21st March 2016

Healthcare

UCB

Price EUR69.23

Romosozumab shows good efficacy in men despite mixed safety

Fair Value EUR82 (+18%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 61.5
Market Cap (EURm)	13,466
Avg. 6m daily volume (000)	335.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.4%	-14.6%	-3.4%	-16.8%
Healthcare	-2.1%	-11.6%	-11.4%	-13.3%
DJ Stoxx 600	3.9%	-5.4%	-3.7%	-6.6%

	2014	2015e	2016e	2017e
P/E	41.1x	31.9x	22.1x	15.7x
Div yield (%)	1.3%	1.6%	2.4%	3.3%

ANALYSIS

- UCB and Amgen have reported positive phase III results for Romosozumab in men suffering from osteoporosis (BRIDGE trial). The trial which enrolled 245 men aged 55 to 90 and compared romosozumab at the 210mgQM dose to placebo over a 12-month treatment course met its primary endpoint of bone mineral density in the lumbar spine vs. placebo. While the incidence of serious adverse events (SAEs) was balanced between the treatment groups, we would underline that 1/ cardiovascular SAEs was 4.6% (n=8) in the romosozumab group compared to 2.5% in the placebo group (n=2) and 2/ cardiovascular death was 0.6% (n=1) and 1.2% (n=1) for the active treatment and placebo groups respectively. As such, although these events may stem from a different source (not disclosed in the press release, to be released at an upcoming scientific congress), we are not ruling out the possibility that they could trigger increased scrutiny by the regulatory authorities and potentially the need for an additional trial to assess CV issues that might be linked to the administration of romosozumab.
- Results from the BRIDGE trial should support the filing in Japan where we estimate the drug's peak sales at EUR600m. As a reminder, the FRAME phase III trial evaluating romosozumab in women with osteoporosis read out in January and posted mixed efficacy results as the secondary endpoint was not meet. Safety issues also arose with cases of osteonecrosis of the jaw.

VALUATION

- We remain at NEUTRAL with a Fair Value of EUR82. We are pleased with the development of UCB's three core products (Cimzia, Vimpat and Neupro) approaching readout from the EXXELERATE results. Nonetheless last year's phase III failure for epratuzumab and mixed results for romosozumab cast doubts on the company's ability to find fresh sources of growth with the latter, and growth could increasingly depend on external growth/licensing deals.

NEXT CATALYSTS

- H1: EXXELERATE study results (Cimzia H2H vs. Humira)
- April, 25th: Q1 results

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Distribution of stock ratings

BUY ratings 72% NEUTRAL ratings 0% SELL ratings 28%

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