

Healthcare

Bayer

Price EUR91.60

First take from Meet the Management Meeting

Fair Value EUR98 (+7%)

NEUTRAL

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	126.9 / 84.4
Market Cap (EURm)	75,748
Avg. 6m daily volume (000)	2,607

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.9%	4.0%	-7.7%	-20.9%
Healthcare	0.4%	5.6%	6.9%	-7.2%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

	2015	2016e	2017e	2018e
P/E	13.3x	12.4x	11.7x	10.9x
Div yield (%)	2.7%	2.8%	2.9%	3.1%

ANALYSIS

- Bayer issued a press release this morning prior to its "Meet the management" investor conference in which some updated medium-term guidance were given.
- Looking at the top line of the Pharmaceuticals franchise, we would note that 1/ the group has raised its peak sales estimates for five recently launched Pharma product (namely Xarelto, Eylea, Xofigo, Adempas and Stivarga) from EUR7.5Bn to EUR10.0Bn... But we would say the overall number is not too far away from ours (BG: EUR9.4Bn); 2/ the highest leverage on estimates comes from pipeline aspirations but we need more inside into data and timings during the day. BAY put forward six candidates under development, for which it expects a combined sales of at least EUR6.0Bn (that said no precise timing was given)... And among them, anetumab ravtansine would be the most promising one with an estimated peak sales of more than EUR2.0Bn (whereas we currently forecast a EUR500-600m in 2L mesotheloma – see our Morphosys initiation report for further details). Having said that the Pharma division's EBITDA margin will probably in a 32-34% range (vs BG: 32.4%) and no more given its lack of exposure to the US market. We see little to no news about consumer healthcare.
- We summarized all the given numbers in the following table:

Product	Stage	Previous Co. est. (USDBn)	New
Existing products			
Xarelto	Marketed	7.5	10.0
Eylea	Marketed	3.5	5.0
Xofigo	Marketed	1.5	2.5
Adempas	Marketed	"At least USD1.0Bn"	"More than USD1.0Bn"
Stivarga	Marketed	0.5	0.5
Under development			
Vericiguat	Phase II	1.0	1.0
Finerenone	Phase III	None	0.5
Vilaprisan	Phase II	None	> 1.0
ODM-201	Phase III	None	> 1.0
Anetumab ravtansine	Phase II	None	> 2.0
Coplanlisib	Phase III	None	> 0.5
Pharmaceuticals incl. Radiology			
Sales			CAGR +6% by 2018
EBITDA margin before special items			32-34% in 2018
Animal Health			
sales			CAGR +4-5% by 2018
EBITDA margin			23-24%
Consumer Health			
sales			CAGR +3-4%
EBITDA margin			25%

VALUATION

- In the end we expect a positive short term share price reaction but the context of merger with Monsanto is likely to prevent a marked performance over the coming 12 months, hence our NEUTRAL rating.

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- Meet the management investor conference today.

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Distribution of stock ratings

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