

## Actelion

Price CHF155.50

UT and Gilead's Q1 figures positive for Actelion's PAH drugs

Fair Value CHF173 (+11%)

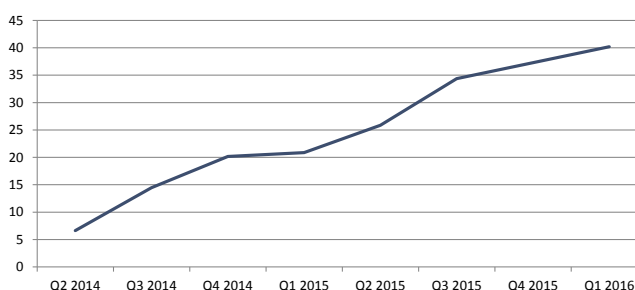
BUY-Top Picks

**Our read-out of weak Letairis sales and strong Orenitram sales in Q1 is positive for Actelion's PAH portfolio. The PC segment is expanding while Letairis is not gaining share against Opsumit within ERA.**

## ANALYSIS

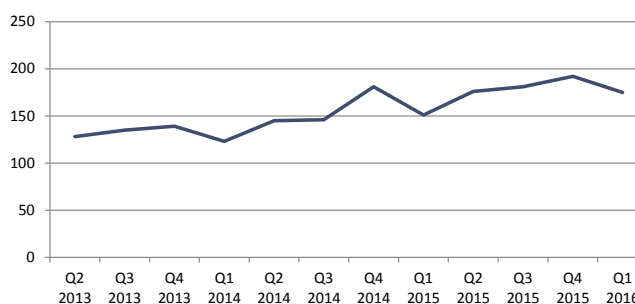
- Because both United Therapeutics (UT) and Gilead released their quarterly numbers yesterday, we thought this was an opportunity to see what their respective comments might tell us about the trends in the PAH market after Actelion unveiled strong numbers 10 days ago.
- Whereas we would have expected Letairis to show modest sequential growth and Orenitram to already show the first signs of tough competition against Uptravi (although it is early days), almost the opposite happened. UT mentioned in its press release that "Orenitram continues to be prescribed to a growing number of patients" which suggests that doctors may not share our view about the relative quality of the clinical data. Let's wait for another quarter or two before making definitive conclusions, but so far, Orenitram looks to be immune to Uptravi's launch and this might suggest that prostacyclins are gaining ground with oral formulations and may be expanding their influence to earlier stages of PAH.

Orenitram quarterly sales



- On the other side, Letairis, whose strong Q4 2015 made people worried about potential market share gains vs Opsumit in the ERA segment, had a fairly weak Q1 as illustrated below. Gilead's product often has highly sequential product growth and we will not extrapolate too much from this isolated sales figure. What it might say though is that there is no break in trend and therefore Opsumit looks still very strong on its growth trajectory.

Letairis quarterly sales



## VALUATION

- The suggestion of a growing PAH market and PC segment is good news for Actelion as it is always easier to grab market share in growing markets than in flat or declining ones. Now what remains an hypothesis cannot be translated into number changes for Opsumit or Uptravi. Relative performance of Opsumit and Letairis in Q1 is also very reassuring. We stick to our numbers.

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Bloomberg	ATLN.VX
Reuters	ATLN.VX
12-month High / Low (CHF)	158.3 / 115.9
Market Cap (CHFm)	17,747
Ev (BG Estimates) (CHFm)	17,342
Avg. 6m daily volume (000)	397.4
3y EPS CAGR	9.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	14.5%	17.0%	11.4%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	1,956	2,042	2,247	2,205
% change		4.3%	10.0%	-1.8%
EBITDA	687	769	953	856
EBIT	570.1	655.6	839.8	742.0
% change		15.0%	28.1%	-11.6%
Net income	648.2	693.5	868.8	784.9
% change		7.0%	25.3%	-9.7%

	2014	2015e	2016e	2017e
Operating margin	40.1	40.7	43.9	41.3
Net margin	33.1	34.0	38.7	35.6
ROE	33.8	52.6	45.9	32.9
ROCE	70.4	77.0	91.2	91.4
Gearing	-50.5	-30.7	-50.3	-64.5

(CHF)	2014	2015e	2016e	2017e
EPS	5.58	6.17	7.98	7.28
% change	-	10.6%	29.4%	-8.8%
P/E	27.9x	25.2x	19.5x	21.4x
FCF yield (%)	0.7%	3.7%	4.5%	4.7%
Dividends (CHF)	1.30	1.50	1.50	1.50
Div yield (%)	0.8%	1.0%	1.0%	1.0%
EV/Sales	8.6x	8.5x	7.5x	7.4x
EV/EBITDA	24.4x	22.6x	17.6x	18.9x
EV/EBIT	29.4x	26.5x	20.0x	21.8x

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