

23rd November 2016

Healthcare

Ablynx

Price EUR8.97

Re-partnership process initiated

Fair Value EUR16 (+78%)

BUY

Bloomberg	ABLX.BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 8.4
Market Cap (EURm)	546
Avg. 6m daily volume (000)	217.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.2%	-24.2%	-36.8%	-43.6%
Healthcare	-5.6%	-9.3%	-6.7%	-15.7%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Ablynx released Q3 2016 results with revenues standing at EUR68.9m vs EUR53.6m in Q3 2015 mainly due to the recognition of milestones from new partnerships (i.e. Novo Nordisk and expansion of the Merck & Co partnership) and a milestone from BI. R&D expenses are up from EUR58.5m to EUR72.8m as the pipeline is evolving towards a late stage which also triggered an increase in external development costs (EUR9.8m vs EUR8.4m). Financial results stand at EUR24.5m positively impacted by the fair value adjustment of convertible bonds. Net result stood at EUR10.9m.
- The company has EUR263.6m in cash and equivalents. FY cash burn guidance of EUR64-75m reiterated.
- Following the recent decision of AbbVie to opt-out from vobarilizumab, Ablynx has started identifying a partner and remains well on track for its end-of-phase II meeting with both the EMA and the FDA in H1 2017. We do not believe that the SLE trial, for which recruitment should be completed in late 2016, would delay the re-partnership of vobarilizumab until readout in 2018. While AbbVie has the right to take back the rights upon encouraging results in SLE, such a decision would force the US pharma **1/** to pay the USD75m milestone payment, **2/** reimburse two-times the costs incurred by Ablynx (inc. potential costs linked to the initiation of a phase III program to be started by ABLX) and **3/** move the product development forward in RA. As such, there is an incentive in our view for AbbVie to amend the partnership so that Ablynx could take back the rights on the product candidate.

VALUATION

- We reiterate our Buy recommendation and EUR16 Fair Value

NEXT CATALYSTS

- Early 2017: first INDs from the Merck & Co partnership in IO

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Distribution of stock ratings

BUY ratings 72%

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