

10th February 2016

Healthcare

LDR Holding

Price USD16.77

MOBI-C five-year cost-effectiveness data published in a peer-review journal likely to trigger inclusion in payers' lists

Fair Value USD41 (+144%)

BUY

Bloomberg	LDRH US
Reuters	LDRH.OQ
12-month High / Low (USD)	45.7 / 16.8
Market Cap (USDm)	487
Avg. 6m daily volume (000)	437.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-28.5%	-36.5%	-60.1%	-33.2%
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	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	6.0%

ANALYSIS

- The official peer-reviewed journal of the Congress of Neurosurgical Surgeons, NEUROSURGERY, has published a five-year (60 months) cost utility analysis of Mobi-C two-level cervical total disc replacement (cTDR) vs. anterior cervical discectomy and fusion (ACDF). While the five-year cost of cTDR is USD1,687 higher than ACDF, cTDR results in a USD34,377 productivity gain over the same period. More importantly, we would highlight that these results are better than the 24-month ones published last year.
- Note that although the five-year IDE study results as well as 24-month cost effectiveness data were already published/presented in 2014 for the two-level indication, most payers require the publication of five-year cost-effectiveness results in a journal before considering submitting the device to the annual review for potential inclusion in their list. Hence, we do not rule out that this might trigger an acceleration in recognition for Mobi-C, though it is hard to communicate on any particular timeline as payers do not communicate on the date of review. We would also remind that by year-end 2015, 159m lives were covered by insurers covering Mobi-C on the one-level indication compared to 20m for the two-level indication. A five-year two-level publication is likely to speed up the coverage upgrade from one- to two-level.
- Ahead of FY2015 results due to be released on 17th February, we do not consider that 2015 sales growth guidance of 19-20% (before 4-5% negative FX impact) is at risk (BGe USD160m), and expect gross margin to end the year north of 80% of sales. Although we witnessed a slowdown in growth in Q3 due to a seasonality effect that was extensively commented on, note that Q4 has always been the strongest quarter in the spine segment with patients undergoing surgery at the end of the year before any potential change in reimbursement from their insurer. Looking forward to 2016, the first results from the 50-70 sales reps hired in 2015 should start to bear fruit in late 2016 (six/nine months training necessary). The analysts' meeting on 23rd February should provide additional details on the company's development strategy from 2017 onwards after what we expect to be a year of investment.

VALUATION

- We reiterate our BUY rating and USD41 Fair Value.

NEXT CATALYSTS

- February 17th : LDR FY2015 results
- February 23rd : Analysts' Meeting (NYC)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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