

Healthcare

Actelion

Price CHF137.10

Interesting conference call that gives food for thought

Fair Value CHF180 (+31%)

NEUTRAL

Bloomberg	ATLN.VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	14,774
Avg. 6m daily volume (000)	369.2

ANALYSIS

- On the back of positive MERIT headline data, Actelion held a conference call yesterday aimed at providing an update on its so-called cardiovascular pipeline. Three key messages to have in mind in our view:
 - Firstly, as we have already highlighted in the past, Actelion's pipeline can be divided into two parts with one aiming to create new growth platforms outside PH whereas the other one is less ambitious but maybe easier to reach and aims at expanding the current use of Opsumit and Upravi. And yesterday's call reminded everybody that Actelion can still do a lot to drive growth for the two drugs to higher stages through new populations, new indications and new formulations.
 - Secondly and more specifically, about CETPH, we would note convincing arguments against the need for a head-to-head phase III trial including a major difference in the ability to combine with PDE-5 inhibitors. The trial was well conducted, the results are clear-cut and so a phase III might not be required. That said, without postoperative CETPH (not studied in MERIT), we consider the drug's potential as rather limited. Note however that it is through this type of result that the situation in France might evolve over time and ultimately result in a launch with a decent price.
 - Thirdly, the call was also an opportunity to provide details on the "endothelin receptor antagonist in specialty cv disorders" compound as it has been described so far. Actually it is a dual ERA that has a long lasting effect on blood pressure and could be an option for so-called resistant hypertension. These are forms of HBP with high levels of ET and low levels of renin for which current drugs are not very effective. Actelion notes that this is more prevalent in African-Americans. Phase II lisinopril and a placebo-controlled study is underway whose results will be very interesting.

VALUATION

- Considering CS peak sales for Opsumit and Upravi, extensions of indications for both drugs are partially factored in already in our view whereas anything else outside PH is not or very modestly included. When it is far from Actelion's core competencies like inflammation or CNS, it is a cautious approach but if it comes closer (like with HBP drugs), this might have to be adjusted. In any case, it is a fact now that Actelion's pipeline is building up strongly. At some point, it will no longer be possible to ignore it. We will wait for our meetings with management at our Conference next week to assess how far we may be from another turning point.

NEXT CATALYSTS

- 15th November 2016: 4th Bryan Garnier Healthcare Conference

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