

26th August 2016

Healthcare

Adocia

Price EUR56.40

BC PDGF fails in India and its development is discontinued as a consequence

Fair Value EUR90 vs. EUR100 (+60%)

BUY

Bloomberg	ADOC.FP
Reuters	ADOC.FR
12-month High / Low (EUR)	89.3 / 44.4
Market Cap (EUR)	386
Avg. 6m daily volume (000)	25.60

ANALYSIS

- Adocia announced yesterday after market close that it would not pursue the development of its BC PDGF product in wound healing for DFU (diabetic foot ulcer) after the Indian phase III trial failed to show any benefit over placebo. Although there are obvious potential biases in the way the trial was conducted in India (including a major intra-variability of results from one recruiting centre to another) and an unprecedented placebo effect in this setting, Adocia has decided to stop all further development of the drug.
- Adocia has always said that the Indian phase III trial would be used as a base for the design of new trials in Europe and in the US. The risk of losing time (an estimated 3 to 4 years) and money (EUR15 to 20m) has become increasingly significant with this failure in India, without a reasonably clear view on the outcome. As such, Adocia will focus further on diabetes.

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.6%	2.2%	11.2%	-23.0%
Healthcare	-5.1%	-2.3%	3.3%	-8.3%
DJ Stoxx 600	0.3%	-1.9%	4.7%	-6.5%

	2015	2016e	2017e	2018e
P/E	30.7x	74.3x	NS	32.9x
Div yield (%)	NM	NM	NM	NM

VALUATION

- Although this project was somewhat less strategically aligned than the others to Adocia's core competency in diabetes, the investment behind it was significant and its phase III status gave it some visibility within the pipeline. Rationale was therefore high enough to support a PoS of 60% and we now have to remove the drug from our model.
- We have also taken this opportunity to update our model and factor in Lilly's announcement in July that BC lispro's filing would move from end-2016 to 2017 (to be ready on the manufacturing front).
- Altogether, the two elements have a negative influence of EUR10 on our FV.

NEXT CATALYSTS

- 12-16th September 2016: EASD meeting – potential press release by Adocia

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Distribution of stock ratings

BUY ratings 55.3%

NEUTRAL ratings 33.3%

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