

25th November 2016

Healthcare

Actelion

Price CHF158.00

Rumoured to have received an offer from J&J

Fair Value CHF194 (+23%)

BUY

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	17,026
Avg. 6m daily volume (000)	448.7

ANALYSIS

- Over the last couple of weeks, Actelion has been rumoured several times to be at the heart of discussions for a potential acquisition by a third party. So far, sources were mysterious and no predator was reported. But today it looks like things are getting more precise; hence our decision to write a few lines to simply report the news and to comment shortly on it.
- So it is said that Johnson & Johnson (J&J) would have approached Actelion and even made an initial offer. It is even mentioned that Actelion would have already brought BofA-Merrill Lynch to work on its defence. It is also said that Shire might be interested too. Shire had been mentioned several times in the past and we would see AstraZeneca or Sanofi as other potential predators.
- On the paper, interest for Actelion makes sense at present time because the company is about to sort out Tracleer's patent expiry (should take place in major markets in 2017 so that someone bidding now would have an attractive base while booking Actelion for the first time), has two young assets growing fast (Opsumit and Upravi) and with patents in 2026-2027 and last but not least an attractive late-stage pipeline maturing.

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.2%	-4.2%	-1.4%	13.2%
Healthcare	-4.1%	-8.8%	-8.0%	-15.1%
DJ Stoxx 600	-0.7%	-0.9%	-0.7%	-6.6%

	2015	2016e	2017e	2018e
P/E	25.6x	19.4x	21.3x	19.8x
Div yield (%)	0.9%	0.9%	0.9%	0.9%

VALUATION

- At this point, we believe that Actelion should confirm the rumours if they are right i.e. if it has an initial offer from J&J on the table. And we should then see many other interests arising. That will probably include at least one of the two other Basel-based companies that are unlikely to see the perspective of a US company coming into the Basel area with happiness. Roche, if only to strengthen Esbriet in IPF by a franchise in PAH, is a candidate in our view.
- Now, how high can it go? It is premature to give precise numbers but: (i) we are still using a beta of 0.9 whereas all big pharma are carrying a beta of 0.8 and J&J is likely even below. Each difference by 0.1 on the beta would represent an extra CHF15 per share on our FV; (ii) Actelion benefits from a tax rate of 13% that could be very attractive to a lot of suitors; (iii) synergies will have to be shared but will depend on who goes for it; (iv) last of course the assets and more particularly the value of the pipeline. Needless to remind that Celgene bought Receptos for close to USD8bn for a single asset that is very similar to ponesimod. But Actelion has 6 molecules ready to go or already in phase III in 2017. ACT-132577 for instance has been valued as if it was partnered because it is likely to be but J&J (that is doing a great job with Xarelto for instance) would keep 100% of its value. So, at very first glance, a bid on Actelion could go as high as CHF250 per share in our view.

NEXT CATALYSTS

- Shortly some public comments by either Actelion or J&J?

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