

PAION AG

WKN: A0B65S | ISIN: DE000A0B65S3 | Bloomberg: PA8 GR

9M/21 report and COVID-19 impact on PAION

9M/21 figures: For the first nine months of 2021, revenues were EUR 5.5m which had a tangible decline in comparison to prior year period (9M/20: EUR 19.3m). The revenues for 9M/21 are mainly attributable to milestone payments (EUR 2.6m) and remimazolam API (active pharmaceutical ingredients) sales to licensees (EUR 2.9m). As in the last year the EU phase III trial in general anesthesia completed, the research and development expenses decreased to EUR 4.5m (9M/20: EUR 8.5m). As was anticipated the general administrative and selling expenses also had a growth and amounted to EUR 13.4m (9M/20: EUR 5.5m). This increase is mostly resulted from selling expenses (EUR 10m), because of commercialization and supply chain activities for the three products Byfavo®, GIAPREZA® and XERAVA® in Europe. Due to financing activities and the expansion of IT systems and infrastructure, general administrative expenses also rose by EUR 1.0m to EUR 3.4m. As the company was faced with lower revenues, higher financial expenses and increasing in general administrative and selling expenses, the net result for the first nine months of 2021 by EUR 22.3m drop, amounted to EUR -16.6m (9M/20: EUR 5.7m). At the position of cash and cash equivalents as of 30 September 2021, PAION reported EUR 13.1m (prior-year period: EUR 19.7m).

COVID-19 impact and target price: PAION announced a moderate direct effect of the pandemic on its Group's net assets, financial position and results of operations. Also the company anticipated a same moderate direct impact for the own operating business for the future. Additionally, along the pandemic threat, the biopharma section had a huge jump in stock market and the investor enthusiasm for all things has certainly rose. But the signs are showing that this eagerness is cooling. For instance, the data shows in Q3 of 2021 the number IPOs for biopharma section also decreasing. **Therefore, by considering the aforementioned circumstances and the impact of the COVID-19 on the company's business, we slightly decreasing our target price to EUR 3.90 (4.00) and confirming our BUY recommendation.**

GY end: 31.12.; in EURm	CAGR (19-22e)	2018	2019	2020	2021e	2022e	2023e
Revenue	60%	2.8	8.0	19.7	9.3	53.5	200.1
EBITDA	n.m.	-12.2	-9.2	2.0	-16.1	-9.1	96.1
Margin		-441%	-115%	10%	-174%	-17%	48%
EBIT	n.m.	-12.5	-9.3	1.6	-16.2	-9.3	95.9
Margin		n.m.	n.m.	8.0%	-175%	-17%	48%
Net income	n.m.	-9.9	-7.0	2.2	-12.2	-7.0	72.0
EPS, EUR	n.m.	-0.16	-0.11	0.01	-0.17	-0.10	1.01
Dividend per share, EUR		0.00	0.00	0.00	0.00	0.00	0.0
EV/Sales		43.3	14.0	5.7	15.0	2.6	0.7
EV/EBITDA		-9.8	-12.2	56.6	-8.6	-15.2	1.4
P/E		-15.7	-22.4	244.0	-10.7	-18.7	1.8
Net debt/EBITDA		1.4	2.0	-9.6	0.7	1.0	0.0

Source: PAION AG, FMR

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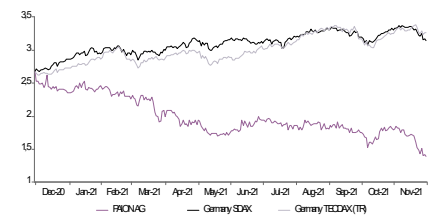
BUY

Before: BUY

Target price **EUR 3.90 (4.00)**
Share price* EUR 1.36 (+185%)

*last XETRA closing price

Change	2020	2021e	2022e
Sales	0.0	-3.5	0.0
EBIT	0.0	-0.5	0.0
EPS, EUR	0.0	-0.01	0.0



Source: Factset

Basic data shares

Number of shares (m)	72.0
Free Float (in %)	88.1
Market Cap (in EURm)	102.0
Trading volume (Ø)	76,533.0
High (EUR, 52 weeks)	2.66
Low (EUR, 52 weeks)	1.35

Shareholder

Cosmo Pharmaceuticals NV	9.1%
Freefloat, Other	90.9%

Corporate Calendar

No data provided

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Valuation – rNPV Model

Our valuation incorporates some risks, for instance in sales and marketing area and effect on the product forecast when sales or marketing resources are changed. We confirm our BUY recommendation and downgrade our target price because of COVID-19 impact and a general changing in biotech stocks (as it mentioned on first page). We keep our estimation unchanged.

Valuation Model

Area	Market Entry	PoS [%]	Indication	rNPV [EURm]	Sales/Royalty-Potential [EURm]
USA (Remimazolam)	2020	100	PS	80.2	262.5
Japan (Remimazolam)	2020	100	GA	61.1	185.6
China (Remimazolam)	2020	100	PS	14.2	41.9
Southkorea (Remimazolam)	2021	100	GA	6.4	21.8
EU (GIAPREZA)	2021	100	All	139.7	705.3
EU (Xerava)	2021	100	IAI	114.1	586.1
EU (Remimazolam)	2021	100	PS	146.0	523.1
EU (Remimazolam)	2022e	70	GA	174.4	893.2
China (Remimazolam)	2022e	70	GA	29.8	99.5
Turkey & MENA (Remimazolam)	2023e	80	GA	14.1	53.8
Canada (Remimazolam)	2023e	80	PS	2.4	9.7
Russia (Remimazolam)	2023e	80	GA	3.6	14.4
SEA (Remimazolam)	2023e	80	PS	6.4	21.8
USA (Remimazolam)	2023e	30	GA	42.4	554.6
EU (Remimazolam)	2024e	25	ICU	67.0	1049.0
USA (Remimazolam)	2025e	25	ICU	16.6	274.3
GPM PV ¹ [EURm]				918.3	
Costs PV ² [EURm]				-194.7	
rNPV [EURm]				723.6	
Cash [EURm]				32.6	
rPV milestones [EURm]				34.5	
Fair value [EURm]				790.7	
Number of shares [m]				71.3	
Fair value per share [EUR]				11.08	
Risk discount				-35%	
Risk-adjusted fair value per share [EUR]				7.20	

Source: FMR; PoS. Probability of Success. Likelihood of success; rNPV. risk adjusted net present value; 1. profit after production and marketing costs: includes sales and royalty payments; 2. includes R & D. overheads. capital costs. etc. - Production costs and marketing costs have been taken into account in the respective subprojects.

Appendix

P&L

in EURm	IFRS	2018	2019	2020	2021e	2022e	2023e
Revenues		2.8	8.0	19.7	9.3	53.5	200.1
Change from previous year in %		-52.4%	6.7%	145.7%	-52.8%	477.0%	273.9%
Cost of goods sold		0.0	0.0	0.0	-0.1	-0.8	-3.0
Change from previous year in %		n.m.	n.m.	n.m.	n.m.	775.1%	279.6%
as % of revenues		n.m.	n.m.	0.0%	-11.7%	-1.5%	-1.7%
Gross profit		2.8	8.0	19.7	9.2	52.7	197.1
Change from previous year in %		-0.5	1.9	1.5	-0.5	4.7	2.7
R&D		-12.2	-13.1	-10.3	-5.5	-15.0	-14.0
as % of revenues		-439.9%	-163.7%	-52.3%	-59.3%	-28.0%	-7.0%
SG&A		-3.4	-5.0	-7.5	-19.9	-47.0	-87.1
as % of revenues		-123.2%	-62.8%	-38.3%	-214.7%	-87.9%	-43.5%
EBITDA		-12.2	-9.2	2.0	-16.1	-9.1	96.1
as % of revenues		-441.1%	-115.1%	10.1%	-173.7%	-17.1%	48.0%
Planned Depreciations		-0.3	-0.1	-0.4	-0.1	-0.2	-0.2
as % of revenues		-9.2%	-1.5%	-2.0%	-1.2%	-0.3%	-0.1%
EBIT		-12.5	-9.3	1.6	-16.2	-9.3	95.9
as % of revenues		-450.3%	-116.6%	8.1%	-175.0%	-17.4%	48.0%
Financial result (net)		0.0	-0.1	-0.2	0.0	0.0	0.0
EBT		-12.4	-9.4	1.4	-16.2	-9.3	96.0
as % of revenues		-450.1%	-118.1%	7.3%	-174.8%	-17.3%	48.0%
Income taxes		2.5	2.4	0.8	4.1	2.3	-24.0
as % of EBT		-20.2%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Group result		-9.9	-7.0	2.2	-12.2	-7.0	72.0
as % of revenues		-359.4%	-87.7%	11.3%	-131.1%	-13.0%	36.0%
Shares outstanding (in m)		62.5	64.3	66.2	71.3	71.3	71.3
Earnings per share in EUR, undiluted		-0.16	-0.11	0.03	-0.17	-0.10	1.01

Source: PAION AG, FMR

Balance sheet

in EURm	IFRS	2018	2019	2020	2021e	2022e	2023e
Assets							
Non-current assets		2.3	2.3	1.9	1.8	1.6	1.4
as % of total assets		9.4%	9.1%	6.6%	4.6%	4.4%	1.2%
Intangible assets		2.2	2.1	1.8	1.6	1.5	1.3
Property, plant and equipment		0.1	0.0	0.0	0.0	0.0	0.0
Rights of use		0.0	0.1	0.0	0.1	0.1	0.1
Current assets		22.0	22.6	26.3	36.4	34.2	120.6
as % of total assets		90.6%	90.9%	93.4%	95.4%	95.6%	98.8%
Cash and cash equivalents		17.2	18.8	19.7	32.6	30.3	116.7
Accounts receivable trade		1.5	0.5	0.5	0.0	0.0	0.0
Other assets		3.3	3.4	4.3	3.8	3.8	4.0
Total assets		24.3	24.9	28.1	38.1	35.7	122.0
Shareholders' equity and liabilities							
Shareholders' equity		20.8	14.7	21.3	19.1	12.1	84.0
as % of total equity and liabilities		85.6%	59.1%	75.9%	49.9%	33.7%	68.8%
Subscribed capital		63.9	64.3	66.2	71.3	71.3	71.3
Additional paid-in capital		138.7	139.4	141.9	147.0	147.0	147.0
Currency translation reserve		-0.7	-0.9	-1.0	-1.0	-1.0	-1.0
Profit/loss carried forward		-171.1	-181.1	-188.1	-185.8	-198.4	-205.3
Result for the period		-9.9	-7.0	2.2	-12.5	-7.0	72.0
Current liabilities and provisions		3.5	10.2	6.7	-1.9	2.7	17.1
as % of total equity and liabilities		14.4%	40.8%	24.0%	-5.0%	7.5%	14.0%
Accounts payable for goods and services		2.2	4.8	3.8	1.3	5.4	20.0
Provisions		0.6	0.3	2.2	1.2	1.7	1.5
Other current liabilities		0.7	0.6	0.7	0.7	0.7	0.7
Accruals and deferred income		0.0	0.1	0.0	0.0	0.0	0.0
Non-current liabilities and provisions		0.0	0.0	0.0	20.9	20.9	20.9
as % of total equity and liabilities		0.0%	0.1%	0.1%	55.0%	58.6%	17.1%
Financial liabilities		0.0	0.0	0.0	20.9	20.9	20.9
Liabilities from leasing		0.0	0.0	0.0	0.0	0.0	0.0
Total equity and liabilities		24.3	24.9	28.1	38.1	35.7	122.0

Source: PAION AG, FMR

Cash flow statement

in EURm	IFRS	2018	2019	2020	2021e	2022e	2023e
Profit for the period after income taxes		-9.9	-7.0	2.2	-12.5	-7.0	72.0
Depreciation and non-cash changes in fixed assets		0.3	0.1	0.4	0.1	0.2	0.2
Interest expense and income		0.0	0.1	0.0	0.0	0.0	0.0
Release of deferred income and accrued expenses		-1.0	0.0	0.0	0.0	0.0	0.0
Expenses from option plans		0.4	0.3	0.3	0.0	0.0	0.0
Transaction costs and fair value adjustments related to financing activities		0.0	0.2	0.1	0.0	0.0	0.0
Accounts receivable from goods and services		-1.5	1.0	0.0	0.5	0.0	0.0
Prepaid expenses and other assets		0.0	0.3	-0.5	0.5	0.0	-0.2
Accounts payable for goods and services		-3.7	2.6	-0.9	-2.5	4.1	14.7
Other current liabilities		0.3	0.0	0.1	-0.1	0.0	0.0
Accruals and deferred income		1.0	0.0	0.0	0.0	0.0	0.0
Non-cash currency loss/gain		-0.1	-0.1	-0.1	0.0	0.0	0.0
Tax expenses and income		-2.5	-2.4	0.0	0.0	0.0	0.0
Interest received		0.0	0.0	0.0	0.0	0.0	0.0
Tax payments received		3.7	2.4	0.0	0.0	0.0	0.0
Cash flow from operating activities		-12.8	-2.8	2.6	-14.9	-2.2	86.4
Payments made for investments in intangible and tangible fixed assets		0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of intangible assets and equipment		0.0	0.0	0.0	0.0	0.0	0.0
Leasing amortization		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities		0.0	0.0	0.0	0.0	0.0	0.0
Capital increase		2.7	0.0	0.0	7.8	0.0	0.0
Payments into the capital reserves		2.6	0.0	0.0	0.0	0.0	0.0
Proceeds from the issue of convertible bonds		0.0	4.8	0.0	0.0	0.0	0.0
Transaction costs in connection with the issue of convertible bonds		0.0	-0.3	0.0	0.0	0.0	0.0
Borrowing		0.0	0.0	0.0	20.0	0.0	
Main part of the leasing instalments		0.0	-0.1	-0.1	0.0	0.0	0.0
Disbursements for capital procurement costs		-0.2	0.0	0.0	0.0	0.0	0.0
Payment of finance lease liabilities		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities		5.2	4.4	0.0	27.8	0.0	0.0
Net change in cash and cash equivalents		-7.6	1.6	0.9	12.9	-2.2	86.4
Effects of exchange rate changes on cash and cash equivalents		0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents on 01.01.		24.8	17.2	18.8	19.7	32.6	30.3
Cash and cash equivalents at the end of the period		17.2	18.8	19.7	32.6	30.3	116.7

Source: PAION AG, FMR

Declaration of liability (disclaimer) and mandatory details pursuant to Section 85 Securities Trading Act (WpHG), EU Market Abuse Regulation (EU Regulation No. 596/2014), Delegated Regulation 2016/958 and Delegated Regulation 2017/565 including details of possible conflicts of interest (disclosures), the author and the responsible supervisory authority

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
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- f) All prices and price developments listed in the analysis are based on closing prices insofar as no contradictory details were provided about prices and price developments.

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Company	Disclosure(s)
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PAION AG	-
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(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

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Company	Disclosure(s)
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Company name	iii, vi
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Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
12.11.2020	BUY	2.26	5.00
23.11.2020	BUY	2.42	5.00
08.01.2021	BUY	2.51	5.50
29.01.2021	BUY	2.50	5.50
12.02.2021	BUY	2.37	5.50
16.04.2021	BUY	1.89	5.50
10.06.2021	BUY	1.79	4.00
21.07.2021	BUY	1.87	4.00
03.08.2021	BUY	1.86	4.00
06.12.2021	BUY	1.36	3.90

4. Creation and distribution

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FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Dr. Mohamad Vaseghi, Equity Analyst

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5. Investment recommendation details

Investment recommendation details - stocks:

BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

6. Sensitivity of the evaluation parameters

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

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