

12th May 2016

Healthcare

ERYTech

Price EUR23.74

Don't overestimate the "clock stop"

Fair Value EUR48 (+102%)

BUY

| | |
|----------------------------|-------------|
| Bloomberg | ERYP FP |
| Reuters | ERYP.PA |
| 12-month High / Low (EUR) | 40.0 / 18.2 |
| Market Cap (EUR) | 188 |
| Avg. 6m daily volume (000) | 29.50 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|--------|-------|--------|----------|
| Absolute perf. | -11.4% | 30.5% | -16.6% | -7.3% |
| Healthcare | -0.7% | 7.4% | -11.4% | -11.0% |
| DJ Stoxx 600 | 0.6% | 10.3% | -11.6% | -8.5% |

| | 2014 | 2015e | 2016e | 2017e |
|---------------|------|-------|-------|-------|
| P/E | NS | NS | NS | NS |
| Div yield (%) | NM | NM | NM | NM |

ANALYSIS

- Yesterday, the company announced that the review of GRASPA ALL by the CHMP had been delayed by three months as management wanted more time to answer the different questions asked by commission. Obviously, questions were raised regarding the nature of these interrogations... and **we understand the scientific experts would like more details and clarification** (so we believe they were mostly looking at the mechanism of action of GRASPA, given its innovative nature).
- A look at the recent past: A 2013 report from Rashmi Shah et al compared the approvals of tyrosine kinase inhibitors (e.g. imatinib, sorafenib, etc.) and noted that **1/ approval times in the EU were on average twice as long as in the US (410 vs 205 days); and 2/ most of this delay was due to "clock stops"** (as seen with ERY) arising from requests for clarification. In other words, this type of postponement is quite common.
- To give an example, we would say that **Baxalta's Oncaspar (the PEGylated form of asparaginase) also got a "clock stop" back in 2015.**

VALUATION

- **BUY reiterated with a FV of EUR48** all the more so, at current levels, the street implicitly values a fairly broad pipeline at EUR150m (as net cash stood at EUR40m at the end of March 16)... which looks a bit unfair when you compare it to the USD900m Baxalta paid to acquire Oncaspar).

NEXT CATALYSTS

- H2 2016: Feedback from the CHMP (Committee for Medicinal Products for Human Use) regarding the approvability of GRASPA in ALL (acute lymphoblastic leukaemia).
- H2 2016: Top-line results from the Phase II of ERY-ASP as a treatment for 2L pancreatic cancer.

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Distribution of stock ratings

BUY ratings 57.9%

NEUTRAL ratings 34.3%

SELL ratings 7.9%

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