



28th June 2019

## UCB

- Healthcare
- Pharmaceuticals

## NEUTRAL

Fair Value	EUR69
Share price	EUR71.80
EPS 3Y Cagr	6.7%

## Evenity receives a negative opinion from CHMP

### Cardiovascular side-effects leading to a negative decision?

The CHMP has given a negative opinion regarding the approval of romosozumab (Evenity, for osteoporosis). No reason was given for this decision, but we suspect that the side effect profile was the cause for it. Indeed, in the US, Evenity was approved with a boxed warning due to the cardiovascular side effects (observed in clinical trials) for which no clear explanation has been given by Amgen and UCB, except the age of the patients (70 years on average), which increases the risk of such side effects. In Europe, there is not such a mechanism of boxed warning in the label of drugs and the way to alert about potential serious adverse events is to add it in the contraindication or in the "warnings and precautions" section.

### UCB and Amgen will "appeal" the decision

Not all is lost since Amgen and UCB will "appeal" this decision by submitting a written notice for a re-examination. If a positive outcome of such a re-examination is always possible, we think that numerous back and forth discussions occurred during the examination process of the dossier and most options should have been considered already. The sponsors are in no position either to add new data or bring post-marketing experience in other countries since the launch in the US is too recent and, moreover, maybe not very informative.

### At this stage we do not change our forecast

That said, since discussions will continue with the EMA, we keep our Evenity forecasts in our model unchanged. Our sales estimates in Europe for UCB are c.EUR300m in 2026 applying a PoS of 80%. With no risk-adjustment, we estimate the drug should be able to reach peak sales of c.EUR500m (always in Europe for UCB). As a reminder and according to the agreement signed with Amgen, the two companies will share equally costs and profits of this drug in the US and Europe and UCB will commercialise the drug in Europe using Amgen's European commercial network.

### Neutral rating reiterated

Evenity is an important drug for UCB since it should help the company to compensate for the maturity of drugs like Neupro and Kepra and potential loss of exclusivity for Neupro in 2021.

We estimate the value of Evenity for UCB at about EUR4/share (in a non-risk adjusted manner) and EUR3.2/share applying our 80% PoS.

### Market Data

Bloomberg / Reuters	UCB BB/UCBBt.BR
Market Cap.	EUR13,966m
E.V.	EUR14.117m
Free Float	0%
Avg. Daily volume (6m)	340.4
12m high / low	EUR80.9 / EUR66.0
Ytd Perf.	0.7%

EURM	12/18	12/19e	12/20e	12/21e
Sales	4,412	4,518	4,752	4,945
% Change		2.4%	5.2%	4.1%
EBITDA	1,398	1,313	1,443	1,568
% Change		-6.1%	9.9%	8.7%
EBIT	1,105	1,053	1,183	1,308
% Change		-4.7%	12.3%	10.6%
Net Income	901.0	884.8	991.0	1,095
% Change		-1.8%	12.0%	10.5%
ROE	0.14	0.12	0.12	0.11

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.2x	3.0x	2.8x	2.6x
EV/EBITDA	10.1x	10.3x	9.2x	8.3x
EV/EBIT	12.8x	12.9x	11.3x	10.0x
EPS	4.79	4.70	5.26	5.81
% change		-1.8%	12.0%	10.5%
P/E	14.9x	15.2x	13.6x	12.3x
Div Yield	1.7%	1.7%	1.8%	1.9%

### Next Catalyst : 25/07/2019 - H1 results

#### Last rating Change:

[2017-4-24, Concerns on ST catalysts and LT growth](#)

#### Last FV Change:

[2017-5-22, Evenity \(romo\) ARCH ph III results : safety and delay likely to overshadow good efficacy](#)

#### Last Reports:

[2019-4-10, Evenity approved in the US with a boxed warning](#)

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