

Expedeon AG^{*5a,6a,11}

Rating: BUY
Price Target: 3.20

current price: 1.03
04/10/19 / XETRA / 1:26 pm
Currency: EUR

Key Data:

ISIN: DE000A2YN801
WKN: A2YN80
Ticker symbol: EXNN
Number of shares³: 51.41
Marketcap³: 52.70
EnterpriseValue³: 57.81
³in millions / mEUR
Transparency Level:
Prime Standard

Market Segment:
Regulated Market

Accounting Standard:
IFRS

Financial year-end: 12/31

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* catalogue of potential conflicts of interests on page 7

Date (Time) of completion:
04/10/2019 (1:51 pm)

Datum (Time) first distribution:
07/10/2019 (09:00 am)

Target price valid until: max.
31/12/2020

Company profile

Sector: Biotechnology

Focus: development and commercialisation of DNA-technologies, proteomik-applications, labeling-technologies

Employees : 103 (31/12/2018)

Founded in : 1997 (since 2018 named Expedeon AG)

Headquarter: Heidelberg

Executive Board: Dr. Heikki Lanckriet, David Roth



Expedeon's innovative technologies, products and services are used in research laboratories worldwide, enabling scientists to break down the boundaries of research and product development and make significant contributions to bringing new diagnostic tools to market. With applications covering the entire genomics, proteomics and immunology workflow, Expedeon's technologies accelerate and simplify research and enable both biopharmaceutical and diagnostic companies and organisations to introduce new and cost-effective processes. This is how Expedeon is supporting its commercial customers in their development and marketing goals. Academic customers can use Expedeon products to produce reliable and reproducible results more quickly. Expedeon's products are available through direct distribution and a number of distribution partners in Europe, the USA and Asia. Expedeon AG has branches in Germany, Spain, the UK, US and Singapore.

P&L in EURm	31.12.2018	31.12.2019e	31.12.2020e	31.12.2021e
Revenue	13.13	15.93	22.22	26.68
EBITDA	1.76	2.19	4.04	5.38
EBIT	-0.59	-0.41	1.57	3.04
Net Profit	-0.30	-0.96	1.04	2.38

Per Share ratios in EUR				
EPS	-0.01	-0.02	0.02	0.05
Dividend per share	0.00	0.00	0.00	0.00

Ratios				
EV/Revenue	4.40	3.63	2.60	2.17
EV/EBITDA	32.85	26.46	14.33	10.74
EV/EBIT	neg.	neg.	36.84	19.03
P/E	neg.	neg.	50.72	22.13
P/B	1.13			

Financial Schedule

07/11/2019: Q3-Report

****last research published by GBC:**

Date: publication / price target in € / rating

23/07/2019: RS / 3.20 / BUY

26/11/2018: RS / 3.20 / BUY

18/06/2018: RS / 3.30 / BUY

08/11/2017: RS / 3.30 / BUY

25/01/2017: RS / 3.70 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Half-year figures for 2019 meet our expectations, significant increase in revenue and earnings, stock price target and BUY-rating confirmed

P&L (in €m)	1.HY 2016	1.HY 2017	1.HY 2018	1.HY 2019
Revenue	0.32	2.98	5.62	7.35
Adjusted EBITDA*	-	-0.99	0.16	1.21
EBITDA	-1.29	-1.65	0.02	0.27
Net profit	-1.45	-1.98	-0.87	-1.79

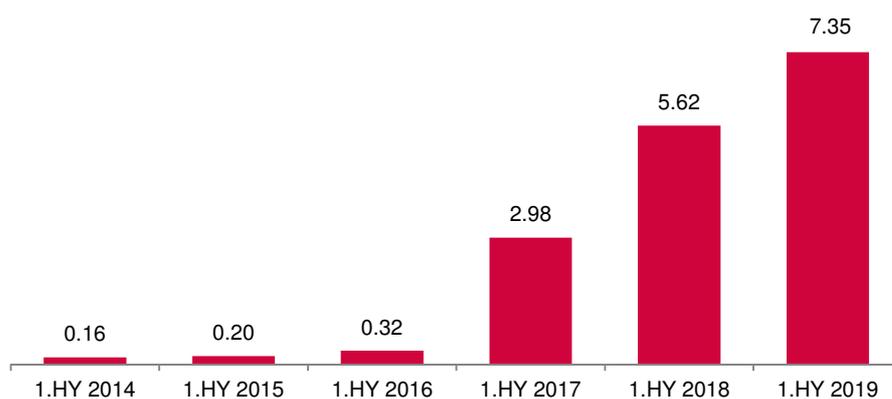
Source: Expedeon AG; GBC AG;

Revenue and Earnings Development 1.HY 2019

In recent financial years, Expedeon AG has consistently pursued a “Grow, Buy & Build” strategy. The “Buy” aspect of this strategy was particularly visible through the acquisition of Expedeon Holdings and C.B.S. Scientific in 2016, Innova Biosciences in 2017 and TGR BioSciences in 2018. These acquisitions entailed a significant expansion of the product pipeline, thus attracting a broader customer base in the fields of immunology, genomics and proteomics. At the same time, the development pipeline of reagents, kits and applications was significantly expanded, with the aim of progressively tapping high sales potential in the coming years. New applications of TruePrime® technology for DNA production, such as gene therapies, will play an important role here.

High organic growth has increasingly contributed to a sustained increase in sales volume in the past two years. As expected, this also continued in the first half of 2019, during which time revenue amounted to EUR 7.35 million (PY: EUR 5.62 million), equating to an increase in revenue of 30.8%. The previous second quarter marked a new record, with revenue of EUR 3.90 million (Q2 18: EUR 3.31 million).

Revenues on Half-Year-Basis (in €m)



Source: Expedeon AG; GBC AG

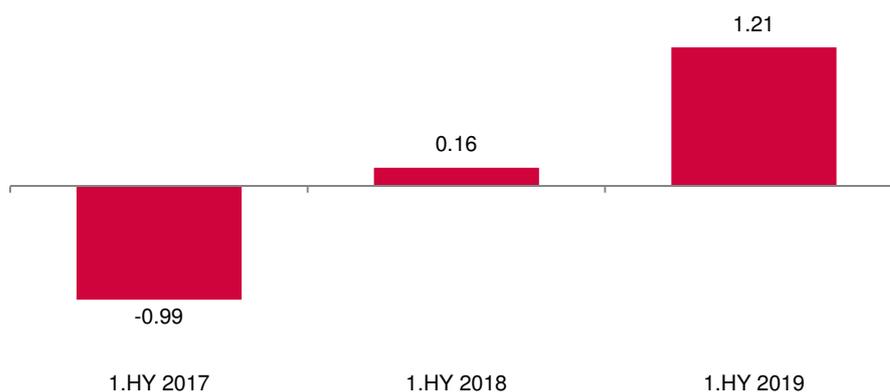
Revenue is currently being generated mainly in the USA and Europe through the sale of kits and products for the “life science” market. The clientele is composed of both industrial companies and research institutes. Most Expedeon products are currently being used in research.

As a result of the significant increase in revenue, EBITDA climbed to EUR 0.27 million (PY: EUR 0.02 million) and was positive for the second time in a row for the first half of the year. Taking into account the special effects of acquisitions, Expedeon AG could have reported an even higher EBITDA. The revaluation of earnout components for Innova and TGR resulted in a non-cash and non-recurring expense of EUR 0.81 million (PY:

EUR 0.00 million). This is in connection with the change in fair value of Expedeon shares, which are an earnout purchase price component of the two acquisitions.

In this regard, Expedeon AG reports EBITDA adjusted for special effects and acquisition-related factors of EUR 1.21 million (PY: EUR 0.16 million). This is significantly above the previous year's figure and above the unadjusted value. As a result, the company is well on the way to achieving the forecast for adjusted EBITDA of over EUR 2.0 million, which was confirmed by the Management Board for the full year 2019.

Adjusted EBITDA (in €m)



Source: Expedeon AG; GBC AG

Expedeon AG recorded a net loss for the period of EUR -1.79 million (PY: EUR -0.87 million), overall remaining in negative territory. As mentioned, this includes some result-effective but non-cash acquisition-related extraordinary expenses in the amount of EUR 0.81 million (PY: EUR 0.00 million). In addition, Expedeon AG, also as a result of the assets newly added from the acquisitions, recorded a significant increase in depreciation to EUR 1.50 million (PY: EUR 1.03 million). Without these effects, the company would have achieved a significant year-on-year improvement in the result for the period compared to the previous year.

Balance sheet as at 30/06/2019

in €m	31/12/2016	31/12/2017	31/12/2018	30/06/2019
Shareholder's Capital	31.41	40.04	46.50	46.34
Equity ratio (in %)	82.6%	80.1%	72.5%	75.3%
Liquid assets	3.80	1.95	6.24	3.86
Cash flow (operating)	-3.22	-2.89	-0.16	-0.13
Cash flow (investment)	-1.80	-9.32	-6.71	-0.51
Cash flow (financing)	4.24	10.43	11.19	-1.76

Source: Expedeon AG; GBC AG

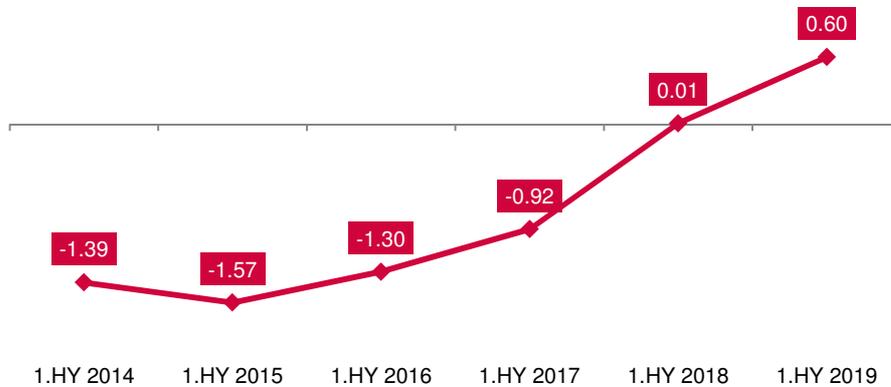
There have been no significant changes in the assets and liabilities of Expedeon AG since the end of the 2018 financial year. The assets side of the balance sheet is still dominated by non-current assets, in particular goodwill and intangible assets totalling EUR 48.69 million (31/12/18: EUR 49.49 million). The majority of the non-current assets derive from company acquisitions in recent financial years and thus reflect the high M&A activity of Expedeon AG.

On the liabilities side, equity continues to dominate, amounting to EUR 46.34 million (31/12/18: EUR 46.50 million). This remained virtually unchanged compared to financial year 2018. The generally high equity ratio of 75.3% (31/12/18: 72.5%) is a result of the majority equity financing of the company acquisitions made to date. In this regard, Expe-

deon AG carried out several capital and property increases over previous reporting periods.

We will continue to pay particular attention to the liquidity position, which, at EUR 3.86 million (31/12/18: EUR 6.24 million) is significantly lower than at the end of 2018, but we believe it is sufficient. This is mainly due to the fact that the company is now in a position to generate an almost positive cash flow from the operating business. No significant liquidity outflow was reported in 2018, with EUR -0.16 million for the year as a whole, and this was repeated in the first six months of 2019 with an operating cash flow of EUR -0.13 million (PY: EUR -0.74 million). Before working capital changes, Expedeon AG would even have recorded positive operating cash flow in the amount of EUR 0.60 million (PY: EUR 0.01 million).

Operating cashflow before working capital-changes (in €m)



Source: Expedeon AG; GBC AG

The overall decline in liquid assets is mainly attributable to the redemption of a TGR shareholder loan (EUR 1.22 million) and interest-free Spanish loans (EUR 0.27 million).

Forecasts and Valuation

P&L (in €m)	FY 2018	FY 2019e	FY 2020e	FY 2021e
Revenue	13.13	15.93	22.22	26.67
EBITDA	1.76	2.18	4.03	5.38
EBIT	-0.59	-0.41	1.57	3.04
Net profit	-0.30	-0.96	1.04	2.38

Source: Expedeon AG; GBC AG

Expedeon management confirmed its previous forecast with the publication of the 2019 half-year figures. As a result, double-digit sales growth compared with 2018 and adjusted EBITDA of more than EUR 2.0 million is still expected. Based on the 30.8% increase in revenue achieved in the first six months of 2019, the revenue forecast should be easily achievable. On the basis of the second quarter of 2019, in which revenues of EUR 3.90 million were generated, the run rate projected for the financial year is EUR 15.60 million. Against this backdrop, our revenue forecasts of EUR 15.93 million, which also include a continuation of the positive growth momentum in the second half of the year, are realistic assumptions.

In addition to increased revenue from existing products (expansion of sales, expansion of partner business, cross-selling, etc.), Expedeon AG should also benefit in the medium term from the introduction of new products that are based on existing technology. Within the platform technologies TruePrime™, Lightning-Link® and CaptSure™, new products could be introduced in the short and medium term leading to potential revenue of over EUR 20.0 million per year. In addition, products in the field of diagnostics should increasingly complement our product range. Accordingly, we expect sales growth to continue at the same level in the medium term and expect to exceed EUR 20.0 million turnover as early as the coming financial year 2020.

At the earnings level, we also confirm the forecasts published in the research study (see study dated 23/07/19). The EBITDA of EUR 2.18 million that we expect for 2019 Expedeon shares, assuming a constant development of the share price, would amount to an adjusted EBITDA of approximately EUR 3.0 million. Expedeon AG achieved an adjusted EBITDA of EUR 1.21 million for the first six months of 2019, making our EBITDA forecast easily achievable. We expect the EBITDA margin to increase to over 20% in the coming financial years, with EBITDA margins of 35% achievable on the basis of correspondingly high revenue levels combined with an increasing share of high-margin licence revenue. This assumption is shown in the continuity phase of our DCF valuation model.

Due to the fact that half-year development was in line with our expectations in absolute terms, we not only confirm our forecasts, but also leave our DCF valuation model unchanged. We thus confirm our previous stock price target of EUR 3.20 per share and maintain the BUY rating.

ANNEX

I.

Research under MiFID II

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2. The research report is simultaneously made available to all interested investment services companies.

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

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