

# Actelion

Switzerland/Biotechnology  
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**UBS Research**

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## 4Q'16 Results

- Q: How did the results compare vs expectations?
- Q: What were the most noteworthy areas in the results?
- Q: Has the company's outlook/guidance changed?
- Q: How would we expect investors to react?

A: Actelion reported 4Q16 total revenues of CHF627m, (+1.8% vs cons), core EBIT of CHF992m (in line with consensus), Core EPS (diluted) of CHF1.79 was 3.2% above cons of CHF1.74.

**Q: What were the most noteworthy areas in the results?**

A: Company reported 4Q16 sales of CHF85m for Upravi (+1.3% vs cons) although the incremental number of patients treated in the US has slowed a little (1,100 in Q2; 1,530 in Q3; 1,900 in Q4), CHF235m for Opsumit (in line with cons), CHF229m for Tracleer (+2.8% vs cons).

**Q: Has the company's outlook/guidance changed?**

A: There was no update around the deal, and no guidance was given for 2017.

**Q: How would we expect investors to react?**

A: In this M&A situation, we do not expect these in-line numbers to move the stock.

12-month rating	<b>Neutral</b>
12-month price target	<b>CHF285.00</b>
Price	<b>CHF269.70</b>

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### Trading data and key metrics

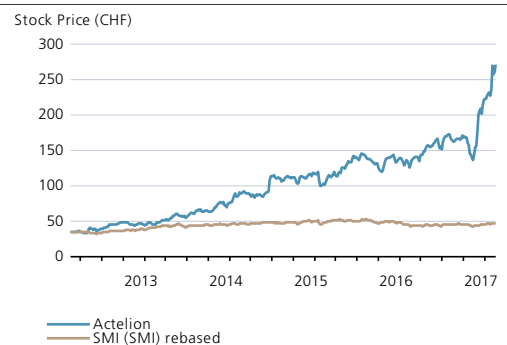
52-wk range	CHF272.40-130.90
Market cap.	CHF29.6bn/US\$29.4bn
Shares o/s	110m (ORD)
Free float	90%
Avg. daily volume ('000)	1,257
Avg. daily value (m)	CHF270.6
Common s/h equity (12/16E)	CHF1.09bn
P/BV (12/16E)	25.9x
Net debt / EBITDA (12/16E)	NM
RIC	ATLN.VX
BBG	ATLN VX

Sources: UBS, Bloomberg

### EPS (UBS, diluted) (CHF)

	UBS	Cons.
12/16E	8.32	7.83
12/17E	9.37	7.83
12/18E	9.95	9.13

### Performance



Sources: Bloomberg, UBS

Definitions of terms and abbreviations are available in the appendix section of this report, and more extensively on internet at [www.ubs.com/glossary](http://www.ubs.com/glossary)

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# Actelion

## Company Profile: Actelion

Actelion is a Swiss biotech company that positioned itself as the leader in the treatment of pulmonary arterial hypertension (PAH) with its blockbuster Tracleer. Following patent expiry and generic entry, Actelion launched Opsumit as a replacement product for Tracleer and more recently received FDA approval for Upravi (an oral prostacyclin receptor agonist). In 2015, the PAH franchise accounted for >90% of sales. R&D effort is focussed on life-cycle management of PAH (growing Opsumit's label) and diversification into therapy areas with high unmet patient need through growth of its specialty franchise.

## Statement of Risk

Risks for the pharmaceutical/biotech industry in general include low R&D productivity, generic competition, legislative pressure on pricing and litigation risk. For Actelion in particular, key company risks include: commercial risks related to Opsumit following the entry of a Letairis generic in 2018, Upravi uptake and regional pricing pressures on relatively expensive specialist medications. Further risk in the US is increasing payer focus on rare diseases. If the J&J deal does not close, there would be downside risk to the share price. Our valuation consists of J&J's all cash offer of CHF280 in addition to the CHF1bn cash with which R&D NewCo will launch, discounted for J&J's 32% share and the cash-burn from R&D.

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Highlights (CHFm)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Revenues	1,784	1,956	2,042	2,425	2,632	2,796	2,981	3,234
EBIT (UBS)	619	743	814	1,018	1,136	1,205	1,287	1,447
Net earnings (UBS)	509	648	694	900	1,001	1,060	1,131	1,270
EPS (UBS, diluted) (CHF)	4.41	5.58	6.17	8.32	9.37	9.95	10.65	11.99
DPS (CHF)	1.20	1.30	1.50	1.47	1.90	2.10	2.20	2.30
Net (debt) / cash	392	970	405	200	462	738	1,033	1,401
Profitability/valuation	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
EBIT margin %	34.7	38.0	39.8	42.0	43.2	43.1	43.2	44.8
ROIC (EBIT) %	58.5	63.1	81.8	105.3	118.4	126.5	138.5	158.7
EV/EBITDA (core) x	8.9	13.0	15.4	26.5	23.9	22.4	20.9	18.5
P/E (UBS, diluted) x	13.4	17.9	20.6	32.4	28.8	27.1	25.3	22.5
Equity FCF (UBS) yield %	7.7	1.0	4.2	2.8	3.1	3.4	3.7	4.1
Net dividend yield %	2.0	1.3	1.2	0.5	0.7	0.8	0.8	0.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied.

Valuations: based on an average share price that year, (E): based on a share price of CHF269.70 on 14 Feb 2017 06:33 GMT

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UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	45%	28%
Neutral	Hold/Neutral	39%	25%
Sell	Sell	15%	17%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2016.

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.

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