

10th February 2016

Healthcare

Actelion

Price CHF123.80

Is Tracleer at the root of good 2016 guidance? We guess so.

Fair Value CHF166 (+34%)

BUY-Top Picks

Bloomberg	ATLN.VX
Reuters	ATLN.VX
12-month High / Low (CHF)	146.2 / 101.5
Market Cap (CHF)	14,129
Avg. 6m daily volume (000)	399.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.2%	-9.6%	-9.6%	-11.3%
Healthcare	-12.4%	-16.5%	-21.7%	-16.8%
DJ Stoxx 600	-9.4%	-17.7%	-22.1%	-15.4%

	2014	2015e	2016e	2017e
P/E	22.2x	20.6x	22.5x	18.3x
Div yield (%)	1.1%	1.1%	1.1%	1.1%

ANALYSIS

- We were waiting for yesterday's conference call to learn more about the assumptions behind the group's guidance for low single-digit growth in core operating income in 2016. We would say that we have interpreted the answers rather than gained clear details since the difference is likely to stem from Tracleer generics in the US and obviously Actelion cannot say too much about this.
- US Tracleer is still worth CHF400m on an annual basis such that every month it represents CHF25-30m in profits i.e. a near-3% impact on the EBIT line. We are still projecting a 60% decline in sales for Tracleer in the US in 2016 but this could prove overly-conservative in view of the entry of generics as well as Actelion's likely defence strategy to save volumes whatever the channel. During the call, Actelion said that an independent process manager has been nominated who now has to come up with a document that is approved by the eight parties involved and then filed with the FDA for authorisation before a formal green light can be given to generic launches. Although no clear pathway exists that can determine the timeframe, our understanding is that it is more a matter of months rather than days or weeks. We are nevertheless maintaining our cautious stance on this topic.
- In addition to this relief concerning Tracleer in the US, Actelion also suggested that operating expenses could grow modestly in 2016 and confirmed a soft ramp-up for Uptravi, because of a progressive market access in Europe and longer-than-usual training periods in all markets.
- The last point raised during the call was competition with Letairis since it has gained a label update to include AMBITION data. The drug looks like a strong competitor and market share dynamics will therefore have to be watched closely. All the more so given that Actelion was not successful in returning France's decision about Opsumit that is confirmed with an ASMR 5, which does not bode well for pricing.

VALUATION

- Despite modest upside revisions for the top part of the P&L, starting with sales, these are limited in cash terms and have no impact on our FV once the latest currency figures are factored in.

NEXT CATALYSTS

- March 2016: Uptravi approval in Europe

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BUY ratings 61.2%

NEUTRAL ratings 29.9%

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