10th June 2016

Healthcare

UCB

Price EUR67.67

Bimekizumab showed strong results in Psoriatic Arthritis

Fair Value EUR80 (+18%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 62.3
Market Cap (EURm)	13,162
Avg. 6m daily volume (000)	350.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.4%	-3.5%	-17.1%	-18.7%
Healthcare	4.8%	4.1%	-4.6%	-7.0%
DJ Stoxx 600	2.4%	0.6%	-6.3%	-6.7%

	2014	2015e	2016e	2017e
P/E	40.1x	31.2x	21.6x	15.4x
Div yield (%)	1.3%	1.6%	2.4%	3.4%

ANALYSIS

- UCB presented bimekizumab's () phase Ib results in Psoriatic Arthritis (PsA) at EULAR 2016. Results of UCB's bispecific IL-17 A/F drug candidate showed fast onset of action in patients non-responding to at least 1 DMARD and/or biologic. 52 patients were randomised in the trial and treated for eight weeks. The ACR20 responder rate stood at 80% in the 30 patients included in the top three doses vs. 17% (n=12%). Turning to PASI90, results were also encouraging with bimekizumab showing a 90% responder rate (top three doses) vs. 0% for placebo. The molecule's safety profile showed no concerns (no treatment-related AEs nor any discontinuations). Although these results need to be confirmed in the long run (24w, 52w and 104w), they compare favourably to results for Novartis' Cosentyx in the same indication. Bimekizumab dose ranging phase IIb trial in PsA should be initiated in 2017 (results potentially available in late 2018).
- With fierce competition in psoriatic arthritis, UCB could potentially develop bimekizumab in Ulcerative Colitis and Crohn's disease, indications in which 1/ promising products are at an earlier stage and 2/ the IL-17 pathway has already been validated.
- This is good news for UCB's early stage pipeline and we are not ruling out the prospect of the share trading higher at opening. However, we do not think these results are enough to offset medium concerns on 1/ Vimpat's patent estate, 2/ romosozumab's market penetration should the product be approved in the light of recent mixed phase III results and 3/ JAK and IL-6 inhibitors triggering increase interest in rheumatoid arthritis, potentially putting UCB's Cimzia use as a $2^{nd}/3^{rd}$ line anti-TNF at risk. All in all, the latter concerns are directly linked to the group's ability to reach its 30% recEBITDA guidance towards 2018..

VALUATION

- We reiterate our NEUTRAL rating and EUR80 Fair Value

NEXT CATALYSTS

- 28th July: 2016 half-year 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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