

09/05/2016 - GBC Executive interview with CEO Pilar de la Huerta of SYGNIS AG

Company: SYGNIS AG^{*4,5a,5b,6a,7,10,11}

ISIN: DE000A1RFM03

Analyst: Cosmin Filker

Latest stock quote: 1.63 (XETRA-closing price of 06/05/2016)

Date of completion / publication: 09/05/2016

*Potential conflicts of interest on page 5

“The synergies between the two companies are perfect”

Today, SYGNIS AG announced a big corporate transaction. It is planned to acquire Expedeon Ltd., a British company that develops and sells products in the field of proteomics. This would allow Sygnis to broaden its own product range, which is traditionally centered around genomics. This should also significantly strengthen the sales channels. GBC-Analyst Cosmin Filker talked to Pilar de la Huerta (CEO) about the upcoming transaction.

GBC AG: Mrs. de la Huerta, Expedeon Ltd. is a spin-out of Cambridge University. Could you elaborate on the background about the company?

Pilar de la Huerta: Expedeon is a UK company that develops and commercializes tools and reagents for the proteomic market (scientist that research in proteins). It started as a Cambridge University spin-out, founded in 2003 by Heikki Lanckriet, the current CEO, and Daniel Jones, currently Expedeon COO.

The Company started with their commercialization strategy in 2007, and since then, they have grown the company, maintaining an excellent EBITDA-margin of 13%, and creating their own sales force in the main markets. Expedeon then acquired PageGel Inc in 2009, which established a base in San Diego, California and enables better penetration in the vast US market. In 2011 the company acquired the protein fractionation technology from Protein Discovery, a Tennessee based company. In 2013 the company expanded eastwards with the opening of a sales office in Singapore, to better serve the emerging markets.

In addition to direct sales through its sales forces and the distribution network the company also has several OEM agreements in place with key suppliers in the market. Most notably they have strong partnership with a tier 1 global supplier of life science reagents for supply of precast gels and more recently, in December 2015, another OEM agreement was signed with the Chinese market leader in gel documentation systems, (systems used to photograph and analyze the gels Expedeon manufactures).

GBC AG: With the acquisition of Expedeon Ltd. the product range of SYGNIS AG will be expanded by the field of proteomics, which is a new business sector for SYGNIS AG. How are the two business sectors related?

Pilar de la Huerta: Well, Sygnis products are targeting the “genetic” market and Expedeon products are targeting the “proteomic” market. Both markets are the two main markets of the molecular biology, and, covering both, we will cover all users in the molecular biology environment. Our product ranges are completely complementary; they don’t have any overlap. We have a perfect vertical integration, for many applications. From a workflow point of view, Expedeon products sit just downstream from the Sygnis products. For

this reason, the synergies between the two companies, from a product point of view, are perfect.

GBC AG: What are the key fields of application for the products of Expedeon Ltd. and who are the primary customers of the company?

Pilar de la Huerta: Expedeon's products are mainly targeted towards separation, purification and analysis of proteins, the end product of DNA. Electrophoresis, which means separating proteins in an electric field, is a key application area where Expedeon has world leading knowledge, technology, expertise and products. This is a technique used routinely in every life science laboratory with huge market potential, currently in excess of \$ 1.4bn per annum but also has clinical applications and is for instance used for the evaluation of the kidney function and monitor for protein content in urine.

Expedeon sells its products to a variety of customers. Life Sciences researchers in academic institutes, pharma companies, CRO and biotech companies are the main customers for the company. They have a very loyal customer base that will be targeted by Sygnis products.

GBC AG: Expedeon Ltd. has numerous sales channels and an excellent standing in the USA. What does the new access to the USA, UK, and Asia mean for SYGNIS AG?

Pilar de la Huerta: This is a fantastic opportunity for us to enter our products more directly in these main markets. Up to now, we don't have any direct salesforce. All our sales are done through distributors and online shop. But our products are based on a new technology and, whenever you introduce a new technology in the reagent environment, the direct relation and support between the customers and the company is a key factor. We don't have the possibility of having this direct contact and support and this is the main weakness of our company at this moment. To invest money in creating our own sales force to cover the main markets (EU, USA and Asia) is too expensive and not so efficient, unless you have a huge portfolio, which is not our case. Expedeon sales force is the way to acquire a profitable sales force, very well positioned, with a high level of performance, to enter our products very strongly in the key markets for our company. They have the experience to promote and allocate our portfolio in the main markets and with the key customer, so we expect to increase our revenues level fast to reach profitability in a very near future.

GBC AG: What synergetic effects do you expect on the level of technology and, more important, on the business level?

Pilar de la Huerta: As I have mentioned, we have several fields with synergies. On one hand, our product portfolio is completely synergistic, as we are covering the two main markets of the molecular biology. Their sales force is perfect to commercialize and market our products, as they have a very technical sales force, very well prepared to understand and provide support to our customers. We also have synergies from a customer point of view, as most of the Sygnis customers will use Expedeon products, and some of Expedeon customers, will use Sygnis products. Sygnis products can be a "sexy" hook to catch the attention of potential customers that at the end could acquire Expedeon products. Anyhow, we see a lot of synergies in this field. On top of this, as in all acquisitions, we will make some optimizations in the expenses side. They have two manufacturing facilities, one in UK and another one in USA, very well prepared and with a high level of automatization, so we can move Sygnis manufacturing process there to reduce the cost of production and therefore increase margins. At the end, all will "push" the business up to grow and reach profitability in a very near future.

GBC AG: What measures will be taken to successfully integrate the new company?

Pilar de la Huerta: Well, the first issue will be to train Expedeon sales force into the Sygnis portfolio. Our priority this year is to push, through Expedeon sales people, our products into UK, USA and the rest of Europe, aiming to speed up the ramp up period. We will move the manufacturing facilities to USA and UK in order to increase margins as soon as possible. In parallel Expedeon and Sygnis R&D people will have to understand each other's side to build a potent R&D global team to create the new portfolio that the combo company will launch in 2017 and future years.

GBC AG: Expedeon Ltd. is already profitable. What does the acquisition mean for the operative development of SYGNIS AG?

Pilar de la Huerta: As some structural expenses of the combo will be optimized, gross margin on Sygnis products will be increased, revenues will speed up, we expect to get profitability in a near future. This will move the combo to a different scenario, where the company could cover their cash needs for their current business framework. In this situation, we expect to grow our business faster and became an important player in the reagent arena.

GBC AG: What is the planned timetable for the forthcoming months regarding the transaction?

Pilar de la Huerta: Well, after the announcement we need to wait for our AGM for the formal approval. We will hold our AGM on June 20th, after that, and after the approval of the prospectus by BaFin, we will open a two weeks subscription period to allow all current shareholders to subscribe their rights. In this period of time, Expedeon shareholders will subscribe, with a contribution in kind, the shares not subscribed by current shareholders (at least all key shareholders will resign their rights to allow Expedeon shareholders to subscribe new shares). After that two weeks, we will still have some additional days to do private placements in case we need it. At the end, we expect to have the transaction closed by mid-July. The registration process could take some time, so probably the new shares will not be registered until mid-August.

GBC AG: Regarding the acquisition, you also announced a capital increase of 20.0m new shares. Can you elaborate on the details about the transaction?

Pilar de la Huerta: The transaction with Expedeon is going to be done through a capital increase process. Sygnis will issue up to 20m shares to be able to obtain 96% of Expedeon through a contribution in kind, and some additional money to pay 4% of the transaction to Expedeon plus some cash to finance the integration process and the expenses (legal, banks, auditors etc) produced with the transaction. At the end the main part of this capital increase is the acquisition of Expedeon.

GBC AG: Mrs. de la Huerta, can you summarize where SYGNIS AG will stand after the successful transaction?

Pilar de la Huerta: We will be a lead reagent company targeting the molecular biology market (globally) with a broad of innovative, high margins and patented portfolio, our own sales force in the main markets, and a well optimized cost structure. Let's say it with other words, "we will be ready to become one of the leaders in reagent arena".

GBC AG: Mrs. de la Huerta, thank you for the interview.

ANNEX

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever, or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer.htm>

Legal information and disclosures as required by section 34b para. 1 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

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 rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 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.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1. Conflicts of interest as defined in section 34b para. 1 of the Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described. at the time of this publication, and in so doing meet the requirements of section 34b of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (4,5a,5b,6a,7,10,11)
section 2 (V) 2. Catalogue of potential conflicts of interest

- (1) GBC AG or a legal person connected to them holds shares or other financial instruments of this company at the time of publication.
- (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal person connected to them has over the last 12 months agreed to create research reports for this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.
- (5) b) After receiving valid amendments by the analysed company, the draft of this analysis was changed.
- (6) a) GBC AG or a legal person connected to them has over the last 12 months agreed with a third party to create research reports about this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.
- (6) b) After receiving valid amendments by the third party, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).

Section 2 (V) 3. Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer. Susanne Klebl. Email: klebl@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin. Lurgiallee 12, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), Financial Analyst

Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of research

Section 3 Copyright

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de