

Actelion

Price CHF122.50

Higher-than-expected guidance based on surprisingly good core numbers

Fair Value CHF166 (+36%)

BUY-Top Picks

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	146.2 / 99.8
Market Cap (CHFm)	13,981
Ev (BG Estimates) (CHFm)	13,364
Avg. 6m daily volume (000)	396.0
3y EPS CAGR	6.6%

This morning Actelion posted good FY 2015 results across the board (although difference at the top line level was mainly on Tracleer) with 1% beat on core EPS in the end. More importantly, the guidance for 2016, based on assumptions that are not fully shared at this time, suggests superior earnings delivery compared to what may have been expected. Low-single-digit growth in core EBIT compares very favourably to our mid-single-digit decline, considering slightly positive currency impacts. The recent share price drop is, therefore, a clear BUY opportunity.

ANALYSIS

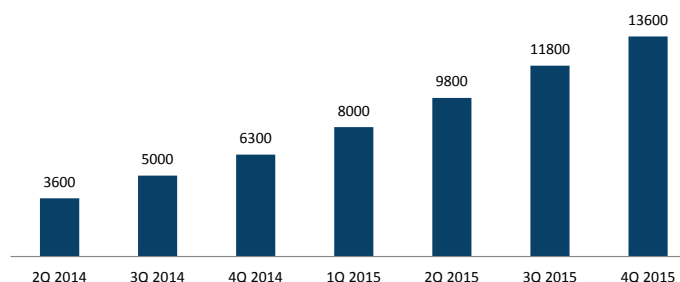
- Actelion reported very solid FY 2015 numbers this morning, starting with sales of CHF2,042m or CHF3m above estimates. The composition is slightly disappointing as Opsumit fell somewhat short of estimates, although this is offset by mature Tracleer. As illustrated in the chart below, there is no change in the overall trend for Opsumit, which is still attracting patients both naïve and from PDE-5 inhibitors in monotherapy. Opsumit achieved CHF516m in sales as of 31 December 2015 and we think it can achieve an annual trend of a blockbuster by the end of 2017. There is no other comment to make on the sales line which is globally very much in line with expectations, with no rebate reversals at all (vs CHF73m in 2014).
- But actually the rest of the P&L is also very much in line. The only significant deviation to expectations at the R&D expense level, as the final quarter was less heavy than we anticipated, thus showing good cost control as Actelion promised. The improving density of the pipeline is not translating at all into any R&D budget surge, which is reassuring as the market is not ready to give any value to the pipeline (yet). In the end, core EPS stood at CHF6.16 where consensus was expecting CHF6.11 (BG: CHF6.14).
- Obviously, what was even more expected today was the guidance, because it is easy to make as several swing factors can impact earnings in 2016. For example, there is the quite unpredictable timing of Tracleer generics entry in the US, but also the type of ramp-up Upravi will enjoy in all markets. Based on assumptions that Actelion is not sharing in the press release at this stage, the company anticipates low-single-digit growth in core operating income where consensus was expecting a low-single-digit decline in reported terms, after likely slightly positive currency impacts. This is therefore very reassuring guidance, provided it is not based on too optimistic assumptions for Tracleer generics. However, Actelion is not usually overly optimistic with numbers. We already know that it is projecting a slow ramp-up for Upravi as it anticipates fairly long education and training progress to make physicians and nurses familiar with the up-titration recommended with the drug.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.2%	-11.9%	-10.6%	-12.2%
Healthcare	-11.4%	-16.8%	-20.9%	-15.9%
DJ Stoxx 600	-7.9%	-17.3%	-20.8%	-14.1%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	1,956	2,039	1,978	2,209
% change		4.2%	-3.0%	11.7%
EBITDA	687	758	680	831
EBIT	570.1	643.8	565.5	715.0
% change		12.9%	-12.2%	26.4%
Net income	648.2	679.8	608.1	741.8
% change		4.9%	-10.6%	22.0%

	2014	2015e	2016e	2017e
Operating margin	40.1	40.6	37.8	41.5
Net margin	33.1	33.3	30.7	33.6
ROE	33.8	44.4	32.3	31.5
ROCE	95.0	94.0	81.3	90.5
Gearing	-50.5	-40.3	-54.9	-65.8

(CHF)	2014	2015e	2016e	2017e
EPS	5.58	6.02	5.49	6.76
% change	-	7.9%	-8.7%	23.2%
P/E	22.0x	20.4x	22.3x	18.1x
FCF yield (%)	0.9%	4.6%	4.5%	5.3%
Dividends (CHF)	1.30	1.40	1.40	1.40
Div yield (%)	1.1%	1.1%	1.1%	1.1%
EV/Sales	6.7x	6.6x	6.5x	5.6x
EV/EBITDA	19.0x	17.6x	19.1x	15.0x
EV/EBIT	22.8x	20.8x	22.9x	17.4x

**Growth trend in number of patients receiving Opsumit****VALUATION**

- No change at this time, but some upgrades in numbers for 2016 are likely.

NEXT CATALYSTS

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