

3rd May 2016

Healthcare

**Ablynx**

Price EUR13.27

**Validation of the platform with positive results for ALX-0171!**

**Fair Value EUR18 vs. EUR17 (+36%)**

**BUY-Top Picks**

|                            |            |
|----------------------------|------------|
| Bloomberg                  | ABLX.BB    |
| Reuters                    | ABLX.BR    |
| 12-month High / Low (EUR)  | 16.1 / 9.8 |
| Market Cap (EUR)           | 734        |
| Avg. 6m daily volume (000) | 169.9      |

|                | 1 M  | 3 M   | 6 M    | 31/12/15 |
|----------------|------|-------|--------|----------|
| Absolute perf. | 3.0% | -0.9% | 8.4%   | -16.6%   |
| Healthcare     | 3.3% | -3.3% | -10.9% | -10.5%   |
| DJ Stoxx 600   | 2.4% | 2.0%  | -9.4%  | -6.7%    |

|               | 2015 | 2016e | 2017e | 2018e |
|---------------|------|-------|-------|-------|
| P/E           | NS   | NS    | NS    | NS    |
| Div yield (%) | NM   | NM    | NM    | NM    |

#### ANALYSIS

- Ablynx has reported positive phase IIa results for ALX-0171. No adverse events were reported during the study the primary endpoint of which was to assess the safety and tolerability profile of the company's product candidate, administered via nebulisation once daily over three days in infants infected with Respiratory Syncytial Virus (RSV, common respiratory tract infection). As a reminder, the study was initially designed to recruit infants aged 5 to 24 months before being lowered to infants aged 1 month in late 2015, enabling Ablynx to recruit an extra cohort. Although these results do not pre-empt efficacy, a first positive impact on viral replication was seen. We would expect phase IIb to be initiated shortly to take advantage of the RSV season to ease recruitment.
- In our note of 15th March ([please see here](#)), we highlighted the opportunity for Ablynx to penetrate the RSV market, which features a high unmet medical need. With these positive findings, we are not ruling out the prospect of management deciding to address three other market sub-segments, namely hospitalised elderly people, at-home infants and the elderly. Note that although the hospitalised populations could be addressed on a standalone basis, a partner might be needed to reach the "at-home" market. Initiating clinical trials in these settings would maximise the value of a potential commercialisation/development deal as each of them could be valued at around EUR1-2bn (not included in our valuation).
- Apart from being positive for the company's fully owned Nanobody ALX-0171, these results validate the versatility of the Ablynx platform in our view. Indeed, Nanobodies feature robustness allowing for exotic delivery routes such as nebulisation, creams etc. and this can find applications in several indications.

#### VALUATION

- While the findings of this study validate the versatility of Nanobodies concerning their multiple administration pathways, note that they do not pre-empt efficacy. We have increase our probability of success rate attached to the project from 20% to 40% to reflect growth in the product candidate in phase IIb. Our Fair Value is up EUR1 to EUR18.
- We reiterate our BUY recommendation on Ablynx, which is included in our Q3 Top Pick list.

#### NEXT CATALYSTS

- Today 4:00pm: conference call on phase IIa results for ALX-0171 n RSV (+32 2 402 3092, access code 6340391)
- Q3 2016:** ALX-0061 phase IIb results (MTX combo and monotherapy trials).
- H2 2016:** ABBV's opt-in decision for ALX-0061 and initiation of phase IIb for ALX-0171 in RSV

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Hugo Solvet, [hsolvet@bryangarnier.com](mailto:hsolvet@bryangarnier.com)



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### Stock rating

|         |   |
|---------|---|
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| NEUTRAL | Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.                     |
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### Distribution of stock ratings

BUY ratings 57,9%

NEUTRAL ratings 33,6%

SELL ratings 8,6%

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