

14th April 2016

Healthcare

Adocia

Price EUR63.50

First-quarter was very much in line with expectations

Fair Value EUR93 (+46%)

BUY

Bloomberg	ADOC.FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market Cap (EURk)	434,721
Avg. 6m daily volume (000)	32.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.9%	-5.5%	-9.6%	-13.3%
Healthcare	1.5%	-4.4%	-4.0%	-9.3%
DJ Stoxx 600	0.2%	-0.5%	-4.3%	-6.2%

	2015	2016e	2017e	2018e
P/E	34.6x	NS	NS	32.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Adocia disclosed numbers for its first-quarter which mainly consists of revenues, burn rate and cash position at the end of the quarter.
- As far as revenues, they were the reflection of the agreement with Lilly on BC lispro and the amount is therefore similar to the same quarter last year as it is going to be the case for all quarters until the end of the development of the compound, so no surprise here. The other part of the revenue line represents the research expenses that are rebilled to Lilly and again, unsurprisingly as the drug progresses towards phase III it is slightly increasing compared to last year. To note however is that we expect the drug to move in phase III by year-end and from then on, Lilly will be in charge of development costs and Adocia will no longer rebill its partner. Therefore we expect this section of revenues to be lower in the last quarter of the year. Last reference to revenues is research tax credit and Adocia reports that it expects to receive EUR6.8m in the coming weeks or months, which is slightly above what we had forecasted.
- Moving to expenses, as revenues reported in the P&L have no cash influence, cash consumption is the reflection of gross expenses which therefore amounted to EUR8m in the first quarter. This is very much in line with the EUR35m that we expect for the year as it should sequentially progress over the quarters as a consequence of BC Combo/Hinsbet's costs and an increased number of full-time employees. Net cash position at the end of the quarter was EUR64m, with research tax credit still to be received, as well as milestone payment from Lilly when BC lispro jumps in phase III (we expect USD50m, sometimes in Q4 2016).

VALUATION

- Based in these various elements, we do expect Adocia to show positive earnings in 2016, which is not essential for the case over the long-term but which makes it different from many other companies that have years of losses before achieving profitability.
- Obviously, key for the year and the case is how BC Combo develops and perception of its capacity to be partnered either this year or next. This has to do with the intrinsic value of the product but also and maybe increasingly with the dynamics within the insulin market with a lot of influential new products like new-generation basal insulins (Toujeo, Tresiba), biosimilar glargine, basal/GLP1 combinations, new GLP1 formulations, etc... It puts some pressure on Adocia but we believe the case remains strong and in the end the opportunity is still very much valid at the current price.

NEXT CATALYSTS

- Q2 2016: New phase Ib/II data from studies on BC lispro and BC combo

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BUY ratings 56,8%

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