

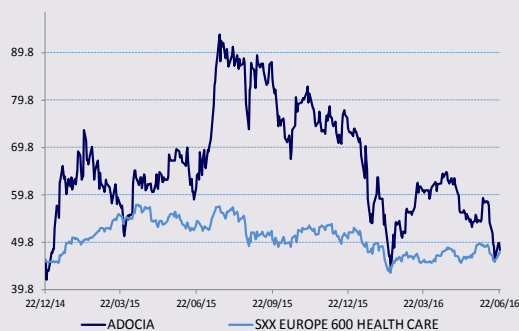
UPDATE
INDEPENDENT RESEARCH

24th June 2016

Healthcare

Bloomberg	ADOC FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market capitalisation (EURk)	329,224
Enterprise Value (BG estimates EURk)	276,933
Avg. 6m daily volume ('000 shares)	32.00
Free Float	44.9%
3y EPS CAGR	-1.3%
Gearing (12/15)	-153%
Dividend yields (12/16e)	NM

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURk)	36,936	42,851	48,931	74,366
EBIT(EURk)	10,103	14,151	23,431	48,866
Basic EPS (EUR)	1.84	1.30	0.18	1.77
Diluted EPS (EUR)	1.84	1.30	0.18	1.77
EV/Sales	7.0x	6.5x	5.9x	2.1x
EV/EBITDA	24.3x	18.9x	12.0x	3.2x
EV/EBIT	25.5x	19.6x	12.2x	3.2x
P/E	26.2x	37.0x	NS	27.2x
ROCE	NM	NM	NM	NM



Adocia


An exciting second-half ahead

Fair Value EUR100 vs. EUR93 (price EUR48.09)

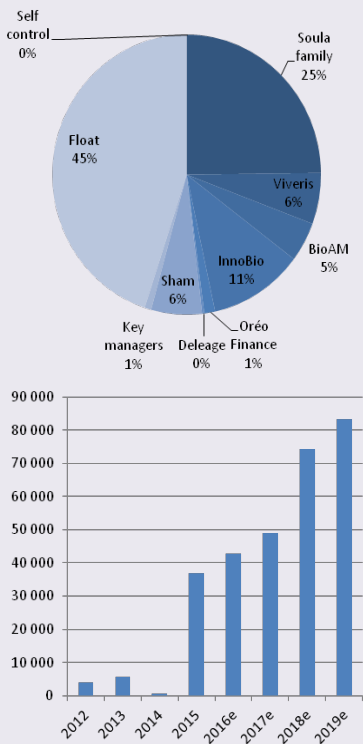
BUY

We expect Adocia to see an exciting 2016 second half with three triggering events: (i) the verdict on the Indian phase III trial with PDGF-BB in foot ulcer; (ii) the entry into phase III for BC Lispro led by Lilly and (iii) a potential licensing agreement for BC Combo. This very strong momentum should again see Adocia in the spotlight.

- The current trends in the diabetes market are beneficial for Adocia since the existing leaders are increasingly driven by innovation while operating under cost constraints. From this perspective, Adocia's BioChaperone is a good fit with the market needs.
- The first application is BC Lispro whose development is on track in trials and should move into phase III under Lilly leadership by the year-end. Together with Novo's Fiasp, it should take the rapid-insulin market to the next level and we expect most of the segment to convert within a relatively short period considering more physiological behaviour and the superior convenience for patients. This is worth EUR59 in our FV.
- However, all eyes are now mainly on BC Combo as it offers the most upside for Adocia. The topic is obviously more debated than BC Lispro since the mixed insulin segment is itself less dynamic and to some extent threatened by others. But it is also less competitive and can be a valuable option for some patients. From a marketing perspective, we are firmly convinced that such a product can leverage a franchise by adding new options when insulin intensification is required. Sanofi looks like a partner of choice since it could create a new glargine-based opportunity in a segment to which it is currently not exposed. To leverage Basaglar, Lilly might be seen as a back-up. Despite applying several layers of caution, we have increased BC Combo's value from EUR23 to EUR31.
- So far, the other two projects are largely free options but it is worth noting that the PDGF-BB Indian phase III data are coming soon. Lastly, HinsBet is less in the news although we were surprised to see Lilly advertising the Humulin U500 KwikPen a lot at ADA, thereby making HinsBet a potential next-generation drug for the company in the category.

	Analyst:	Sector Analyst Team:
	Eric Le Berrigaud	Mickael Chane Du
	33(0) 1 56 68 75 33	Hugo Solvet
	eleberrigaud@bryangarnier.com	Marion Levi (associate)

Adocia



Company description

Adocia was founded in December 2005 by Gerard Soula and his two sons Olivier and Remi. Together they developed BioChaperone®, an innovative delivery system improving therapeutic proteins and modifying some of their properties. Currently, this system is being tested with four different proteins in phase II/III development programmes. A first one known as BC Lispro recently led to an agreement with Eli Lilly, the latter paying an upfront of USD50m. Several milestones and tiered royalties will be paid to Adocia as the drug moves forward. Other projects are open to partnerships over the next two years.

Shareholders	
Soula family	22.1
Financial investors	15.5
Key employees	0.6
Free Float	60.2

Simplified Profit & Loss Account (EURk)	2013	2014	2015	2016e	2017e	2018e	2019e
Revenues	5,589	704	36,936	42,851	48,931	74,366	83,417
Change (%)	39.9%	-87.4%	5 147%	16.0%	14.2%	52.0%	12.2%
Adjusted EBITDA	(3,942)	(16,764)	10,571	14,651	23,931	49,366	58,417
EBIT	(4,302)	(17,161)	10,103	14,151	23,431	48,866	57,917
Change (%)	-29.1%	-299%	-%	-%	65.6%	109%	18.5%
Financial results	9.0	524	2,118	2,118	2,118	2,118	2,118
Pre-Tax profits	(4,293)	(16,637)	12,221	16,269	25,549	50,984	60,035
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.0	(4,078)	333	(7,379)	(24,351)	(38,902)	(2,189)
Profits from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	(4,293)	(20,715)	12,554	8,890	1,198	12,082	57,846
Restated net profit	(4,293)	(20,715)	12,554	8,890	1,198	12,082	57,846
Change (%)	-28.4%	-383%	-%	-29.2%	-86.5%	909%	379%
Cash Flow Statement (EURk)							
Operating cash flows	(3,635)	(18,782)	(14,684)	15,941	10,049	132,242	64,994
Change in working capital	(7,160)	19,229	(11,902)	(1,312)	(1,509)	(1,735)	(1,995)
Capex, net	(428)	(500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Financial investments, net	400	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	NM	NM	NM	NM	NM	NM	NM
Net debt	(19,414)	(49,800)	(72,062)	(52,291)	(42,567)	(170,573)	(231,072)
Free Cash flow	(10,738)	4,025	(29,086)	12,129	6,040	128,007	60,499
Balance Sheet (EURk)							
Tangible fixed assets	863	975	1,930	3,680	5,430	7,180	8,930
Intangibles assets	3.0	2.0	0.0	250	500	750	1000
Cash & equivalents	19,664	49,800	72,062	52,291	42,567	170,573	231,072
current assets	23,541	50,758	85,982	67,523	59,308	189,050	251,544
Other assets	NM	NM	NM	NM	NM	NM	NM
Total assets	24,885	52,544	88,094	71,635	65,420	197,162	261,656
L & ST Debt	3,036	19,347	20,407	20,407	20,407	20,407	20,407
Others liabilities	2,441	30,692	20,636	27,187	35,538	155,197	161,845
Shareholders' funds	19,406	2,505	47,051	55,941	57,139	69,221	127,068
Total Liabilities	24,884	52,544	88,094	103,535	113,083	244,825	309,319
Capital employed	5,221	2,744	16,032	19,344	22,853	26,588	30,584
Ratios							
Operating margin	(76.97)	(2,438)	27.35	33.02	47.89	65.71	69.43
Tax rate	NM	NM	NM	NM	NM	NM	NM
Net margin	(76.81)	(2,942)	33.99	20.75	2.45	16.25	69.35
ROE (after tax)	(22.12)	(827)	26.68	15.89	2.10	17.45	45.52
ROCE (after tax)	NM	NM	NM	NM	NM	NM	NM
Gearing	(100)	(1,988)	(153)	(93.48)	(74.50)	(246)	(182)
Pay out ratio	NM	NM	NM	NM	NM	NM	NM
Number of shares, diluted	6.21	6.21	6.84	6.84	6.84	6.84	6.84
Data per Share (EUR)							
EPS	(0.69)	(3.33)	1.84	1.30	0.18	1.77	8.46
Restated EPS	(0.69)	(3.33)	1.84	1.30	0.18	1.77	8.46
% change	-28.6%	-383%	-%	-%	-%	-%	-%
EPS bef. GDW	NM	NM	NM	NM	NM	NM	NM
BVPS	3.12	0.40	6.88	8.18	8.35	10.12	18.58
Operating cash flows	(0.59)	(3.02)	(2.15)	2.33	1.47	19.33	9.50
FCF	(1.73)	0.65	(4.25)	1.77	0.88	18.71	8.84
Net dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company Data; Bryan, Garnier & Co ests.

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
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 56,5%

NEUTRAL ratings 34%

SELL ratings 9,5%

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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
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