

April 30th, 2021
Research comment

SMC Research
Small and Mid Cap Research



CytoTools AG

Soon-to-be out-licensing of a Covid-19 and flu medication still possible

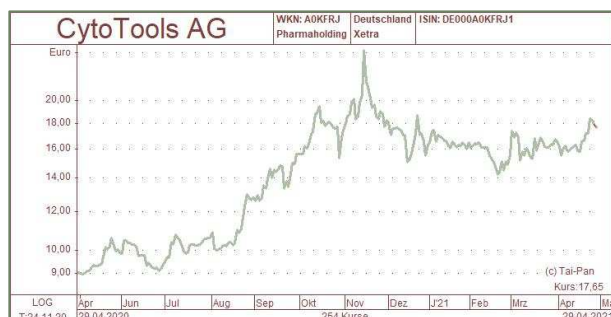
Rating: Speculative Buy (unchanged) | Price: 17.60 € | Price target: 42.60 € (prev.: 40.60 €)

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Results to be announced by end of Q3



Basic data

Based in:	Darmstadt
Sector:	Biotechnology
Headcount:	4 (AG)
Accounting:	HGB
ISIN:	DE000A0KFRJ1
Ticker:	T50:GR
Price:	17.60 Euro
Market segment:	Basic Board
Number of shares:	4.03 m
Market Cap:	70.8 m Euro
Enterprise Value:	69.0 m Euro
Free Float:	53 %
Price high/low (12 M):	27.00 / 8.86 Euro
Ø turnover (12M Xetra):	89,900 Euro

FY ends: 31.12.*	2020e	2021e	2022e
Sales (m Euro)	0.0	0.1	1.3
EBIT (m Euro)	-6.6	-11.5	-12.7
Net profit	-4.0	-6.9	-7.6
EpS	-0.73	-1.06	-1.17
Dividend per share	0.00	0.00	0.00
Sales growth	-	308.0%	2,450%
Profit growth	-	-	-
PSR	-	2172.83	85.21
PER	-	-	-
PCR	-	-	-
EV / EBIT	-	-	-
Dividend yield	0.0%	0.0%	0.0%

* estimates "as-if-group"

Current development

After cell culture experiments have shown that the active ingredient DPOCL has a highly virucidal effect against both Sars-CoV-2 viruses and influenza viruses (see also our update from 26.02.2021), the next development steps have now been determined and an experienced partner has been won for this purpose.

For the intended inhalation medication, the aerosol must first be characterised in more detail and the inhalation device must be determined. This will be followed by a toxicological study that is to pave the way for a first human trial. These preparations are to be completed by the end of the third quarter, at an estimated cost of EUR 0.8 m.

CytoTools receives technical support from Activoris Medizintechnik GmbH, a specialist for inhalation applications. The new partner's extensive network will also be used to find a possible licensee for the potential DPOCL medication. CytoTools' management is aiming for an early deal with a company that has the resources to quickly start the necessary studies.

Conclusion

Despite progress in vaccination, Covid-19 remains a major problem worldwide. Even after primary immunisation, the pandemic could persist if resistant mutations spread. This means that the window for fast-track approval of an inhalation medication may be open for some time to come. And the approval could also possibly open up influenza as another large market. We have continued to incorporate this speculative perspective very cautiously in our model, but now with a slightly higher probability. At the same time, we have reduced our expectations for sales in India due to the Covid-19 situation there (p. 3). In total, we see a fair value of EUR 42.60 per share (previously: EUR 40.60) and confirm our "Speculative Buy" rating.

Anhang I: DCF and revenue model

Revenue model (m Euro)	2021	2022	2023	2024	2025	2026	2027	2028
DermaPro/Woxheal								
- India	0.1	1.3	6.2	10.5	12.2	13.1	13.4	12.2
- China	0.0	0.0	0.6	4.9	9.1	14.7	16.6	14.9
- Europe	0.0	0.0	4.0	49.8	110.2	171.2	182.2	162.8
- USA	0.0	0.0	0.0	0.0	3.8	47.7	95.9	154.3
DPOCL inhalation	0.0	0.0	8.0	12.0	14.0	15.0	16.0	17.0
Total sales	0.1	1.3	18.8	77.2	149.3	261.7	324.1	361.1

m Euro	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales	0.1	1.3	18.8	77.2	149.3	261.7	324.1	361.1
Sales growth		2,450%	1,294%	310.8%	93.3%	75.3%	23.9%	11.4%
EBIT margin	-	-944.9%	-16.7%	23.3%	40.4%	56.1%	54.5%	51.0%
EBIT	-11.5	-12.7	-3.1	18.0	60.2	146.7	176.6	184.3
Tax rate	0.0%	0.0%	0.0%	0.0%	25.0%	35.0%	35.0%	35.0%
Adjusted tax payments	0.0	0.0	0.0	0.0	15.1	51.4	61.8	64.5
NOPAT	-11.5	-12.7	-3.1	18.0	45.2	95.4	114.8	119.8
+ Depreciation & Amortisation	0.0	0.0	0.1	0.2	0.4	0.6	1.0	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	-11.5	-12.7	-3.0	18.2	45.6	96.0	115.8	120.8
- Increase Net Working Capital	0.0	-0.2	-2.6	-5.5	-4.2	-3.4	-1.8	29.5
- Investments in fixed assets	-0.1	-0.2	-0.5	-1.0	-2.0	-4.0	-4.0	-4.0
Free cash flows	-11.6	-13.1	-6.1	11.7	39.4	88.6	110.1	146.3

SMC estimation model "as-if-group"

Model adjustments

As India is currently by far the most affected country in the world by the Covid-19 pandemic, we expect many clinical treatments of diabetic foot syndrome with Woxheal to become neglected in the current year. We have therefore reduced our revenue expectations for Cytotools in 2021 from EUR 0.4 m to EUR 0.1 m. At the same time, however, we have increased the probability of a fast-track approval of a DPOCL inhalation medication next year from 15 to 20 percent based on the outlined schedule. With Activoris, an experienced partner has been won who has already

succeeded in the past in further developing similar approaches and selling them to pharmaceutical companies. In the meantime, it has emerged that approval is probably not possible as a medical product, but only as a drug - with correspondingly higher hurdles that require more time. Therefore, despite the assumed 20 percent probability of fast-track approval, we are now taking the precaution of no longer assuming revenues from current sales for 2022 (of which Cytotools would receive a share in the event of out-licensing) but schedule the start for 2023 instead. Then the pro-

bability-weighted revenues are higher. In total, our price target has increased from EUR 40.60 to EUR 42.60. The forecast risk is still very high; among other things, the dispute between the management bodies

and the Deutsche Balaton Group as a major shareholder remains a risk factor.

Annex II: Balance sheet and P&L estimation

As-If Group: Balance sheet*

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
ASSETS									
I. Total non-current	15.9	15.9	16.1	16.5	17.3	18.9	22.3	25.3	28.3
II. Total current	1.3	1.4	9.5	6.2	24.2	69.4	164.5	281.4	405.1
LIABILITIES									
I. Equity	14.8	17.3	25.5	22.4	40.4	85.7	181.6	298.3	421.4
II. Accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
III. Liabilities	2.3	0.1	0.1	0.3	1.0	2.5	5.1	8.4	12.0
TOTAL	17.2	17.4	25.7	22.7	41.5	88.3	186.8	306.7	433.4

As-If Group: P&L estimation*

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales	0.0	0.1	1.3	18.8	77.2	149.3	261.7	324.1	361.1
Total operating revenues	0.0	0.1	1.3	18.8	77.2	149.3	261.7	324.1	361.1
Gross profit	0.0	0.1	1.3	18.8	77.2	149.3	261.7	324.1	361.1
EBITDA	-6.6	-11.5	-12.7	-3.0	18.2	60.6	147.3	177.6	185.3
EBIT	-6.6	-11.5	-12.7	-3.1	18.0	60.2	146.7	176.6	184.3
EBT	-6.6	-11.5	-12.7	-3.1	18.0	60.4	147.5	179.5	189.4
EAT (before minorities)	-6.6	-11.5	-12.7	-3.1	18.0	45.3	95.9	116.7	123.1
EAT	-4.0	-6.9	-7.6	-1.9	10.8	27.2	57.5	70.0	73.9
EPS	-0.73	-1.06	-1.17	-0.29	1.65	4.16	8.81	10.72	11.32

*estimate "as-if-group": CytoTools does not prepare any consolidated group accounts

Annex III: Cash flows estimation and key figures

As-If Group: Cash flows estimation*

m Euro	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
CF operating	-6.6	-11.5	-12.9	-5.6	12.7	41.5	93.1	115.9	153.7
CF from investments	-0.1	-0.1	-0.2	-0.5	-1.0	-2.0	-4.0	-4.0	-4.0
CF financing	5.9	11.8	21.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity beginning of year	2.0	1.3	1.4	9.3	3.2	14.9	54.4	143.5	255.5
Liquidity end of year	1.3	1.4	9.3	3.2	14.9	54.4	143.5	255.5	405.1

As-If Group: Key figures*

percent	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales growth	-	308.0%	2,450%	1,294%	310.8%	93.3%	75.3%	23.9%	11.4%
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	-	-	-942.0%	-16.2%	23.5%	40.6%	56.3%	54.8%	51.3%
EBIT margin	-	-	-944.9%	-16.7%	23.3%	40.4%	56.1%	54.5%	51.0%
EBT margin	-	-	-945.1%	-16.5%	23.3%	40.5%	56.4%	55.4%	52.5%
Net margin (after minorities)	-	-	-567.0%	-9.9%	14.0%	18.2%	22.0%	21.6%	20.5%

* estimate "as-if-group": CytoTools does not prepare any consolidated group accounts

Disclaimer

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Charts

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

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II) Preparation and updating

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 30.04.2021 at 7:20 and published on 30.04.2021 at 8:15.

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Date	Rating	Target price	Conflict of interests
26.02.2020	Speculative Buy	40.60 Euro	1), 3), 4)
09.12.2020	Speculative Buy	43.00 Euro	1), 3)
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)

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