12th May 2016

Healthcare

Ablynx

Price EUR13.90

Final stretch

Fair Value EUR18 (+29%) **BUY-Top Picks**

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.8
Market Cap (EURm)	769
Avg. 6m daily volume (000)	171.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	33.7%	9.0%	-12.6%
Healthcare	-0.7%	7.4%	-11.4%	-11.0%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

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

ANALYSIS

- Ablynx has reported Q1 results with revenues standing at EUR27.4m for the quarter, primarily driven by R&D income (EUR27.2m). As a result of a maturing pipeline, R&D expenses rose 49% from EUR16.7m to EUR24.9m while G&A expanded by EUR0.7m to EUR3.2m. Positive financial results of EUR17.2 (compared with EUR1.1m in Q1 2015) reflects the boost provided by fair value changes from amortisation of the convertible bond (non-cash income). Net profit works out to EUR16.8m. Ablynx has EUR233.7m in cash and cash equivalents at the end of the quarter.
- The company is on–track to report phase IIb results for both the MTX combo and monotherapy trial in Q3. Note that Ablynx would be eligible for a USD76m milestone should AbbVie decide to in-license the product based on these results (decision before year-end). Considering 1/ strong phase IIa results and 2/ the replicability of results from one phase to another, we remain positive on the outcome of the trial. The company did not disclosed the roll-over rate in the open-label extension trial, we would expect the latter to be at around 90% with regards to previous communications from companies in our coverage for the same indications at the same stage.
- ALX-0171 in RSV phase IIb trial is expected to be initiated in H2 with an indicative cost in the EUR10-15m range. Initiating the trial shortly should enable Ablynx to benefit from the effect of the European RSV season which begins in around November to ease recruitment of the >150 infants expected to be enrolled. In phase Ib/IIa trial, onset of action and impact on viral replication was seen (plaque assay). Note however that the small sample size did not allow for accurate efficacy measures notably when measured with qRT-PCR, which measures all viral RNA (infectious and non-infectious, one viral load can influence results).
- Turning to the company's late stage asset, Caplacizumab, phase III recruitment is well on track in a-TTP patients and the company reiterates its ambition to file for conditional approval in Europe in H1 2017.

VALUATION

- FY cash burn guidance reiterated (EUR65-75m range).
- We reiterate our BUY rating and EUR18 fair value ahead of transforming clinical newsflow.

NEXT CATALYSTS

- Q3: ALX-0061 phase IIb results
- 25th August: HY results

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BRYAN, GARNIER & CO

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BUY ratings 72% NEUTRAL ratings 0% SELL ratings 28%

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