

28th April 2016

Healthcare

**Ipsen**

Price EUR53.52

**Unfavourable inventory effects in emerging markets take harsh toll on Q1 sales**

**Fair Value EUR60 (+12%)**

**BUY-Top Picks**

|                            |             |
|----------------------------|-------------|
| Bloomberg                  | IPN.FP      |
| Reuters                    | IPN.PA      |
| 12-month High / Low (EUR)  | 62.0 / 47.1 |
| Market Cap (EURm)          | 4,455       |
| Avg. 6m daily volume (000) | 81.40       |

|                | 1 M   | 3 M   | 6 M   | 31/12/15 |
|----------------|-------|-------|-------|----------|
| Absolute perf. | 11.2% | -2.4% | -5.0% | -12.3%   |
| Healthcare     | 5.0%  | -3.7% | -8.4% | -8.7%    |
| DJ Stoxx 600   | 3.6%  | 2.4%  | -7.6% | -5.1%    |

  

|               | 2015  | 2016e | 2017e | 2018e |
|---------------|-------|-------|-------|-------|
| P/E           | 19.3x | 19.0x | 16.8x | 13.8x |
| Div yield (%) | 1.6%  | 1.6%  | 1.9%  | 2.2%  |

#### ANALYSIS

- Forecasting the sequence of quarterly sales over a year is not always easy and in 2016 it is proving particularly difficult for Ipsen as several emerging markets faced unfavourable inventory effects during Q1 for key products sold in the regions, like Smecta in China, Decapeptyl in the Middle East and Algeria or Dysport in South East Asia and Brazil. This was reflected in the performance of the “rest of the world” geographical area that was down 16% CER in Q1 2016 and of Asia, down 23%. In the end, reported sales for the first three months of the year were EUR362m whereas the consensus was expecting EUR374m, which is a meaningful miss.
- We had even higher expectations as we were more bullish on Somatuline and we were right on this product specifically as it reported very strong quarterly sales up 36% to EUR121.7m, which compares to EUR89m in Q1 2015 and EUR110m in Q4 2015 with comments pointing to a good performance not only in the US but also in key European countries.
- In the end, this was more than wiped out by the weak performance of almost all drugs in emerging market, which particularly affected Primary Care products, down 12% overall, led by Smecta, down 19%. On a product basis, it is also worth noting that Dysport was down 8% and represented the biggest miss for the quarter (EUR63m vs EUR72m expected) as negative inventory effects in Asia and Brazil added to unfavourable invoices from partner Galderma for the aesthetic indications.
- So, in all, Q1 2016 was not a good quarter for Ipsen when reported sales numbers are considered. However, it looks like it is mainly a matter of sequencing of quarters and delays in orders and inventory build-ups, although Ipsen recognises a slowdown in international markets. From that perspective, reiteration of the FY guidance (slight growth for PC, over 10% growth for SC and 21% operating margin) is reassuring.

#### VALUATION

- So, obviously, Q1 numbers are not pleasant and the share price reaction should be negative today.
- Now, this could be an opportunity to build positions or to strengthen some as the underlying story remains fully in place, driven by the change in mix in favour of Specialty Care. In this perspective, the performance of Somatuline is more than encouraging and bodes well for profitability. Lastly, dense news flow around cabozantinib will add to the good momentum in the coming quarters.

#### NEXT CATALYSTS

- 5th June 2016: Oral presentation of METEOR phase III results at ASCO

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|         |   |
|---------|---|
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### Distribution of stock ratings

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NEUTRAL ratings 33,8%

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