



DAILY EQUITY RESEARCH UPDATE
Healthcare

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Research Reports

ONCODESIGN | Corporate | FV EUR13

Planets are aligning

- **A diversified biopharmaceutical company.** Oncodesign is a biotech company leveraging its powerful scientific capabilities, particularly on kinase inhibitors, through three different and complementary business activities: drug discovery services, partnerships with pharmaceutical companies in drug development, and the development of proprietary assets. The stock thus offers investors exposure to the potential upside of a traditional biotech company (through its own pipeline) with a lower risk profile, due to its diversified business model.
- **R&D outsourcing trend will grow the drug services business.** Taking advantage of the declining R&D productivity faced by the pharmaceutical industry, Oncodesign was initially built on its drug services business and subsequently established itself as a key player in R&D outsourcing. Considering that almost half of drug discovery spending will be outsourced by 2020, we are confident that this trend will help Oncodesign's top line grow. While this business was worth EUR19m in 2018, we see it reaching EUR29.7m by 2020.
- **Potential long-term upside from the internal pipeline.** Oncodesign's pipeline of proprietary early-stage programs effectively forms the basis of potential long-term upside from royalties and milestone payments. It currently has three programs in development (RIPK2, ALK1 and MNK1/2) alongside the recently-announced strategic collaboration with Servier on LRRK2 (EUR3m upfront and up to EUR320m in milestones), a radiotracer in co-development with Cyclopharma, and partnerships with both UCB and BMS.
- **Valuation.** We value Oncodesign at EUR13.0 per share, our WACC stands at 12.7% and assumes a risk-free rate of 1.6% and a risk premium of 7.0% based on Bryan Garnier & Co's Equity Research assumptions. We have applied a 2.5% growth rate to perpetuity, and a 25% operating margin.

Analyst: Gary Waanders, PhD

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Core News

KORIAN | Buy | FV EUR40 vs EUR38

FV upgraded to reflect better guidance than anticipated

- FY2018 results that reflect the soundness of the actions undertaken
- Strong pipeline and financials that lives rooms to pursue the group ambitions
- Asset smart strategy perfectly implemented
- Some adjustments on our estimates which derives a FV of EUR40

Analyst: Bruno de La Rochebrochard

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Q2 2019 Healthcare Top Picks

SANOFI (Buy, FV EUR94), NOVARTIS (Buy, FV CHF96), ROCHE HOLDING (Buy, FV CHF315), GALAPAGOS (Buy, FV EUR125)

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