

Nicox

Price EUR7.14

A visible decrease in pressure... (full report released today)

Fair Value EUR14

CORPORATE

| | |
|----------------------------|-----------|
| Bloomberg | COX FP |
| Reuters | NCOX.LN |
| 12-month High / Low (EUR) | 9.9 / 6.0 |
| Market Cap (EURm) | 163 |
| Ev (BG Estimates) (EURm) | 150 |
| Avg. 6m daily volume (000) | 95.40 |
| 3y EPS CAGR | 67.3% |

We are initiating coverage of Nicox with a Fair Value of EUR14.0. In our view the market is clearly underestimating the potential of latanoprostene bunod (LBN) in glaucoma (BG peak sales: around EUR600m from a conservative stance) and the group's risk-reward profile is fairly attractive following the share-price decline.

ANALYSIS

- **Why invest now?** Nicox is clearly on the verge of a major turning point with the potential approval of latanoprostene bunod (LBN) in monotherapy, aiming to reduce intra-ocular pressure (IOP) in patients suffering from open-angle glaucoma or ocular hypertension (deadline given for the FDA's green light: 21st July 2016).
- **LBN: set to trigger a future re-rating.** Phase III results published in 2014 bode well and it is very probably for this reason that Nicox' partner, Valeant/Bausch+Lomb, sees peak sales potential of USD1.0bn for the product. Admittedly, our forecasts are far more conservative than the big pharma's, but we are still forecasting very high potential (~EUR600m given that 1/ LBN could be the most efficient prostaglandin analogue for reducing IOP in glaucoma, 2/ we do not expect Rho inhibitors to take the market by storm).
- **Initiation with a FV of EUR14.0.** Although we forecast considerable upside potential already (around 100%), our valuation could be increased massively if the FDA approves LBN and AC-170 (EUR20.0, implying upside potential of more than 190%).

NEXT CATALYSTS

- The main catalyst that we see is obviously the FDA's approval of latanoprostene bunod in monotherapy aimed at reducing intra-ocular pressure in patients suffering from open-angle glaucoma or ocular hypertension. Following this, we believe that the share should benefit from a very significant re-rating.

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| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|--------|--------|----------|
| Absolute perf. | -0.2% | -14.9% | -17.8% | -21.8% |
| Healthcare | 0.4% | -6.8% | -4.7% | -10.1% |
| DJ Stoxx 600 | -3.8% | -5.3% | -9.1% | -10.3% |

| YEnd Dec. (EURm) | 2014 | 2015e | 2016e | 2017e |
|------------------|-------|--------|-------|--------|
| Sales | 6.0 | 9.9 | 10.8 | 17.8 |
| % change | | 65.4% | 9.3% | 64.9% |
| EBITDA | -21.8 | -24.4 | -17.4 | -24.7 |
| EBIT | -21.8 | -24.4 | -17.4 | -24.7 |
| % change | | -12.1% | 28.6% | -41.6% |
| Net income | -22.9 | -24.4 | -17.4 | -24.7 |
| % change | | -6.7% | 28.6% | -41.6% |

| | 2014 | 2015e | 2016e | 2017e |
|------------------|-------|-------|-------|-------|
| Operating margin | NM | NM | NM | NM |
| Net margin | NM | NM | NM | NM |
| ROE | -22.0 | -22.3 | -18.9 | -36.6 |
| ROCE | -18.7 | -19.1 | -15.8 | -28.7 |
| Gearing | -5.7 | -12.0 | 5.5 | 50.6 |

| (EUR) | 2014 | 2015e | 2016e | 2017e |
|-----------------|-------|-------|-------|--------|
| EPS | -0.23 | -1.07 | -0.76 | -1.08 |
| % change | - | NS | 28.6% | -41.6% |
| P/E | NS | NS | NS | NS |
| FCF yield (%) | NM | NM | NM | NM |
| Dividends (EUR) | 0.00 | 0.00 | 0.00 | 0.00 |
| Div yield (%) | NM | NM | NM | NM |
| EV/Sales | 26.3x | 15.2x | 15.5x | 11.1x |
| EV/EBITDA | NS | NS | NS | NS |
| EV/EBIT | NS | NS | NS | NS |



Analyst :
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Team :
Eric Le Berrigaud
Hugo Solvet

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

BUY ratings 72%

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