

31/10/2013 - GBC Research Comment - SYGNIS AG

Successful capital increase; gross proceeds of issue total approx. €2.7 million secures financing for further growth

Company: SYGNIS AG^{*4;5}

ISIN: DE000A1RFM03

Reason for the Research Comment: successful capital increase

Recommendation: BUY

Target price: €4.35

Current price: €2.71 (28/10/2013; XETRA 17:30)

Analyst: Cosmin Filker, Felix Gode

In a press release on 28/10/2013, SYGNIS AG announced the successful completion of a capital increase. The issue of a total of 1,019,309 new shares with an offer of subscription rights and a private placement at a price of €2.65 per share netted gross proceeds of about €2.7 million. New shares which were not subscribed by existing shareholders through the rights offer, were placed with selected German and international investors through a private placement. The inflow of liquidity resulting from the capital increase will considerably expand SYGNIS AG's financial leeway. According to our calculations and forecasts, the company should now have sufficient financial resources until it reaches the break-even point.

After the merger with X-Pol Biotech S.L.U. in December 2012, the previous, investment-intensive SYGNIS projects were abandoned. For this reason, the current project pipeline is almost the same as the previous projects of X-Pol Biotech S.L.U. The most important characteristics of the new product portfolio are its short development cycle (generally under two years) and the resultant lower financing requirements.

SYGNIS AG's core product is the fully developed product QualiPhi, which is licensed to Qiagen. The first sales revenues from the partnership with Qiagen should be realised in the current 2013 business year. SYGNIS AG's core product QualiPhi places it within the field of molecular diagnostics. In particular, QualiPhi is used for the DNA-amplification, but at a clearly higher efficiency. QualiPhi's significantly superior characteristics make gradual displacement of previous application technologies likely. In addition, three new SYGNIS products should begin to be marketed in the next financial year 2014. These products also fall within the field of molecular diagnostics, especially the area of DNA amplification and sequencing.

After the expected initial sales turnover in the 2013 business year, our forecasts predict revenues in the next business year in 2014 to increase markedly to €4.13 million. Sales at these levels in turn will facilitate the creation of economies of scale. We expect the EBIT break-even point to be exceeded as soon as the next financial year (EBIT 2014e: €0.44 million).

In our opinion, the successful capital increase will allow SYGNIS AG sufficient financial leeway until the break-even point is reached. According to our calculations, the cash burn rate derived from the 2013 mid-year values is about 1.1 years, which covers the period until the forecast break-even point.

The fair value per share of €4.35 determined as part of the research study (update) of 08/10/2013 remains valid. We determined the fair enterprise value based on a DCF model after taking into account the capital increase (post money). In light of the current price level of €2.71 (XETRA closing price on 28/10/2013), we confirm our rating of BUY.

Annex

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