

22nd April 2016

Healthcare

Actelion

Price CHF158.30

It looks like the planets are very well aligned currently

Fair Value CHF173 vs. CHF172 (+9%)

BUY-Top Picks

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	158.3 / 115.9
Market Cap (CHFm)	18,066
Avg. 6m daily volume (000)	399.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.8%	21.9%	24.5%	13.4%
Healthcare	6.3%	1.3%	-2.5%	-7.3%
DJ Stoxx 600	2.6%	6.4%	-3.6%	-4.4%

	2014	2015e	2016e	2017e
P/E	28.4x	25.7x	19.8x	21.8x
Div yield (%)	0.8%	0.9%	0.9%	0.9%

ANALYSIS

- As it could have been hypothesised, guidance upgrade was the result of a dual positive influence: (i) on one hand a new assumption in what could be a realistic timing for generic bosentan entry in the US and here Otto Schwarz indicated that it could take somewhere between 6 and 9 months until FDA gives a formal answer. This means we might see no generic this year; (ii) on the other hand, Upravi's strong take off is putting the drug on a trajectory that is above expectations. Despite cautionary comments about catch-up cohort and inventory build-ups, the 650 patients captured at the end of March (taking into account that it takes about 21 days to carry a new patient to treatment) already represent more than the USD20m quarterly sales reported in Q1 as underlying sales (stripping out inventory effect). With full quarters of prescription now ahead in the US, inventory one-off and European contribution in some countries for H2 (including France where negotiated ATU will start in May), we see the expected CHF120-130m annual sales for Upravi as reflected in the consensus numbers as conservative. Longer-term, it remains premature to say how the drug will be used and in particular how much it will expand the existing PG market although quick adoption and high-level brand awareness are very encouraging signs.
- Actually, the only mixed feedback we had on all fronts during the conference call is recognition by management that Opsumit's penetration is facing tough discussions on pricing in several European countries. In this context, and without additional indications, we would question the mid-term guidance of the company to make Opsumit a bigger drug than Tracleer at peak.
- Lastly we would say a word on ponesimod which is one among several largely ignored R&D assets in group's pipeline. We found JP Clozel's comments roughly encouraging as he suggested that recruitment was going very well, with high interest for a study design that compares for the first time two oral drugs. To note is that number of recruiting sites has been increased to complete enrolment faster i.e. by year-end. It could become increasingly difficult to ignore those assets any longer (remember the price paid by Celgene to acquire Receptos!) even though we see ponesimod largely as a me-too drug while more innovative alternatives are approaching.

VALUATION

- A new slight delay in bosentan generics in the US is impacting our FV by another CHF1 vs yesterday's new calculation based on first glance Q1 read-out.

NEXT CATALYSTS

- 4 May 2016 : Annual General Meeting

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