



14th May 2019

IPSEN

- Healthcare
- Pharmaceuticals

BUY - Top Picks

Fair Value	EUR141(+42%)
Share price	EUR99.5
EPS 3Y Cagr	8.5%

Mid-term outlook implies double-digit growth despite generic risks

Ipsen has heard the market's concerns

We did not know whether Ipsen would reiterate a medium-term outlook as the previous one was coming to an end. There were pros and cons and the main argument against the idea was that very few companies are doing one. However, in the context of significant generic risk-related uncertainties about future growth, this was certainly the best decision to make to determine what could be considered as a floor or a base-case scenario. So that is what Ipsen has decided to do in the form of a couple of financial metrics for 2022 i.e. net sales of around EUR3.2bn and a core operating margin of more than 32%. Based on the last consensus numbers available (before Q1 was unveiled and before rumours about a generic Somatuline in the EU came through), we see those numbers as pretty much in line for the top-line and slightly below CS for EBIT margin (33%), underlying the very high expectations carried out by the Street. We are clearly far more conservative, assuming a generic risk for Somatuline both in Europe and in the US as of 2020 and 2021 respectively. With sales slightly above EUR2.8bn and core operating margin of 30.5%, Ipsen's guidance is clearly reassuring to us.

At first glance, guidance factors in conservative assumptions

We do not (yet) have much info about what is included in guidance exactly but two elements look key: the first assumes "the earliest possible entry of somatostatin analog generics" which does not refer precisely to dates for generics Sandostatine and Somatuline in EU and in the US but should cover the worst-case scenario, leaving only upsides. The second important assumption made is the inclusion of FOP as the only indication for palovarotene which is also what we do (with a PoS of 90%) with expected PS of just below USD300m in 2027 whereas Ipsen communicated about USD400m PS in FOP at the time of the acquisition.

So the implied sales of EUR3.2bn and margin of 32% (minimum) correspond to a CAGR of 9.5% and 12% respectively for sales and EBIT over 2018-2022 as the company is transitioning from a Somatuline-dependent portfolio to a more diversified one.

By 2022, the pipeline should deliver several new drugs

Ipsen mentions that up to nine regulatory submissions should be executed by 2022, including palovarotene in FOP, Onyvide in 1L pancreatic cancer ("encouraging interim data" to be reported at ESMO GI in July) and first filings in nuclear medicine. A phase II/III will start in H2 2019 in NET and a phase II with the fast-acting neurotoxin too.

More activity in BD can be expected

It is also our understanding between the lines that more BD transactions can be expected in the coming months to even further strengthen Ipsen's position as the group enters a new chapter in its history. For that reason also, we believe it is fair to look at the 2022 guidance as a base-case scenario since we would not expect any deal to be dilutive. We confirm our BUY recommendation.

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Market Data

Bloomberg / Reuters	IPN FP/IPN.PA
Market Cap.	EUR8,339m
E.V.	EUR8,598m
Free Float	32%
Avg. Daily volume (6m)	109.4
12m high / low	EUR153.2 / EUR99.5
Ytd Perf.	-11.8%

EURM	12/18	12/19e	12/20e	12/21e
Sales	2,225	2,546	2,672	2,722
% Change		14.4%	4.9%	1.9%
EBITDA	802.5	916.5	942.1	951.6
% Change		14.2%	2.8%	1.0%
EBIT	659.9	773.9	802.1	816.6
% Change		17.3%	3.7%	1.8%
Net Income	490.4	571.2	609.1	626.5
% Change		16.5%	6.6%	2.8%
ROE	0.21	0.21	0.19	0.17

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.9x	3.6x	3.4x	3.2x
EV/EBITDA	10.7x	10.1x	9.5x	9.0x
EV/EBIT	13.0x	11.9x	11.2x	10.5x
EPS	5.91	6.88	7.34	7.55
% change		16.5%	6.6%	2.8%
P/E	16.8x	14.5x	13.6x	13.2x
Div Yield	1.0%	1.2%	1.3%	1.3%

Next Catalyst: Today @1pm - Investor Day

Last FV Change:

[2019-4-26, Advanz has filed for a generic Somatuline in Europe](#)

Last Reports:

[2019-4-29, What kind of assumptions support a EUR1.6bn market cap cut?](#)

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