

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 61.5
Market Cap (EURm)	13,880
Ev (BG Estimates) (EURm)	13,630
Avg. 6m daily volume (000)	302.8
3y EPS CAGR	30.0%

UCB has released a good set of results slightly above consensus expectations. All three core products drove growth and Keppra was strong. Sales reached EUR3.88bn (+9%CER). 2016 sales guidance is in line with the consensus. However, EBITDA and EPS guidance (at midpoint) are 10% and 15% above consensus expectations respectively. This should increase overall confidence in seeing UCB reaching its 30% rEBITDA guidance towards 2018.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.4%	-12.3%	8.0%	-14.3%
Healthcare	-6.2%	-12.1%	-8.3%	-11.2%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	3,344	3,753	4,118	4,702
% change		12.2%	9.7%	14.2%
EBITDA	609	807	904	1,177
EBIT	379.0	544.9	637.4	890.4
% change		43.8%	17.0%	39.7%
Net income	229.0	322.0	416.7	509.4
% change		40.6%	29.4%	22.2%

	2014	2015e	2016e	2017e
Operating margin	11.3	14.5	15.5	18.9
Net margin	6.8	8.6	10.1	10.8
ROE	4.1	12.5	7.7	11.7
ROCE	5.3	6.8	8.0	11.3
Gearing	33.3	5.2	8.3	3.8

(EUR)	2014	2015e	2016e	2017e
EPS	1.69	2.14	2.62	3.70
% change	-	27.1%	22.2%	41.4%
P/E	42.3x	33.3x	27.2x	19.3x
FCF yield (%)	3.1%	3.1%	1.1%	4.2%
Dividends (EUR)	0.91	1.14	1.36	1.93
Div yield (%)	1.3%	1.6%	1.9%	2.7%
EV/Sales	3.7x	3.6x	3.3x	2.9x
EV/EBITDA	20.2x	16.9x	14.9x	11.6x
EV/EBIT	32.4x	25.0x	21.1x	15.4x

(EURm exc. PS data)	FY14	FY15	y/y	FY15 cs	Delta	FY16 guidance	FY16 cs
Cimzia	797	1083	35,9%	1064	1,8%		
Vimpat	471	679	44,2%	676	0,4%		
Neupro	200	258	29,0%	263	-1,9%		
Total CVN	1468	2020	37,6%	2003	0,8%		
Keppra	665	737	10,8%	693	6,3%		
Revenue	3344	3876	15,9%	3793	2,2%	4000-4100	4093
Rec. EBITDA	609	821	34,8%	801	2,5%	970-1010	896
Margin %	18,2%	21,2%		21,1%			21,9%
Net Profit	209	623	198,1%	610	2,1%		
Core EPS	1,69	2,17	28,4%	2,08	4,3%	2,90-3,20	2,65

Source : Company Data; Ellinghorst consensus.

ANALYSIS

- UCB has released FY2015 results at EUR3.88bn, up 9% at CER (16% on a reported basis), ahead of consensus estimates. Not only was growth driven by all of the company's three key drugs (Cimzia Vimpat and Neupro (up 38% on a reported basis representing 52% of sales) but also by strong resistance in Keppra sales (off-patent since 2008). Keppra sales rose 2% at CER reaching EUR737m or 19% of sales. We would expect them to be flat in 2016 as the short supply situation that benefitted UCB in the US in 2015 is set to return to normal during 2016. Cimzia sales rose 21% CER at EUR1083 (28% of sales) continuously growing and boosted in Q4 by Japanese partner Astellas' ordering pattern. Vimpat sales reached EUR679m up 26% CER (18% of sales). Note that as Vimpat was available as a monotherapy in the US in late 2014, we would expect basis comps to be higher in 2016. Looking to 2017, sales should again be underpinned by potential approval of monotherapy in Europe (filed in January 2016). Finally, Neupro sales reached EUR258m (7% of sales) and grew 22% at CER.
- Profitability was good with rEBITDA margin at 21.1% up 300bp, benefitting from positive back-end loaded effect in H2 2016 of the internalisation of Cimzia as well as OPEX expanding to a lower pace. EPS comes at EUR2.17 vs EUR2.08 as expected by consensus.
- 2016 guidance is ambitious and should restore confidence in the company's ability to reach its mid-term rEBITDA guidance of 30%. This should be appreciated in current market conditions. Indeed, while 2016 sales guidance of EUR4.00-4.01bn is in-line with consensus estimates, rEBITDA and EPS guidance are, at mid-range, 10% and 15% ahead of consensus expectations respectively. rEBITDA guidance is EUR970-1.10bn and EPS is expected to be within the EUR2.90-3.20 range. We are pleased to see UCB executing on its profitability targets which should be welcomed, however, recent mixed-publication of romosozumab phase III results makes us doubt as to the group's ability to find new growth source in the long-run.

VALUATION

- The share price should react positively to the publication and especially to 2016 guidance (at low-point) which should trigger a >10% upward revision in EPS estimates from consensus.
- We reiterate our NEUTRAL rating and would modify our numbers following conference call.

NEXT CATALYSTS

- Today 02.00pm: conference call on FY2015 results (FR +33 1 72 04 00 33, UK +44 20 77 509 926, US +1 866 676 5866, Pin code 30353172#)

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