



Healthcare

16th October 2019

IPSEN

- Healthcare
- Pharmaceuticals

NEUTRAL

Fair Value	EUR142(+58%)
Share price	EUR90.15
EPS 3Y Cagr	10.6%

Blueprint agreement - a nice move to build a leading position in FOP

Ipsen to become the indisputable leader in FOP treatment

Ipsen has just announced a global exclusive licence agreement with Blueprint Medicines to develop and commercialize a potential best-in-class drug, BLU-782, in treatment of Fibrodysplasia Ossificans Progressiva (FOP). As a reminder Ipsen acquired Clementia early in 2019 and its main asset palovarotene for the treatment of the same disease but with another mechanism of action. BLU-782 is just ending its phase I trials and therefore may look like a nice successor to palovarotene in this disease but potentially also like a nice companion drug if such a combination delivers superior clinical results. It is clear now that no other competitor may have a better portfolio to target FOP (Ipsen makes an ally from a potential competitor). The latter is an ultra-rare disease affecting about 1,000 patients identified and leading to muscles, ligaments and tendons progressively turning to bone formation and ultimately to a complete loss of mobility by the mid-twenties.

Different mechanism of action by potentially complementary

FOP is due to the mutation on the ACVR1 gene leading to an over-activation of ALK2. The cascade leading to the disease is mediated by the BMP ligand which leads to Smad production and bone formation. Palovarotene is a RAR- γ agonist which reduces the level of phosphorylated Smads (PSmads) and therefore represses the BMP signalling and the abnormal bone formation. On its side, BLU-782 is a specific ALK2 kinase inhibitor that acts upstream in the cascade, closer to the cause of the disease, irrespective of the activating ligand. By inhibiting ALK2, BLU-782 also inhibits production of PSmads. This is why we estimate that these two mechanisms of action could be complementary.

A financially interesting agreement

According to the financial terms of the agreement, Ipsen will pay an upfront of USD25m and up to USD510m in potential development and commercial milestones. In addition, Ipsen will pay tiered-royalties ranging from low to mid-teens percentage on sales. The FOP market is hard to estimate because it mainly depends on the penetration of treatments considering that Ipsen believes it can reach about 1,000 patients out of a total estimated to be c. 9,000 worldwide. In the context, BLU-782 can either complement palovarotene or replace it when it will have reached its peak sales i.e. by the middle of the next decade. Ipsen says that it plans to start phase II trials with BLU-782 in 2020 which will test the monotherapy and combination schemes. The phase II trials might be registrational.

Ipsen preparing the "post-Somatuline" era

With the Clementia acquisition and this agreement with Blueprint, Ipsen seems to be well anticipating the maturity of Somatuline (its leading product) and the potential arrivals of generics. The move in FOP (and maybe in MO at a later stage) looks a bit like the one made by Actelion in PAH a while ago. The pay-back could be significant.

Jean-Jacques Le Fur, PharmD

33(0) 70.36.57.45
jjlefur@bryangarnier.com

[Click here to download](#)

Market Data

Bloomberg / Reuters	IPN FP/IPN.PA
Market Cap.	EUR7,556m
E.V.	EUR7,815m
Free Float	91,5%
Avg. Daily volume (6m)	129.9
12m high / low	EUR127.6 / EUR84.6
Ytd Perf.	-20.1%

EURM	12/18	12/19e	12/20e	12/21e
Sales	2,225	2,527	2,692	2,791
% Change		13.6%	6.5%	3.7%
EBITDA	802.5	901.5	952.5	994.2
% Change		12.3%	5.7%	4.4%
EBIT	659.9	758.9	812.5	859.2
% Change		15.0%	7.1%	5.7%
Net Income	490.4	565.1	621.7	663.3
% Change		15.2%	10.0%	6.7%
ROE	0.21	0.21	0.19	0.18

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.5x	3.4x	3.1x	2.8x
EV/EBITDA	9.7x	9.4x	8.7x	7.9x
EV/EBIT	11.8x	11.2x	10.1x	9.2x
EPS	5.91	6.81	7.49	7.99
% change		15.2%	10.0%	6.7%
P/E	15.3x	13.2x	12.0x	11.3x
Div Yield	1.1%	1.3%	1.4%	1.5%

Next Catalyst: 24th October - Q3 sales

Last rating Change:

[2019-7-12, We are firm on fundamentals, but cautious on timing](#)

Last FV Change:

[2019-7-26, So far the situation looks under control](#)

Last Reports:

[2019-9-9, Positive halo effect to continue for Onyvive](#)

IPSEN

NEUTRAL

Fair Value	EUR142(+58%)
Share price	EUR90.15
Market Cap.	EUR7,556m
EPS 3Y CAGR	10.6%

Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
Financial Summary					
EPS	3,25	4,73	5,56	6,19	6,63
Restated EPS	4,31	5,91	6,81	7,49	7,99
% change	36,2%	37,2%	15,2%	10,0%	6,7%
BVPS	18,50	22,21	26,76	31,79	37,14
Operating cash flows	5,32	6,91	7,28	7,87	8,25
FCF	4,04	5,58	4,61	5,86	6,29
Net dividend	1,00	1,00	1,16	1,27	1,36
Average yearly Price	101,92	128,30	-	-	-
Avg. Number of shares, diluted (m)	83	83	83	83	83
Historical Enterprise value (EURm)	8,925	10,908	-	-	-
Valuation (x)					
EV/Sales	4,7x	4,9x	3,35x	3,06x	2,82x
EV/EBITDA	14,8x	13,6x	9,40x	8,65x	7,91x
EV/EBIT	17,9x	16,5x	11,17x	10,14x	9,15x
P/E	23,7x	21,7x	13,24x	12,03x	11,28x
FCF yield (%)	4,0%	4,4%	5,12%	6,50%	6,98%
Net dividend yield (%)	1,0%	0,8%	1,3%	1,4%	1,5%
Profit & Loss Account (EURm)					
Revenues	1,904	2,225	2,527	2,692	2,791
Change (%)	20,2%	16,9%	13,6%	6,5%	3,7%
Adjusted EBITDA	604	802	902	952	994
EBIT	498	660	759	812	859
Change (%)	37,5%	32,4%	15,0%	7,1%	5,7%
Pre-Tax profits	382	535	630	683	731
Tax	-116	-144	-170	-171	-183
Profits from associates	1	1	1	1	1
Net profit	268	392	461	513	550
Restated net profit	357	490	565	622	663
Change (%)	37,2%	37,2%	15,2%	10,0%	6,7%
Cash Flow Statement (EURm)					
Operating cash flows	442	574	604	653	685
Change in working capital	-21	-3	-89	-21	-12
Capex, net	-85	-107	-132	-146	-150
Dividends	-70	-83	-83	-96	-106
Net debt	465	259	921	685	307
Free Cash flow	335	463	383	486	522
Balance Sheet (EURm)					
Tangible fixed assets	736	784	814	880	934
Intangibles assets	1,319	1,408	2,329	2,422	2,422
Cash & equivalents	228	345	-318	-81	296
current assets	1,017	1,186	629	910	1,313
Total assets	3,072	3,378	3,773	4,212	4,670
L & ST Debt	693	604	604	604	604
Shareholders' funds	1,536	1,843	2,221	2,638	3,082
Total Liabilities	1536	1534	1551	1574	1587
Capital employed	2,056	2,192	3,143	3,302	3,356
Ratios					
Core Operating margin	26,2%	29,7%	30,0%	30,2%	30,8%
Tax rate	30,3%	26,9%	26,9%	25,0%	25,0%
Net margin	13,3%	16,7%	17,4%	18,3%	19,0%
ROE (after tax)	17,4%	21,3%	20,8%	19,4%	17,8%
ROCE (after tax)	16,9%	22,0%	17,6%	18,5%	19,2%
Gearing	30%	14%	41%	26%	10%
Pay out ratio	22,9%	16,9%	17,0%	17,0%	17,0%

Source: Company Data; Bryan, Garnier & Co ests.

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 49,4%

NEUTRAL ratings 42,9%

SELL ratings 7,7%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the “Bryan Garnier Group”) has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the “Issuer”).	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	YES
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person’s household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No



BRYAN, GARNIER & CO

London

Bryan, Garnier & Co Ltd
Beaufort House
15 St. Botolph Street
London EC3A 7BB
United Kingdom
+44 207 332 2500

Paris

Bryan, Garnier & Co Ltd
26 Avenue des Champs-
Elysées
75008 Paris
France
+33 1 56 68 75 20

Munich

Bryan, Garnier & Co. GmbH
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

Zurich

Bryan, Garnier & Co
Theaterstrasse 4
8001 Zurich
Switzerland
+41 44 991 3300

New York

Bryan Garnier Securities
750 Lexington Avenue
16th floor
New York, NY 10022
United States
+1 212 337 7000

IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.