

December 9th, 2020
Research-Comment

SMC Research
Small and Mid Cap Research



CytoTools AG

Management and Supervisory Board
members remain in office

Rating: Speculative Buy (unchanged) | Price: 17.70 € | Price target: 43.00 € (unchanged)

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Supervisory Board supports the Management



Basic data

Based in:	Darmstadt
Sector:	Biotechnology
Headcount:	4 (AG)
Accounting:	HGB
ISIN:	DE000A0KFRJ1
Ticker:	T50:GR
Price:	17.70 Euro
Market segment:	Basic Board
Number of shares:	4.03 m
Market Cap:	71.3 m Euro
Enterprise Value:	69.4 m Euro
Free Float:	53 %
Price high/low (12 M):	27.00 / 6.72 Euro
Øturnover (12 M Xetra):	113,200 Euro

FY ends: 31.12.	2019	2020e	2021e
Sales (m Euro)	0.0	0.1	4.3
EBIT (m Euro)	-1.2	-6.5	-7.2
Net profit	-1.3	-3.9	-4.4
EpS	-0.47	-0.72	-0.80
Dividend per share	0.00	0.00	0.00
Sales growth	-	-	5,458%
Profit growth	-	-	-
PSR	-	1,235.58	22.23
PER	-	-	-
PCR	-	-	-
EV / EBIT	-	-	-
Dividend yield	0.0%	0.0%	0.0%

* From 2020: As-if Group

Current development

Despite the progress that CytoTools was able to achieve this year, the general meeting refused to discharge the Management Board and the Supervisory Board with around 57 percent of votes against each. At the same time, the dismissal of the Supervisory Board was resolved with 68.3 percent of the votes and a vote of no confidence was brought against the two long-standing directors Dr. Mark-Andre Freyberg and Dr. Dirk Kaiser (with around 53.5 percent of the votes in favour). However, the resolutions are largely based on the votes of the companies of the German-Balaton Group with a stake in CytoTools and of a few other shareholders. In terms of numbers, in contrast, the company states that more than 98 percent of the shareholders represented supported the proposals of the company bodies.

This is one of the reasons why the AGM voting share of at least 75 percent stipulated in stock corporation law for the dismissal of supervisory boards was not achieved. The decision has therefore not become effective. The Supervisory Board, which is thus still in office until 2022, expressed its confidence in the Management Board following the event, so that it too will remain in office. The reasons given in the company's announcement included the broad support at the AGM (by number) and the fact that only 65.6 percent of the share capital was represented.

Conclusion

This means that for the time being there will be no change in the boards at CytoTools. As the company is currently advancing several important projects, in particular the European phase III trial for DermaPro in the indication diabetic foot syndrome and the search for a partner for the possible use of the active substance DPOCL for the treatment of Covid-19, we consider the maintenance of continuity in management to be positive. We assume, however, that there will be a longer legal follow-up to the AGM. The matters to be clarified include a resolved capital increase

with subscription rights (at a price of EUR 9.93), against which two shareholders have lodged an objection. In principle, we see the ongoing dispute between the current Supervisory Board and the Executive Board on the one hand and the Deutsche Balaton Group on the other as a major factor of uncertainty for the company. This is offset by the potential from the launch of the core product in India and possible additional revenues (e.g. from the launch of Derma-

Pro in other markets or from the use of the active ingredient DPOCL for the treatment of Covid-19 or influenza). We have left our assessment of the business development unchanged (see our update from November 24) and therefore continue to see the price target at EUR 43.00. We also continue to rate the forecast risk as well above average, which is why the rating remains "speculative buy".

Annex I: DCF and revenue model

Revenue model (m Euro)	2020	2021	2022	2023	2024	2025	2026	2027
DermaPro/Woxheal								
- India	0.1	1.3	6.1	10.3	11.9	12.9	13.1	12.7
- China	0.0	0.0	0.6	4.8	9.0	14.5	16.5	16.6
- Europe	0.0	0.0	0.0	9.9	59.8	110.2	171.2	182.2
- USA	0.0	0.0	0.0	0.0	0.0	9.5	57.2	95.9
DPOCL inhalation	0.0	3.0	12.0	15.0	18.0	21.0	22.5	24.0
Total sales	0.1	4.3	18.7	40.1	98.7	168.1	280.6	331.4

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	0.1	4.3	18.7	40.1	98.7	168.1	280.6	331.4
Sales growth		5,458%	332.8%	114.2%	146.5%	70.2%	66.9%	18.1%
EBIT margin	-8,414%	-167.7%	24.7%	45.2%	40.0%	47.1%	59.0%	55.5%
EBIT	-6.5	-7.2	4.6	18.1	39.5	79.1	165.6	183.9
Tax rate	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	35.0%	35.0%
Adjusted tax payments	0.0	0.0	0.0	0.0	5.9	11.9	58.0	64.4
NOPAT	-6.5	-7.2	4.6	18.1	33.6	67.2	107.6	119.5
+ Depreciation & Amortisation	0.0	0.0	0.0	0.1	0.2	0.4	0.6	1.0
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	-6.5	-7.2	4.7	18.2	33.8	67.6	108.2	120.5
- Increase Net Working Capital	0.0	-0.9	-2.2	-2.6	-4.5	-3.3	-2.8	-0.8
- Investments in fixed assets	-0.1	-0.1	-0.2	-0.5	-1.0	-2.0	-4.0	-4.0
Free cash flows	-6.6	-8.2	2.2	15.1	28.3	62.4	101.4	115.8

SMC estimation model "as-if-Group"

Annex II: Balance sheet and P&L estimation

As-If Group: Balance sheet*

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
ASSETS									
I. Total non-current	15.8	15.9	15.9	16.1	16.5	17.3	18.9	22.3	25.3
II. Total current	2.0	1.3	8.1	12.7	30.9	64.9	132.9	241.4	364.1
LIABILITIES									
I. Equity	17.7	14.9	21.6	26.3	44.4	78.2	146.1	255.3	377.6
II. Accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
III. Liabilities	0.1	2.3	2.4	2.5	2.9	3.9	5.6	8.4	11.7
TOTAL	17.9	17.2	24.0	28.8	47.4	82.2	151.8	263.7	389.4

As-If Group: P&L estimation*

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales	0.0	0.1	4.3	18.7	40.1	98.7	168.1	280.6	331.4
Total operating revenues	0.0	0.1	4.3	18.7	40.1	98.7	168.1	280.6	331.4
Gross profit	0.0	0.1	4.3	18.7	40.1	98.7	168.1	280.6	331.4
EBITDA	-1.2	-6.5	-7.2	4.7	18.2	39.7	79.5	166.2	184.9
EBIT	-1.2	-6.5	-7.2	4.6	18.1	39.5	79.1	165.6	183.9
EBT	-1.3	-6.5	-7.3	4.6	18.2	39.7	79.9	167.9	188.3
EAT (before minorities)	-1.3	-6.5	-7.3	4.6	18.2	33.8	67.9	109.1	122.4
EAT	-1.3	-3.9	-4.4	2.8	10.9	20.3	40.7	65.5	73.4
EPS	-0.47	-0.72	-0.80	0.51	2.01	3.73	7.51	12.06	13.53

*2019: actual figures CytoTools AG, from 2020: as-if-Group

Annex III: Cash flows estimation and key figures

As-If Group: Cash flows estimation*

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
CF operating	-0.9	-6.5	-8.1	2.5	15.6	29.5	65.0	106.9	122.6
CF from investments	-2.4	-0.1	-0.1	-0.2	-0.5	-1.0	-2.0	-4.0	-4.0
CF financing	2.7	5.9	14.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity beginning of year	2.7	2.0	1.3	7.1	9.4	24.5	53.0	116.0	219.0
Liquidity end of year	2.0	1.3	7.1	9.4	24.5	53.0	116.0	219.0	337.6

As-If Group: Key figures*

percent	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027
Sales growth	-	-	5,458%	332.8%	114.2%	146.5%	70.2%	66.9%	18.1%
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	-3,194%	-8,388%	-167.0%	24.9%	45.5%	40.2%	47.3%	59.2%	55.8%
EBIT margin	-3,247%	-8,414%	-167.7%	24.7%	45.2%	40.0%	47.1%	59.0%	55.5%
EBT margin	-3,522%	-8,415%	-167.8%	24.8%	45.4%	40.2%	47.5%	59.8%	56.8%
Net margin (after minorities)	-3,521%	-5,049%	-100.7%	14.9%	27.2%	20.5%	24.2%	23.3%	22.2%

*2019: actual figures CytoTools AG, from 2020: as-if-Group

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 9.12.2020 at 14:00 and published on 9.12.2020 at 14:10.

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24.11.2020	Speculative Buy	43.00 Euro	1), 3), 4)
24.09.2020	Speculative Buy	38.80 Euro	1), 3), 4)
30.06.2020	Speculative Buy	28.40 Euro	1), 3)
17.12.2019	Speculative Buy	34.50 Euro	1), 3)
04.11.2019	Speculative Buy	27.80 Euro	1), 3)
13.09.2019	Speculative Buy	25.50 Euro	1), 3)
22.07.2019	Speculative Buy	26.60 Euro	1), 3), 4)
18.03.2019	Speculative Buy	28.50 Euro	1), 3), 10)
14.12.2018	Speculative Buy	27.60 Euro	1), 3), 10)

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