Magle Chemoswed: Public offer to acquire Amniotics

Magle Chemoswed **Research Note** 2024-03-22 10:25 **Updated** 2024-03-22 10:28

Redeye leaves a comment following the Magle Group's announced public offer to acquire Amniotics earlier today.



Kevin Sule

This morning, Magle announced a public offer to acquire all shares in Amniotics at a price of SEK0.004 per share, corresponding to around SEK10.9m in cash. The acceptance period for the offer is expected to run from 8 April 2024 until 29 April 2024. In order for a complete purchase to go through, and for Magle to become the sole owner of Amniotics, Magle must gain access to more than 90% of the shares in Amniotics.

Amniotics is a clinical-stage biotech company developing innovative therapies based mesenchymal stem cells (MSC) derived from amniotic fluid and is also covered by Redeye. The company develops advanced therapy medicinal products (ATMPs) and has an established cGMP facility, approved, and licensed by the Swedish Medical Products Agency. Similar to Magle, Amniotics also operates as a Contract Development and Manufacturing Organization (CDMO).

The offered price of SEK0.004 per share represents a 25% premium compared to yesterday's closing share price of SEK0.0032. However, we argue that it essentially reflects a "fire sale valuation". Since going public, Amniotics has raised around SEK115m, which has been invested in both its clinical projects and the production facility. Beyond that, prior to the IPO, the company had already raised around another SEK80m.

Magle stated it "remains committed to Amniotic's ongoing projects and clinical activities". This makes sense since the PulmoStem and NKcell programmes are very cost-efficient. PulmoStem has already been tested in a small phase I study and is set to be tested in another clinical trial in lung transplantation in H2 2024, where we argue it has good potential. However, we believe that Magle is likely mainly interested in Amniotics' cGMP-licensed production facilities for the development and manufacturing of advanced medicinal therapies, which is rare and would cost more to build from scratch. It will bolster the CDMO offering with cell and stem-cell products and broaden its production capabilities.

Amniotics has been struggling with funding to secure its short-term financing. In conjunction with the offer, Amniotics communicated it can extend its loan of SEK3.1 (from Buntel AB) until 31 May 2024. Furthermore, Amniotics also entered a GMP service agreement with Magle worth around SEK2m for the same period. The agreement runs for six months, but it can be terminated after 31 May 2024 if any of the companies chooses to. Accordingly, this offer from Magle is likely seen as a last lifeline for Amniotics as its board of directors has decided to recommend the shareholders of Amniotics to accept the offer.

Furthermore, Magle Group has obtained irrevocable undertakings to accept the offer from Amniotics two largest shareholders, LSCS Invest AB (Lars Stigsson) and Deflexum AB (Marcus Larsson). In total, this represents 566,791,178 shares, which corresponds to approximately 20.7% of the shares and votes in the company.

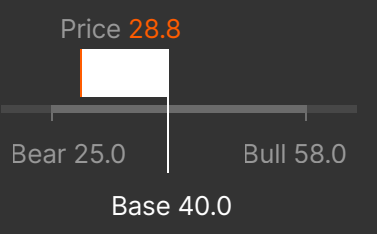
We are encouraged by the potential acquisition and see a relatively cheap and de-risked opportunity to create appealing synergies for the Magle Group. We will provide an extended analysis on the acquisition, including any potential changes in our valuation model, in our next research update.

REDEYE

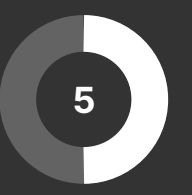
REDEYE QUALITY RATING



FAIR VALUE RANGE



TIMELINESS



KEY STATS

Market Cap	**311.0 MSEK**
Entprs. Value (EV)	**353.5 MSEK**
Net Debt (2024e)	**42.5 MSEK**
30 Day Avg Vol	**1 K**
Shares Outstanding	**10.8M**
Price / Earnings	**12.1x**
PEG	**0.1x**
Dividend Yield	**N/A**

Data from 2024-03-22 10:28

IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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