

SOBI

Price SEK97.60

Summertime is over... Winter is coming

Fair Value SEK90 (-8%)

SELL

| | |
|----------------------------|--------------|
| Bloomberg | SOBI.SS |
| Reuters | SOBIV.ST |
| 12-month High / Low (SEK) | 139.3 / 95.9 |
| Market Cap (SEKm) | 26,390 |
| Ev (BG Estimates) (SEKm) | 27,342 |
| Avg. 6m daily volume (000) | 1,187 |
| 3y EPS CAGR | ns |

At the end of the day, the stock fell by c.2% and this is probably due to the disappointing sales from Elocta. Summer/vacation time and a quite gradual granting of reimbursements in different European countries played a role here... But going forward, we stick to our cautious stance especially in light of 1/ the recent comments from Bayer (which confirmed our view that the switch to the first-gen of long-acting FVIII is likely to be slow/low), and 2/ the lacklustre Q3 performance of Eloctate in the US

ANALYSIS

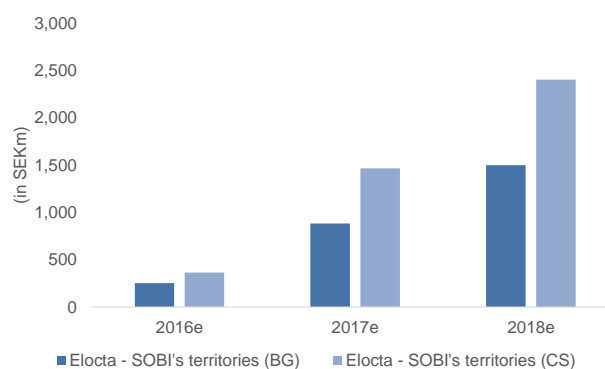
- **The end of the year should be brighter.** As said yesterday, Elocta and Alprolix's revenues fell short of expectations. Summer/vacation time, as well as late granting of reimbursement in key countries like Germany, obviously played a role in the poor performance of the overall Haemophilia franchise in Europe. The end of the year is fortunately expected to be brighter now that Elocta is reimbursed in many different countries (knowing that France, Spain and Italy are still in process).
- **Plasma-derived FVIII: still the preferred option in EU.** SOBI's management stated that most of the already-treated patients switching to Elocta used to be treated with recombinant FVIII (e.g. Advate, Kogenate)... All this remains quite early, but such trend confirms our view that 1/ European countries are likely to remain fond of (less expensive) plasma-derived therapies; 2/ GFS' FVIII franchise is not at risk, at least in the short term.
- **Stickiness is the word.** On Wednesday, BAY stated that Haemophilia A is "a slow-moving market towards longer-acting products such as Eloctate"... Which confirms the previous comments from Shire/Baxalta and CSL regarding the stickiness of the haemophilia A market. Note also that Kogenate/Kovatrly's Q3 revenues were down by -2% (vs +1% over the first nine months), but that performance was due to fluctuations in order volumes rather than a low acceptance, a potential preference for Elocta, or price decreases...
- Eloctate's flatness in the US underpin our belief that 1/ US sales have nearly reached a plateau following the arrival of competitors (CSL, SHP, BAY) and due to a lack of clear competitive advantages in terms of efficacy or safety (at least for now); and thus 2/ the current consensus is a bit too optimistic for 2017e (most analysts are expecting a y-o-y growth of +20-30%e for this product in the US, vs BG: +10%e). Obviously, this would be quite negative for SOBI as it receives c.12% of royalties on BIIB's US sales...

| | 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 | 5,180 | 5,920 | 7,092 |
| % change | | 60.5% | 14.3% | 19.8% |
| EBITDA | 465 | 1,593 | 1,882 | 2,493 |
| EBIT | 146.0 | 1,131 | 1,379 | 1,925 |
| % change | | NM | 21.9% | 39.6% |
| Net income | 68.4 | 762.3 | 951.6 | 1,362 |
| % change | | NM | 24.8% | 43.1% |

| | 2015 | 2016e | 2017e | 2018e |
|------------------|------|-------|-------|-------|
| Operating margin | 4.5 | 21.8 | 23.3 | 27.1 |
| Net margin | 2.1 | 14.7 | 16.1 | 19.2 |
| ROE | 1.5 | 14.0 | 14.9 | 17.5 |
| ROCE | 1.0 | 11.3 | 14.8 | 21.2 |
| Gearing | 35.2 | 17.5 | -4.4 | -21.5 |

| (SEK) | 2015 | 2016e | 2017e | 2018e |
|-----------------|--------|-------|-------|-------|
| EPS | 0.25 | 2.82 | 3.52 | 5.04 |
| % change | - | NM | 24.8% | 43.1% |
| P/E | NS | 34.6x | 27.7x | 19.4x |
| FCF yield (%) | 1.4% | 2.6% | 4.7% | 5.3% |
| Dividends (SEK) | 0.00 | 0.00 | 0.00 | 0.00 |
| Div yield (%) | NM | NM | NM | NM |
| EV/Sales | 8.7x | 5.3x | 4.4x | 3.5x |
| EV/EBITDA | 60.3x | 17.2x | 13.9x | 9.9x |
| EV/EBIT | 192.0x | 24.2x | 18.9x | 12.8x |



VALUATION

SELL reiterated with a FV of SEK90.

NEXT CATALYSTS

- February 16th 2017: Q4 16 results.

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| | |
|---------|---|
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