

SOBI

Price CHF97.60

Q3 16 above expectations, but FY guidance raised in line with consensus; a slight miss in Haemophilia

Fair Value SEK90 (-8%)

SELL

Bloomberg	SOBI.SS
Reuters	SOBIV.ST
12-month High / Low (CHF)	139.3 / 95.9
Market Cap (CHFm)	26,390
Ev (BG Estimates) (CHFm)	27,386
Avg. 6m daily volume (000)	1,187
3y EPS CAGR	ns

Q3 16 results are admittedly above estimates (EBITA: SEK282m vs BG: SEK215m and CS: SEK186m). Plus, the EBITA guidance for the whole year has been increased... But we cannot ignore that 1/ the new targets are in line with consensus' estimates before this publication; 2/ haemophilia products (the main drivers of the valuation in our view) fell short of expectations. Overall, this does not change our bearish call that the overall consensus for the Haemophilia franchise is likely to be adjusted downward.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-10.0%	-18.7%	-27.5%
Healthcare	-5.8%	-11.0%	-5.3%	-13.6%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (SEKm)	2015	2016e	2017e	2018e
Sales	3,228	5,143	6,163	7,555
% change		59.3%	19.8%	22.6%
EBITDA	465	1,560	1,997	2,705
EBIT	146.0	1,093	1,473	2,101
% change		NM	34.8%	42.6%
Net income	68.4	702.6	1,023	1,493
% change		NM	45.5%	46.0%

	2015	2016e	2017e	2018e
Operating margin	4.5	21.2	23.9	27.8
Net margin	2.1	13.7	16.6	19.8
ROE	1.5	13.0	15.9	18.9
ROCE	1.0	10.5	15.8	23.1
Gearing	35.2	18.5	-4.1	-22.2

(SEK)	2015	2016e	2017e	2018e
EPS	0.25	2.60	3.78	5.52
% change	-	NM	45.5%	46.0%
P/E	NS	37.6x	25.8x	17.7x
FCF yield (%)	1.4%	2.5%	4.8%	5.7%
Dividends (SEK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.7x	5.3x	4.2x	3.3x
EV/EBITDA	60.3x	17.6x	13.1x	9.1x
EV/EBIT	192.0x	25.1x	17.7x	11.7x

ANALYSIS

- Both revenues and net income are above expectations (BG and consensus, see Fig. below for further details)... But looking into the details, we note that 1/ most of the beat is due to higher manufacturing revenues and royalties from ReFacto (a recombinant FVIII, +15% vs BG: -12%) as well as lower than anticipated R&D; 2/ Elocate and Alprolix are rather below estimates due to "a slower conversion over the summer period".
- Importantly, the company raised its FY EBITA guidance to a level in line with consensus' expectations before this publication (SEK1,475m-1,525m vs SEK 1,200-1,300m previously)....

(in SEKm)	Q3 15	Q3 16	BG	CS
Revenues	786	1,171	1,120	1,136
- Elocate	0	57	95	97
- Alprolix	0	16	20	24
- Others	786	1,098	1,005	1,015
EBITA	97	282	215	186
% var y-o-y		191%	122%	92%
Net income	5	143	62	58

(in SEKm)	FY guidance (old)	FY guidance (new)	BG (before Q3)	CS (before Q3)
Revenues	4,800-5,000	5,130-5,200	5,144	5,183
Gross margin	68-70%	70%	70%	70%
EBITA	1,200-1,300	1,475-1,525	1,480	1,509

- These figures strengthen us in the idea that the overall consensus for the Haemophilia franchise is likely to be adjusted downward. First in the US (knowing that SOBI receives a royalty rate of 12% on sales there)... And then in Europe where they have been marketed for a few months. Looking at BIIB's Q3 publication, we noted that Elocate's sales were flat on a sequential basis (USD110m) while Alprolix's growth was quite limited (+6% to USD67m).
- As a reminder, we believe that 1/ Alprolix's European ramp-up will be hampered by the competition of CSL's Idelvion (which was also approved in May 16); 2/ Elocate is likely to suffer from the recent arrival of BAY's Kovaltry, as well as a lower appetite for recombinant FVIII.

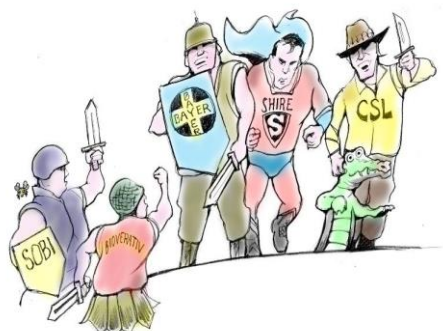
VALUATION

- We stick to our SELL rating with a FV of SEK90.

NEXT CATALYSTS

- February 16th 2017: Q4 16 results.

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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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London	Paris	New York	Munich	New Delhi
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
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
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