

11th May 2016

Healthcare

LDR Holding

Price USD24.74

Good sales progression in Q1 despite strong comps

Fair Value USD38 (+54%)

BUY

Bloomberg	LDRH US
Reuters	LDRH.OQ
12-month High / Low (USD)	45.7 / 16.8
Market Cap (USDm)	723
Avg. 6m daily volume (000)	405.9

ANALYSIS

- LDR reported Q1 results yesterday evening with sales in line with consensus standing at USD42.4m, up 8.4% and 9.7% on a constant currency basis. Mobi-C sales grew strongly (+29.7%cc) and thus despite strong comps. Other product range which accounted for 59.3% of total group sales decreased

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.9%	39.7%	-4.6%	-1.5%
Healthcare	-0.8%	4.7%	-10.6%	-10.9%
DJ Stoxx 600	1.3%	6.7%	-10.6%	-8.1%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	4.0%

LDR Holding (USDm)	Q1 2015	Q1 2016	y/y	Q1 2016 CS	Delta	FY 2016	FY 2016 Cs
Revenue	39,1	42,4	8%	42,7	-0,7%	187,5-	187,5
EBIT	-5,3	-9,5	-280%	-6,5	-31,6%		
EBIT margin %	-13,5%	-22,3%		-15,2%			
Adjusted Net Income	-6,9	-7,6	-210%	-6,7	-12,8%		
Adjusted EPS	-0,12	-0,26	-317%	-0,23	-11,5%		

* or 14-15,2% reported growth of which -1pp of FX impact i.e. 15-16,2% constant currency

Source: Company Data; Bloomberg.

- Mobi-C sales continues to progress well growing close to 30% at 29.7% on a constant currency basis (28.8% reported), representing 40.7% of the group sales' at USD17.3m (vs. 34.3% in Q1 2015). The US drove this growth as sales from the latter product range in the country grew 36% in Q1 to USD15.1m. Products from both MIVO technology and traditional fusion ranges whom represents 59.3% of LDR's sales decreased 2.5% and 1.1% (reported) respectively, resulting from increased focus on Mobi-C sales and price erosion. Whoever, we would underline that the company's commitment to bring 8 new MIVO products to the market over the new three years should reverse this trend.
- Profitability remains strong with Gross margin maintained north of 80% at 83% but lower than 83.5% last year due to higher inventory reserves. EBIT margin came significantly below consensus (-USD9.5m vs -USD6.5m expected) as the latter did not integrated continuous investments that need to be made all along the first half of the year (R&D and sales force), before the effect of direct sales force that his still growing kicks-in toward H2 2016, further leveraged in 2017 onwards with the launch of 8 new products.
- On the back of four recent publications highlighting the benefits of Mobi-C, we would not expect Mobi-C growth pace to decrease this year (exc. seasonality in Q3) as we anticipate the inclusion of the product in payer's lists. Number of lives covered for two level indication increased from 35m to 50m while the ones covered for the one level indication remains stable at 179m.
- FY2016 guidance is maintained with revenues expected to grow within the 15 to 16.2% range on a constant currency basis, 14% to 15.2 when taking into account 1pp from negative FX effect. With USD103.3m in cash and cash equivalent, LDR remains well funded.

VALUATION

- We reiterate our USD38 fair value

NEXT CATALYSTS

- August 3rd: Q2 results
- 2016: publication of seven years data for Mobi-C. Data to be transmitted to the FDA for review in May 2016.

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