

Ablynx

Price EUR11.21

We welcome financial visibility and newsflow!

Fair Value EUR18 (+61%)

BUY

Bloomberg	ABLX.BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.1
Market Cap (EURm)	614
Ev (BG Estimates) (EURm)	743
Avg. 6m daily volume (000)	169.8
3y EPS CAGR	68.4%

Ablynx released its FY 2015 results. The actual burn rate was slightly lower than the company's guidance and our estimates (EUR67.2m vs 70-80m and EUR69m respectively). Now turning to 2016, the management expects the cash burn to be in the EUR65-75m range (vs BG: EUR74m). Apart from that, we continue to expect the readout of the monotherapy trial involving ALX-0061 in RA. BUY reiterated with a FV of EUR18.

ANALYSIS

- Ablynx has released FY2015 results showing a cash position of EUR236.2m for the year. Cash burn came in at EUR67.2m, below management's guidance for the low-end of the EUR70-80m range (BGe EUR69m). EUR77.5m in revenue was primarily made up of R&D recognition income. Operating expenses rose 54% as a result of increased R&D activities in 2015 with the initiation of the phase IIb program for ALX-0061 (in partnership with AbbVie). R&D expenses came in at EUR83.1m (vs. EUR54.5m in 2014) while G&A expenses remained flat at EUR11.4m (vs. EUR11m last year). Note that the net financial loss was EUR37.6m, reflecting mainly 1/ fair value changes from the calculation and amortisation of convertible bonds (share price evolution in 2015), representing a non-cash expense of EUR34.6m as well as 2/ EUR1.6m in interests paid on the bond. Net loss was EUR54.2m.
- For 2016, management expects cash burn to be in the EUR65-75m range. Our estimate is at the high-end at EUR74m.
- This year should be key for Ablynx with 1/ the readout of the monotherapy trial for ALX-0061 in RA that should trigger a 90 day opt-in window for AbbVie (USD75m potential milestone). Note that recruitment is now completed for both the monotherapy and the add-on to MTX trials. 2/ an expected update from Merck & Co on its ongoing partnership with the biotech as major catalysts. The table below shows the major newsflow expected for Ablynx during 2016. We would highlight that recruitment of a last 18 infants cohort aged 1 to 5 months, which started in December 2015 has been completed in February 2016, ahead of schedule.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.0%	-15.8%	-2.6%	-29.6%
Healthcare	-7.4%	-12.7%	-6.9%	-12.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	49.3	75.9	81.6	39.6
% change		53.9%	7.6%	-51.4%
EBITDA	-14.7	-22.6	-21.9	-64.3
EBIT	-16.2	-24.0	-23.3	-65.0
% change		-47.7%	2.7%	NS
Net income	-12.7	-19.7	-19.1	-60.8
% change		-55.0%	3.3%	NS

	2014	2015e	2016e	2017e
Operating margin	-32.9	-31.6	-28.6	-164.1
Net margin	-25.8	-26.0	-23.4	-153.3
ROE	-16.9	-38.7	-59.8	210.4
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2014	2015e	2016e	2017e
EPS	-0.24	-0.36	-0.35	-1.12
% change	-	-55.0%	3.3%	NS
P/E	NS	NS	NS	NS
FCF yield (%)	0.2%	6.0%	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.6x	9.8x	9.1x	18.5x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

Period	Product	Area	Event	Partner
Q4 2015	Caplacizumab	acquired-TTP	Phase III start	Proprietary (standalone strategy)
"	ALX-0761	psoriasis	Phase Ib topline	Merck KGaA
H1 2016	ALX-0171	RSV	Phase IIa topline	Proprietary
H2 2016	ALX-0161	Rheumatoid arthritis	Phase IIb topline	AbbVie
"	ALX-0161	Rheumatoid arthritis	Potential opt-in	AbbVie
"	ALX-0171	RSV	Phase IIb start	Proprietary
"	preclinic	Immuno-oncology	Strategic update	Merck & Co
2017	Caplacizumab	acquired-TTP	EU filing for conditional approval	Proprietary (standalone strategy)
"	Caplacizumab	acquired-TTP	Phase III topline	Proprietary (standalone strategy)
"	ALX-0171	RSV	Phase IIb topline	Proprietary
"	ALX-0171	RSV	Potential partnership	Proprietary/Partnered
2018	Caplacizumab	acquired-TTP	Potential conditional approval	Proprietary
"	Caplacizumab	acquired-TTP	US filing based on Phase III	Proprietary
"	ALX-0161	SLE	Phase II topline	AbbVie
"	ALX-0161	SLE	Potential opt-in	AbbVie

Source: Company Data; Bryan, Garnier & Co ests.

VALUATION

- We reiterate our BUY rating on Ablynx and our EUR18 Fair Value ahead of newsflow that should accelerate towards mid-2016.

NEXT CATALYSTS

- Today 4pm CET: conference call on FY2015 results (+32 2 404 06 62, access code 4640794).

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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