

17th March 2016

Healthcare

Adocia

Price EUR60.29

Hike in operating costs a touch higher than anticipated

Fair Value EUR113 (+87%)

BUY

Bloomberg	ADOC.FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market Cap (EURk)	412,625
Avg. 6m daily volume (000)	32.70

	1 M	3 M	6 M	31/12/15
Absolute perf.	23.8%	-21.4%	-27.7%	-17.7%
Healthcare	2.4%	-9.0%	-10.3%	-11.2%
DJ Stoxx 600	6.4%	-5.4%	-5.8%	-6.8%

	2014	2015e	2016e	2017e
P/E	NS	54.1x	29.7x	10.0x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Following yesterday evening's press release reporting full-year numbers for Adocia, we would make the following three comments:
- First, expenses were higher than we had anticipated. Operating expenses were expected to show a marked jump from the first half to the second as pipeline activity intensified and the company expanded its administrative footprint both in France and in the US. However, this had a more significant impact than we expected as operating expenses grew from around EUR12m in H1 to EUR22m in H2 (the main origin being "external expenses" i.e. mainly CRO costs). That said, the cash position (already reported in February), at EUR72m was very close to our estimates. For 2016, we anticipate EUR30m in total operating expenses and this could prove somewhat conservative dependent on what follows i.e. development plans for BC Combo and expansion of premises in Lyon.
- Second, Adocia announced that it signed a preliminary sales agreement in January 2016 for the acquisition of a new field of 7,120 m² in Central Lyon for a consideration of EUR5m. From one year to the next, full-time employees have risen from 74.6 to 93.9 in 2015.
- Lastly, more as a confirmatory statement, Adocia stated that it "intends to intensify the development [of the BC Combo] and to push the product up to the entry in phase 3", which includes the planning of two new phase 1b/2 studies in type 2 diabetes in H1 2016. This suggests a desire to keep the drug proprietary until phase 3, which could be disappointing for some who may have expected a deal on the BC Combo in 2016.

NEXT CATALYSTS

- Today at 6pm: Conference call

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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