



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

MOLOGEN AG

**MOLOGEN files application for clinical Phase II study
of MGN1703**

12/14/2009

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Major goals for 2009 have been achieved**Application for phase II trial of MGN1703 filed****MOLOGEN AG 4)****Recommendation: Buy****before:**

as of

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Price target (in EUR) (6 months)	14.00
Share price(Xetra) (in EUR)	7.18
12/09/09 5:22 PM	
Share price potential	94.99%

Company date

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

Data shares

Shares (m)	10.143
Freefloat	41.20%
Market cap. (EURm)	72.8
∅ Trading volume	5,802
52W High 06/29/09	EUR7.98
52W Low 12/18/08	EUR5.38
Beta	1.5
Volatility (60 days)	28.76

Multiples

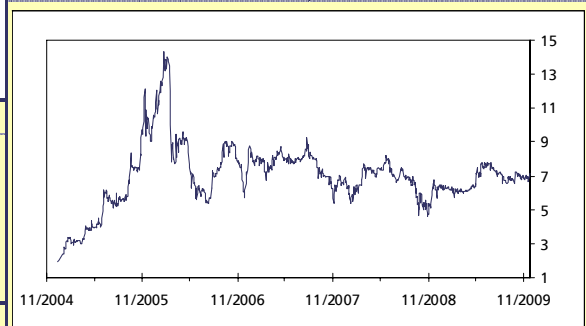
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	15.9	300.4	203.5	0.0%
2007	352.9	neg.	neg.	0.0%
2008	326.7	neg.	neg.	0.0%
2009E	190.6	neg.	neg.	0.0%
2010E	571.8	neg.	neg.	0.0%

Performance (in %)

	1m	3m	6m	12m
absolut	2.4	8.6	-4.4	12.2
related to:				
DAX	0.8	6.6	-15.3	-5.5
Prime Pharma	0.5	-2.0	-18.9	-3.2

Index weighting

CDAX	0.007%
Prime Pharma	0.159%

**Author: S. Röhle (analyst)**

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2006	4,258	226	355	353	0.04
IFRS	2007	150	-6,775	-6,471	-6,471	-0.71
IFRS	2008	210	-6,303	-6,091	-6,091	-0.65
IFRS	2009E	360	-5,511	-5,511	-5,511	-0.56
IFRS	2010E	120	-10,751	-10,751	-10,751	-1.06
CAGR 2006 - 2010E		-59.0%	-	-	-	-

Figures in EUR (k) except EPS, hist. PERs based on average share prices

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- ⇒ In our opinion, it is now more likely that the company will achieve the primary end point (proof of concept) of the Phase II trial following publication of the results of the Phase Ib study at the beginning of November. MOLOGEN proved safety and tolerability of MGN1703 even at the very high dosage of 60 mg on the one hand and provided indications of efficacy of the drug on the other hand. According to CEO Schroff, several pharmaceutical companies have expressed their interest in the dSLIM technology. In our view, the company might license out the technology earlier than 2011, which is our expectation so far.
- ⇒ Up to now, the stock has hardly benefited from the positive newsflow (3M, relative to Prime Pharma index: -2.0%). We expect further positive news in the coming months. This might stimulate the share price again. Our DCF model produces an unchanged price target of EUR14.00. We reaffirm our Buy recommendation.

DCF model MOLOGEN AG										
in EURm	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Sales	0.36	0.12	17.36	16.62	24.89	45.15	68.11	87.60	92.41	120.05
Sales growth	71.4%	-66.7%	14367.1%	-4.3%	49.8%	81.4%	50.9%	28.6%	5.5%	29.9%
EBIT margin	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
EBIT	-5.51	-10.75	7.80	8.91	14.09	31.36	49.96	65.49	68.41	90.56
- Income tax	0.00	0.00	-0.78	-1.43	-2.82	-9.41	-14.99	-19.65	-20.52	-27.17
+ Depreciation	0.47	0.48	0.49	0.50	0.52	0.55	0.58	0.61	0.64	0.67
+/- 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	0.00	0.63	0.78	0.98	1.22	1.53	1.91	2.38	2.98	3.73
Operating cash flow	-5.04	-9.65	8.29	8.96	13.02	24.03	37.46	48.83	51.50	67.79
-/+ Change in working capital	-0.01	0.00	-0.52	-0.50	-0.75	-1.35	-2.04	-2.63	-2.77	-3.60
-/+ Net capital expenditure	-0.10	-0.15	-0.20	-0.25	-0.30	-0.42	-0.53	-0.61	-0.62	-0.71
Free cash flow	-5.15	-9.80	7.57	8.21	11.97	22.25	34.88	45.60	48.11	63.47
Present values	-5.10	-8.17	5.31	4.85	5.96	9.33	12.31	13.55	12.04	13.38
Sum of present values	63.47									
Terminal value	77.82									
									in % of total value:	55%
Value of operating business (EURm)	141.29									
+ Excess cash (EURm)	4.21									
- Financial debt (EURm)	0.00									
Fair value of equity (EURm)	145.50									
Number of shares (m)	10.143									
Fair value per share in EUR	14.34									

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: 12/10/09

Source: Independent Research

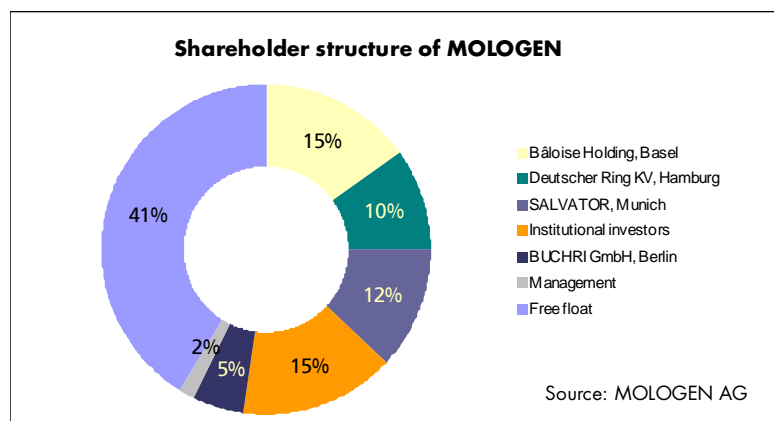
Sensitivity analysis (in EUR)					
		Discount rate			
		16,7%	17,2%	17,7%	18,2%
Growth	0,0%	15,18	14,34	13,57	12,84
	0,5%	15,48	14,61	13,81	13,06
	1,0%	15,79	14,90	14,07	13,30
	1,5%	16,13	15,20	14,34	13,54

Source: Independent Research

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MOLOGEN AG													
Profit and loss account													
Unit: End of fiscal year: Reporting standard:	EURm Dec 31 IFRS	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Revenue		0.15	0.21	0.36	0.12	17.36	16.62	24.89	45.15	68.11	87.60	92.41	120.05
yoyn %		-96.5%	40.0%	714%	-66.7%	14367.1%	-4.3%	49.8%	81.4%	50.9%	28.6%	5.5%	29.9%
Others		0.15	0.21	0.06	0.12	0.13	0.13	0.14	0.15	0.15	0.16	0.17	0.18
MGN1601/dSLIM, MIDGE RCC		-	-	-	-	-	-	15.00	0.00	7.50	27.02	9.09	13.72
MGN1703/dSLIM CRC		-	-	-	-	15.00	0.00	7.50	34.48	24.10	36.37	48.78	61.34
MGN1706/dSLIM PC		-	-	-	-	-	15.00	0.00	7.50	32.54	20.19	30.47	40.87
Leishmaniasis (vet)		-	-	0.30	0.00	2.23	1.48	2.25	3.03	3.82	3.86	3.90	3.94
Other operating income		0.74	0.04	0.55	0.55	0.55	0.17	0.18	0.20	0.22	0.24	0.27	0.29
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		0.89	0.25	0.91	0.67	17.91	16.78	25.07	45.35	68.33	87.84	92.67	120.34
Research & Development		-1.57	-1.75	-1.24	-6.13	-4.71	-2.14	-4.58	-6.77	-10.22	-13.14	-13.86	-18.01
Others		-	-	-0.07	-0.08	-0.09	-0.10	-4.46	-6.77	-10.22	-13.14	-13.86	-18.01
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		-6.10	-4.80	-5.18	-5.29	-5.41	-5.73	-6.40	-7.22	-8.15	-9.21	-10.41	-11.77
Salaries		-3.33	-2.08	-2.19	-2.30	-2.41	-2.65	-2.99	-3.43	-3.95	-4.54	-5.22	-6.00
Amortization		-0.54	-0.51	-0.47	-0.48	-0.49	-0.50	-0.52	-0.55	-0.58	-0.61	-0.64	-0.67
Other operating expenses		-2.23	-2.21	-2.52	-2.51	-2.50	-2.58	-2.89	-3.24	-3.63	-4.06	-4.55	-5.10
Operating Expenses		-7.66	-6.55	-6.42	-11.42	-10.11	-7.87	-10.98	-13.99	-18.37	-22.35	-24.27	-29.78
EBIT		-6.78	-6.30	-5.51	-10.75	7.80	8.91	14.09	31.36	49.96	65.49	68.41	90.56
in % of revenues		neg.	neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
Financial result		0.30	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05
EBT		-6.47	-6.09	-5.51	-10.75	7.80	8.91	14.09	31.36	49.96	65.49	68.41	90.51
in % of revenues		neg.	neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
Income taxes		0.00	0.00	0.00	0.00	-0.78	-1.43	-2.82	-9.41	-14.99	-19.65	-20.52	-27.17
in % of EBT		0.0%	0.0%	0.0%	0.0%	-10.0%	-16.0%	-20.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
EBT (and minority interests)		-6.47	-6.09	-5.51	-10.75	7.02	7.48	11.27	21.95	34.97	45.84	47.88	63.34
in % of revenues		neg.	neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%
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		-6.47	-6.09	-5.51	-10.75	7.02	7.48	11.27	21.95	34.97	45.84	47.88	63.34
in % of revenues		neg.	neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%
Weighted average number of shares (m)		9.163	9.356	9.867	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143
EPS (in EUR)		-0.71	-0.65	-0.56	-1.06	0.69	0.74	1.11	2.16	3.45	4.52	4.72	6.24

Source: Independent Research, MOLOGEN AG



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

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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.
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In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

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