28th October 2016

Healthcare

Adocia

Price EUR50.08

Hinsbet delivers new phase I data and narrows its scope of opportunities

Fair Value EUR82 vs. EUR90 (+64%) **BUY**

Bloomberg	ADOC FP
Reuters	ADOC.FR
12-month High / Low (EUR)	82.6 / 44.4
Market Cap (EURm)	343
Avg. 6m daily volume (000)	21.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	-0.8%	-19.3%	-31.6%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	27.3x	66.0x	NS	26.4x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Adocia yesterday announced new positive phase I data for its engineered human insulin drug HinsBet U100, a short-acting formulation of human insulin, compared to Lilly's human insulin Humulin (showing superiority in glycemic control and in postprandial incursions) while achieving non-inferiority against insulin analogue Humalog.
- It is worth noting that Humulin delivered USD1bn in sales over the first 9 months of 2016, up 2% while Humalog decreased 5%, reflecting the current difficult environment in the US for branded insulins, notably in terms of net pricing. It is fair to imagine that Humulin U500 is behind the very good resilience of Humulin as a whole.
- While we had so far anticipated that HinsBet could be a dual project with emerging markets on one side where it can offer a very efficient drug at a very affordable price and the US on the other side with the perspective of highly concentrated formulation well designed for overweight and obese patients, it looks like EM is option number 1 now.

VALUATION

- We are adjusting our FV downwards to reflect: (i) cautiously, we are taking out of our model U500 opportunity for HinsBet for the time being until we know how discussions develop (-EUR5); (ii) in light of the increasing difficulty in switching insulin patients to new treatments (seen by payers as poor innovations), we have decreased the size of the target market from 80% of the existing one to 70% for new ultra-fast acting insulins (-EUR3). Fiasp CRL can be seen as good news as it narrows the gap between Novo-Nordisk and Lilly but it also takes Fiasp's launch closer to lispro biosimilars entry.

NEXT CATALYSTS

- Today: Novo clarifies next step with Fiasp's regulatory process in the US?

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BUY ratings 56.7% NEUTRAL ratings 31.8% SELL ratings 11.5%

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