

**„Strong synergies and excellent access to the American market”**

**20/05/2016 - GBC Research Comment - SYGNIS AG**

Company: SYGNIS AG <sup>\*4;5a;;6a;7;10;11</sup>

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\*Potential conflicts of interest on page 5

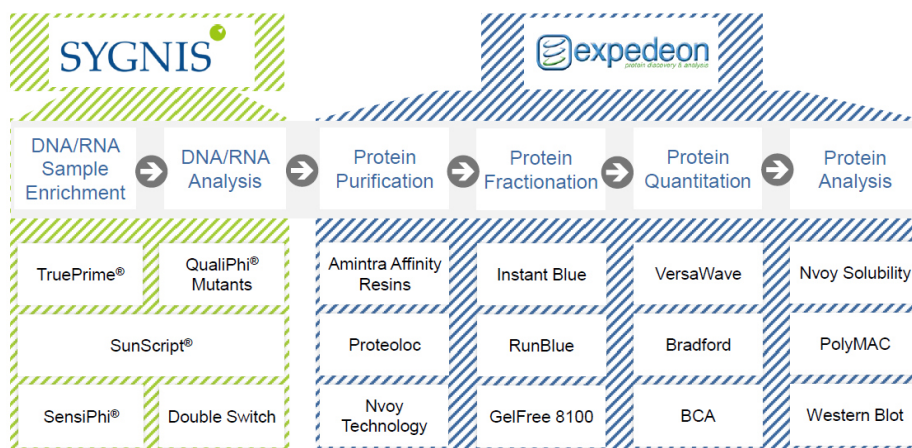
- **Planned acquisition of the proteomics company Expedeon**
- **Horizontal expansion of the product portfolio**
- **Strong synergy potential in the areas of product, sales, and production**
- **Expansion of the sales team for improved access to markets of the USA, the UK, and Asia**
- **Reaching new levels of revenues and earnings**
- **Corporate action for the acquisition**

SYGNIS AG plans to acquire the proteomics company Expedeon Holdings Limited (Expedeon). An evaluation of the attractiveness of SYGNIS first acquisition depends on several aspects, whereby the potential for synergies are of primary concern.

**Together, SYGNIS and Expedeon cover the two most important markets of molecular biology: Growth and horizontal expansion of the product portfolio.**

The market for molecular biology is split into two parts, genomics and proteomics. The product range of SYGNIS AG, and especially the two most important product lines TruePrime™ and SunScript™, comprises of the development and commercialization of the new innovative products that focus on polymerases, as part of the Next Generation Sequencing (NGS). Expedeon, based in Swavesey (UK), develops, produces, and sells innovative consumables for the analysis of proteins (proteomics).

After the merger of both companies, the new formation will cover both markets with a very broad product range. This is particularly important, because both companies serve similar customers (primarily research facilities and laboratories), hence there are high cross-selling potentials.



Source: SYNIG-Presentation

**Possible bundling of production capacities**

Strong synergetic effects are expected from the bundling of the production and the manufacturing, thus a significant reduction in operative costs and therefore an increase in earnings margin should be achieved. It is planned jointly use Expedeons production facilities in the USA (San Diego) and in the UK (Swavesey).

**Revenues and earning reaching new heights**

As of 31/12/2015	SYGNIS AG (€m)	Expedeon (GBPm)	Expedeon (€m)
Revenues	0.56	1.93	2.45
EBITDA	-3.48	0.26	0.33
EBIT	-3.86	0.17	0.22
Net income	-4.01	0.14	0.18

Source: SYGNIS AG (Invitation to the AGM); GBC AG

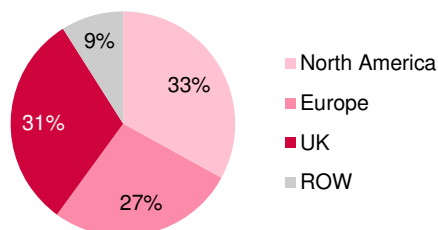
In the previous fiscal year 2015, SYGNIS AG focused on the launch of new products as well as the expansion of the sales channels. Due to the low sales levels, the company expectedly received negative operating results. Expedeon, however, has operated profitably over the past years and achieved an EBITDA margin of 13,5% in 2015. As a whole, after the merger the two corporations should be able to achieve cost optimization and thereby also quickly reach the break-even point for the overall company. Generally, the goal then is to reach high scaling effects.

**Access to distribution channels and expansion of distribution for the most important markets US, UK, Europe and Asia**

The most significant argument for the planned acquisition is the already present access to already established distribution channels, as well as the acquisition of an own sales team that goes along with it. Currently, SYGNIS distributes its products through distribution partnerships, as well as through their own distribution channels, mainly the online shop. Especially with sales through distribution partnerships, SYGNIS AG has no influence on the marketing intensity of the sales partners. Furthermore, high technical support is needed for the complex use of SYGNIS products, which is only provided in very limited ways by the non-exclusive sales partners. Therefore, users have to reach out directly to SYGNIS' customer service in Madrid or Heidelberg, which can be quite costly, depending on the country.

Considering this, establishing an own supra-regionally operating distribution team would be necessary, although at great expense. In the past SYGNIS AG already established distribution of the technologically developed products as the most important criterion for growing sales.

**Sales regions of the Expedeon group**



Source: SYGNIS-Presentation

The Expedeon group has at its disposal direct sales channels in the UK, Germany, France, as well as the US, as their largest and most important market for life science applications. Expedeon group drew over half of their turnover from their own direct sales. SYGNIS AG could use the distribution channels and the sales team of Expedeon group

to significantly increase the presence of their own products in the most important markets.

Moreover, Expedeon group has arranged various OEM agreements over the past years. One of them is an OEM agreement with TANON, a Chinese market leader in the proteomics segment, closed in December 2015. Through this agreement, Expedeon group gains direct access to the Chinese market. Since SYGNIS products could also be added to Expedeon's OEM agreement, this would lead to a further expansion of sales revenues and global presence.

#### **Basic information of the transaction**

For financing the planned acquisition of Expedeon, during the general meeting of SYGNIS AG on June 20, 2016 a capital increase will be decided upon. It is planned that the share capital is increased by up to 20.54 million new shares. Existing shareholders will be granted subscription rights with a relation of 9:11.

New shares not subscribed for by these subscription rights will be offered to Expedeon shareholders for shares in kind of Expedeon shares (according to the AGM invitation, up to 15.72m SYGNIS shares). In addition to the non-cash capital increase, Expedeon shareholders shall be granted €1.7 million as cash settlement.

The subscription price is expected to be set after the general meeting in consideration of the latest prices of shares.

**Information: In the course of a planned extensive research study we will remodel our sales and earnings forecasts in consideration of the latest transactions.**

## ANNEX

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