

## Sector View

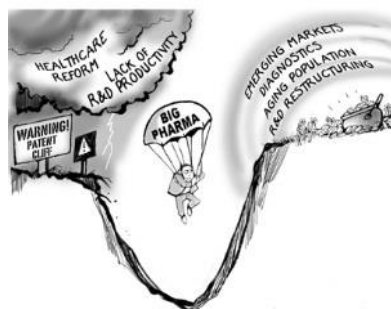
## Pharmaceuticals

	1 M	3 M	6 M	31/12/15
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

\*Stoxx Sector Indices

## Companies covered

Company	Rating	Price/Target
<b>ACTELION</b>	NEUTRAL	CHF180
Last Price	CHF143.3	Market Cap. CHF15,442m
<b>ASTRAZENECA</b>	BUY	5220p
Last Price	4614.5p	Market Cap. GBP58,374m
<b>BAYER</b>	NEUTRAL	EUR98
Last Price	EUR90.73	Market Cap. EUR75,029m
<b>GLAXOSMITHKLINE</b>	BUY	1930p
Last Price	1630.5p	Market Cap. GBP79,499m
<b>GRIFOLS</b>	NEUTRAL	EUR20
Last Price	EUR18.14	Market Cap. EUR11,255m
<b>IPSEN</b>	BUY	EUR72
Last Price	EUR63.48	Market Cap. EUR5,293m
<b>NOVARTIS</b>	NEUTRAL	CHF81
Last Price	CHF71.4	Market Cap. CHF187,576m
<b>NOVO NORDISK</b>	NEUTRAL	DKK355
Last Price	DKK279.3	Market Cap. DKK562,109m
<b>ROCHE HOLDING</b>	BUY	CHF285
Last Price	CHF230.3	Market Cap. CHF161,800m
<b>SANOFI</b>	NEUTRAL	EUR83
Last Price	EUR68.86	Market Cap. EUR88,769m
<b>SHIRE PLC</b>	BUY	6900p
Last Price	4950p	Market Cap. GBP44,697m
<b>SOBI</b>	SELL	SEK90
Last Price	EUR95.85	Market Cap. EUR25,917m
<b>UCB</b>	NEUTRAL	EUR80
Last Price	EUR64.53	Market Cap. EUR12,551m



## Is SOBI or Bioerativ a future target for Novo?

Last Friday, NOVO's CFO explicitly stated there is a potential for M&A in the Haemophilia field. We believe that Eloctate could be a nice fit within the big pharma's portfolio... But BIIB's future spin-off (namely Bioerativ) would be the prime target vs SOBI in our view, given its 1/ pure-player status, and 2/ already strong patient base in the US. We stick to our positive stance on SHP and ROG while we remain quite cautious on NOVO, GFS and SOBI

## ANALYSIS

- **Haemophilia as a way to diversify NOVO's portfolio.** Such move would make sense in our view as 1/ NovoSeven is set to lose further shares in the Inhibitor sub-segment, especially once ROG's ACE910 reaches the market (BG: 2018e, knowing that its Phase III results are still expected in Q4 16); 2/ NOVO's R&D pipeline is far from exhaustive when it comes to Haemophilia apart from N8-GP and N9-GP (so far we have solely identified concizumab, a Phase I mAb targeting TFPI).
- **We see BIIB's Bioerativ as a prime target.** BIIB's future spin-off would be a more attractive target in our view especially given 1/ its quasi-exclusive exposure to the US (the largest market with a share of c.40%) along with an already strong patient base there (both products already generating USD700m on an annualized basis); 2/ the to-be-confirmed potential of Eloctate for the desensitization of patients... which by the way may add more than USD1.0Bn to our current worldwide peak sales estimates; and 3/ its pure-player status, and thus the absence of assets deemed as "non-core" in Novo's view.
- **SOBI is probably out of the scope.** Conversely, SOBI is still in its early stages and exposed to the slightly less lucrative European market, and we believe its exposure to other rare diseases could be a blocking factor (not to mention its EBIT margin compared to NOVO's).
- The spinoff is expected to occur by the end of this year or early 2017. We foresee a valuation of USD5-6Bn based upon our combined sales estimates for Eloctate and Alprolix in the US (c.USD800m) and an EV/sales of 5-6x (in line with the average multiple seen with big biotechs). And no doubt that Novo has the means to support an acquisition of this size (the company benefiting from a positive net cash position). Our questions rather deal with the amount of potential cost/sales synergies that could be extracted from such deal.

Life-Cycle Management Initiatives	Next generation long-acting factors	Gene therapy
<p><b>FVIII Fc fusion</b></p> <ul style="list-style-type: none"> <li>• Fc portion of fusion proteins, used in both ELOCTATE and ALPROLIX, may offer additional benefits beyond half-life extension</li> <li>• Investigating immune tolerance induction with ELOCTATE</li> </ul>	<p><b>rFVIII-Fc-VWF-XTEN</b></p> <ul style="list-style-type: none"> <li>• Long-acting hemophilia product candidate utilizing the XTEN technology to reduce infusion frequency and protection from bleeds</li> </ul>	<p><b>Gene Therapy</b></p> <ul style="list-style-type: none"> <li>• Working on gene therapy for the treatment of hemophilia A / B utilizing lentiviral vectors</li> </ul>

## VALUATION

- **We reiterate our hierarchy within the Haemophilia segment.** So we stick to our positive stance on SHP and ROG while we remain quite cautious on NOVO, GFS and SOBI.

## NEXT CATALYSTS

- Q4 16: ROG's ACE910 Phase III results.

[Click here to download document](#)



**Analyst :**  
Mickael Chane Du  
33(0) 1 70 36 57 45  
mchanedu@bryangarnier.com

**Sector Team :**  
Eric Le Berrigaud  
Hugo Solvet

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
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	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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