655	10,655
Capital reserve	23,989	24,745	28,761	31,849	31,849
Payments received from the exercise of subscription rights	0	0	0	0	0
Balance sheet loss	-22,789	-28,880	-34,211	-40,613	-29,178
Noncurrent liabilities	192	91	120	300	300
as % of total equity and liabilities	1.7%	1.5%	2.0%	9.4%	1.9%
Accrual items	111	91	120	300	300
Provisions	81	0	0	0	0
Current liabilities	590	766	1,101	1,000	2,450
as % of total equity and liabilities	5.2%	12.6%	18.6%	31.3%	15.2%
Provisions	0	58	21	0	1,000
Trade liabilities	390	454	400	200	500
Other current liabilities	200	250	680	800	950
Liabilities to banks	0	4	0	0	0
Total equity and liabilities	11,299	6,100	5,914	3,191	16,076

Source: MOLOGEN AG; CBS Research AG

Cash flow statement

	IFRS	EUR 1,000	2007	2008	2009E	2010E	2011E
Net income (loss)			-6,471	-6,091	-5,331	-6,402	11,435
Amortisation of fixed assets			536	508	440	342	286
Deficit from disposal of fixed assets			1	2	0	0	0
Income from disposal of a subsidiary			-628	0	0	0	0
Change in provisions			-1	-23	-37	-21	1,000
Other non-cash income and expenses			1,257	486	0	0	0
Change in trade receivables, inventories and other assets			238	-2	-839	221	-2,297
Change in trade payables and other liabilities			-83	119	401	100	450
Net cash used for operating activities			-5,151	-5,001	-5,366	-5,760	10,873
Outflow for property, plant and equipment			-74	-20	-120	0	-250
Outflows for intangible assets			0	-1	0	0	-2,000
Inflow from disposals of subsidiary			1,077	0	0	0	0
Net cash provided by investing activities			1,003	-21	-120	0	-2,250
Cash receipts from issuing of capital			5,810	306	4,781	3,600	0
Net cash provided by financing activities			5,810	306	4,781	3,600	0
Foreign currency effect			-3	0	0	0	0
Net increase (decrease) in cash and cash equivalents			1,659	-4,716	-705	-2,160	8,623
Cash and cash equivalents, beginning of the year			6,381	8,040	3,324	2,619	459
Cash and cash equivalents at year's end			8,040	3,324	2,619	459	9,082

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

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