

Ipsen

Price EUR57.92

Cabometyx approved in Europe

Fair Value EUR66 (+14%)

BUY-Top Picks

Having being recommended for approval in July by the CHMP, Cabometyx is now being approved by the EC as a treatment for 2L RCC. Launch in first EU countries should take place in Q4.

ANALYSIS

- Although it was highly expected, in particular since the drug obtained a positive CHMP opinion in July, Ipsen announces that Cabometyx has just been approved by the European Commission as a treatment for renal cell carcinoma in second-line, after failure or resistance with a VEGF targeting agent like Pfizer's Sutent or Novartis' Votrient.
- As a reminder, Ipsen acquired ex-US and ex-Japanese rights of cabozantinib from Exelixis at the beginning of the year for an upfront payment of USD200m and will now pay another USD60m in connection with the UE approval in 2L RCC. It is also estimated that about EUR50m will be invested to set up a commercial sales force in Europe to support the launch of the drug in the field of oncology that is new to Ipsen. Despite a very competitive oncology market, it has proven not too difficult for Ipsen to recruit high-level people in key European countries, since the drug has delivered a very strong set of clinical data, not only in phase III in 2L RCC (METEOR, presented at ASCO) but also in 1L with the initial data for the CABOSUN phase II trial (to be detailed at ESMO in October). As a consequence, first launches are expected in Q4 2016 in Germany and in the UK.
- In the US, where Exelixis has kept all rights, the drug is set to enjoy a good start since its originator reported USD32m in sales in Q2, including an inventory effect however.

VALUATION

- While Somatuline in the US is game-changing for Ipsen, Cabometyx makes it a different story and places Ipsen in the right seat to become a fast-growing specialty care pharma company.
- We recognize the competition from Opdivo (BMS) as fierce, but we actually expect the two drugs to progressively transform the standard of care in RCC, not only in 2L but also in 1L and to take the lion's share of this market over time. Cabometyx is competitive in terms of clinical data and might have a price advantage over Opdivo. We have considered an annual price of EUR60,000 on average in Europe which results in a EUR300m peak sales for the drug in 2027, which is highly meaningful for Ipsen in terms of top-line boost and to help increase margins (despite an average 18% royalty rate on sales paid to Exelixis).

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Prevalence Europe RCC	110000	111100	112211	113333	114466	115611	116767	117935	119114	120305
5% extra prevalence for ROW	5500	5555	5611	5667	5723	5781	5838	5897	5956	6015
Addressable patients (20%)	23100	23331	23564	23800	24038	24278	24521	24766	25014	25264
Market share	0,2%	2%	6%	10%	14%	17%	20%	23%	25%	25%
Volume	46	467	1414	2380	3365	4127	4904	5696	6253	6316
PFS median	0,75	0,75	0,75	0,75	0,75	0,75	0,75	0,75	0,75	0,75
Annual price	60 000	60 000	60 000	60 000	60 000	60 000	60 000	60 000	60 000	60 000
Price x PFS	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Sales in MTC	750	4 000	4 500	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Total Sales MTC+RCC	2 829	24 998	68 124	112 100	156 439	190 729	225 690	261 331	286 407	289 221

NEXT CATALYSTS

- 8 October 2016: Investor Event from ESMO - Copenhagen

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	IPN FP
Bloomberg	IPN.PA
Reuters	IPN.PA
12-month High / Low (EUR)	61.9 / 47.1
Market Cap (EURm)	4,823
Ev (BG Estimates) (EURm)	4,911
Avg. 6m daily volume (000)	80.40
3y EPS CAGR	13.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.8%	7.4%	21.7%	-5.0%
Healthcare	-3.7%	1.5%	1.5%	-9.3%
DJ Stoxx 600	-2.1%	3.6%	-1.0%	-7.4%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,444	1,566	1,714	1,866
% change		8.5%	9.4%	8.9%
EBITDA	366	407	462	544
EBIT	322.5	340.9	390.0	466.3
% change		5.7%	14.4%	19.5%
Net income	228.0	237.3	278.0	335.6
% change		4.1%	17.2%	20.7%

	2015	2016e	2017e	2018e
Operating margin	22.3	21.8	22.8	25.0
Net margin	12.5	14.0	14.1	15.9
ROE	15.5	16.9	16.7	17.8
ROCE	22.6	17.6	19.6	22.8
Gearing	-8.3	6.4	-0.2	-9.2

(€)	2015	2016e	2017e	2018e
EPS	2.78	2.89	3.39	4.09
% change	-	4.1%	17.2%	20.7%
P/E	20.8x	20.0x	17.1x	14.2x
FCF yield (%)	3.7%	4.1%	4.9%	6.0%
Dividends (€)	0.85	0.85	1.10	1.20
Div yield (%)	1.5%	1.5%	1.9%	2.1%
EV/Sales	3.3x	3.1x	2.8x	2.5x
EV/EBITDA	12.9x	12.1x	10.4x	8.6x
EV/EBIT	14.6x	14.4x	12.4x	10.0x



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Distribution of stock ratings

BUY ratings 72%

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