

Adocia

Price EUR58.09

Fifth BC-based platform initiated

Fair Value EUR93 (+60%)

BUY

Bloomberg	ADOC.FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market Cap (EURk)	397,684
Ev (BG Estimates) (EURk)	374,544
Avg. 6m daily volume (000)	30.50
3y EPS CAGR	2.5%

Adocia has decided to initiate a new programme based on its BioChaperone technology with native glucagon. The aim is to develop a rescue pen for severe hypos and combinations to come closer to the concept of artificial pancreas. The group is late compared with other companies in the field but has a differentiated approach. While it is too early to put any value on it, the move makes sense.

ANALYSIS

- Adocia announced yesterday that it had decided to add a fifth programme to its BioChaperone platform, four of which are in the diabetes field, with this one set to be called BC Glucagon.
- The first programme is currently progressing under the leadership of Lilly that intends to move BC lispro into phase III trials by year-end. The objective is to bring innovative ultra-fast-acting insulin to market to compete with Novo's Fiasp and to have both more effective and more convenient short-acting insulin for patients that self-inject themselves and/or are pump users.
- The second programme is a BC Combo that has priority status for Adocia in 2016 and combines long-acting insulin glargine with short-acting lispro. This combination is of interest but the category is losing ground and so the future of BC Combo is unclear. Adocia remains fully committed to the project and convinced that the BC Combo has a central role to play, supported by strong data. As such, it is ready to take a bigger financial risk and to share the cost of phase III with a partner rather than simply licensing it out. In an attempt to protect its diabetes franchise, we still see Sanofi as the right partner, also to leverage the biosimilar lispro opportunity.
- Hinsbet and PDGF are smaller opportunities but very strong data was presented earlier this year on Hinsbet that could attract interest anyway. For PDGF, phase III results are expected mid-year and should tell if and how Adocia can move forward with it.
- Back to BC Glucagon, this is a fairly logical addition to the pipeline in fact. Several companies are developing glucagon-based products and it looks like Adocia has a similar approach to Zealand i.e. is interested in investigating both monotherapy to develop a self-injected glucagon formulation as a "rescue" pen for severe hypoglycaemias, and combinations with insulin or GLP1 analogue to work on the artificial pancreas. Where Adocia stands out is that it would work on the native form of glucagon unlike others that develop glucagon analogues. Using the native form of the hormone could have two main advantages: the first is development time and the second is potentially tolerance. This will have to be demonstrated in clinical trials (Adocia expects to start first trial in H1 2017) but so far, preclinical data on pigs has been encouraging enough to decide that this is going to be a new programme that will be allocated adequate resources.
- Note that as a consequence of this new opportunity in one of Adocia's fields of expertise, the company has decided to discontinue the Drive-In platform in oncology for which we had no value and were even slightly sceptical about probability of success.

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.7%	3.4%	-22.7%	-20.7%
Healthcare	8.6%	5.3%	-5.4%	-5.8%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (EURk)	2015	2016e	2017e	2018e
Sales	36,936	39,754	48,737	75,345
% change		7.6%	22.6%	54.6%
EBITDA	10,571	9,754	23,737	50,345
EBIT	10,103	9,254	23,237	49,845
% change		-8.4%	NM	114.5%
Net income	12,554	4,058	1,217	13,537
% change		-67.7%	-70.0%	NM

	2015	2016e	2017e	2018e
Operating margin	27.4	23.3	47.7	66.2
Net margin	34.0	10.2	2.5	18.0
ROE	30.4	8.9	2.6	22.5
ROCE	NM	NM	NM	NM
Gearing	-33.8	-51.0	-63.0	-263.3

(EUR)	2015	2016e	2017e	2018e
EPS	1.84	0.59	0.18	1.98
% change	-	-67.7%	-70.0%	NM
P/E	31.7x	97.9x	NS	29.4x
FCF yield (%)	NM	2.3%	1.6%	32.4%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	10.4x	9.4x	7.6x	3.2x
EV/EBITDA	36.3x	38.4x	15.5x	4.8x
EV/EBIT	38.0x	40.5x	15.9x	4.8x



VALUATION

- BC Glucagon is still in the preclinical phase and so, in spite of a clear view over the opportunity that it may represent – if only in reference to Zealand that we cover too –, we have decided not to factor it into our sales model yet and to wait at least for the first clinical data as we always do.

NEXT CATALYSTS

- Over the next couple of months: PDGF Indian phase III results

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Distribution of stock ratings

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