

Ablynx (ABLYX BB)

Novo Goes Public After Initial Bids Rebuffed; We See Higher Value

Key Takeaway

Novo Nordisk has gone public with a proposal to acquire Ablynx after its Board rejected two offers and declined to enter talks. The most recent €28/share cash offer plus a €2.5/share CVR implies a fully diluted value up to €2.6bn. Our NPV fair value on a standalone basis is €29/share, rising to €36/share as per our Long View upside scenario, which is similar to the CVR outcomes. Hence, we envisage Novo needing to hike the offer and could see counterbids.

Novo's initial offers rebuffed: Novo Nordisk (NOVOB DC, DKK338, Hold) initially proposed on 7 December to acquire Ablynx for €26.75/share cash, which the Board rejected one week later on 14 December. Novo attempted then to engage the Board before making a second offer of up to €30.5/share comprising €28/share cash plus a €2.5/share CVR, with €0.5 on partner AbbVie electing to opt-in for vobarilizumab after Phase II lupus data and €2/share on ALX-0171 moving into Phase III for RSV infections. Again Ablynx's Board rejected this bid and declined to enter into negotiations.

We see higher value and could envisage possible counterbids: Our NPV sum-of-the-parts valuation is €29/share for Ablynx on a standalone basis, comprising €22 for caplacizumab at 90% probability with \$500m peak sales, €3.3 for ALX-0171 at 30% probability with \$800m peak sales, €0.6 for vobarilizumab at 20% probability with \$300m peak sales, plus €3.3 Net Cash. We believe there are synergies for Novo commercialising capla for rare bleeding disorder acquired thrombotic thrombocytopenic purpura (aTTP) given its existing haematology franchise and WW infrastructure. Hence, we view the base case €28/share to be a low-ball bid, representing only c.3.8x capla peak sales excluding cash and pipeline. Furthermore, our upside scenario is €36/share assuming caplacizumab is approved (+€2.4/share), vobarilizumab opt-in for lupus and progress in RA (+€2.3/share), and ALX-0171 advances into Phase III (+€2.2/share). Ablynx also has a Nanobody platform that has demonstrated the ability to generate new therapeutics, plus numerous collaborations with other companies that could drive longer-term value, none of which are reflected in our base case NPVs. Given this profile and Ablynx being on the cusp of potentially launching a highly profitable rare disease drug in capla, we could envisage other pharma/biotech to express an interest.

Capla is a potential game-changer for Ablynx: Caplacizumab significantly curtails costly plasma exchange, a risky procedure, reduces the risk of exacerbations, and protects organ damage, providing a window for physicians to resolve the underlying disease. We expect EU conditional approval during 3Q18E, with filing to FDA anticipated shortly for 1H19E US launch. Commercialising capla itself we envisage highly profitable \$500m WW peak sales from 70% penetration, assuming it is widely adopted as a standard-of-care, for a €21/share NPV at 90% probability.

Funded to crystallise value: Our forecasts suggest €281m cash at end-Sep, plus \$230m gross proceeds from the recent US IPO, should be sufficient to reach 2020E breakeven assuming capla success.

BUY

Bloomberg BRU: ABLX BB
Price target €29.00
Price €21.20^

BUY

Bloomberg OTC: ABLX
ADR Price target \$34.00
ADR Price \$25.91^

^Prior trading day's closing price unless otherwise noted.

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Company Description

Ablynx is a Belgian biotech company engaged in the discovery and development of Nanobodies, a novel class of therapeutic proteins based on single-domain antibody fragments. The company has alliances with Merck Serono, Merck, Boehringer Ingelheim and Novartis to use its platform technology to generate Nanobodies against specific disease targets. Lead pipeline product caplacizumab (anti-vWF) treats the rare blood disorder thrombotic thrombocytopenic purpura (TTP). Ablynx has partnered ALX-0061 (anti-IL-6R) with AbbVie for rheumatoid arthritis and systemic lupus erythematosus, and has ALX-0171 (anti-RSV) in early-stage clinical development for respiratory syncytial virus infections.

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(Article 3(1)e and Article 7 of MAR)

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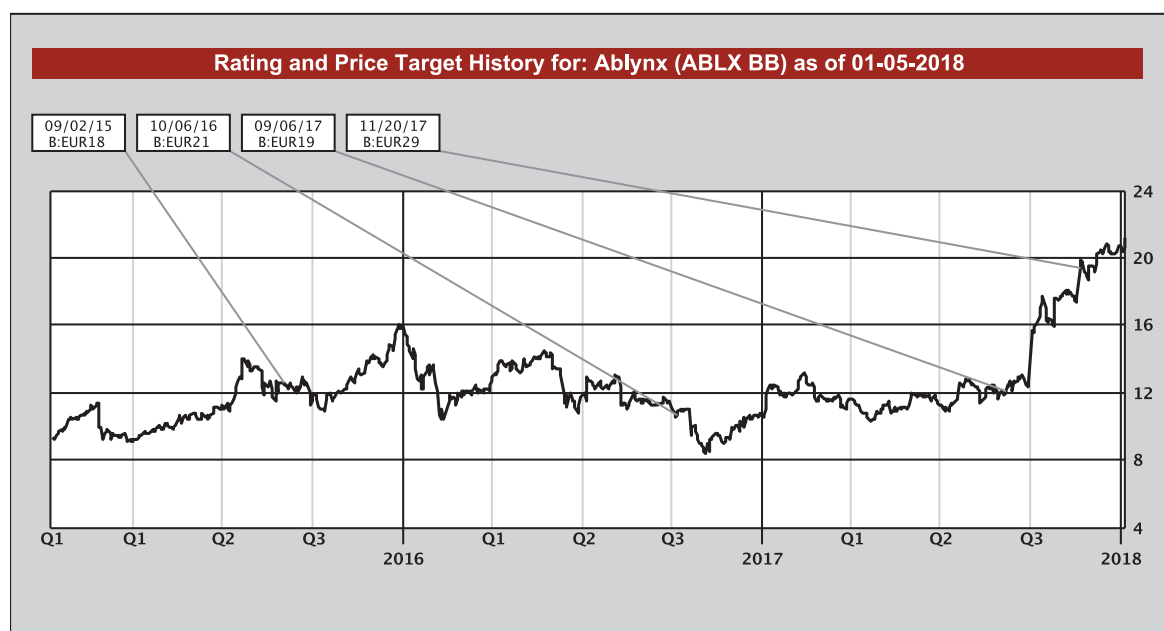
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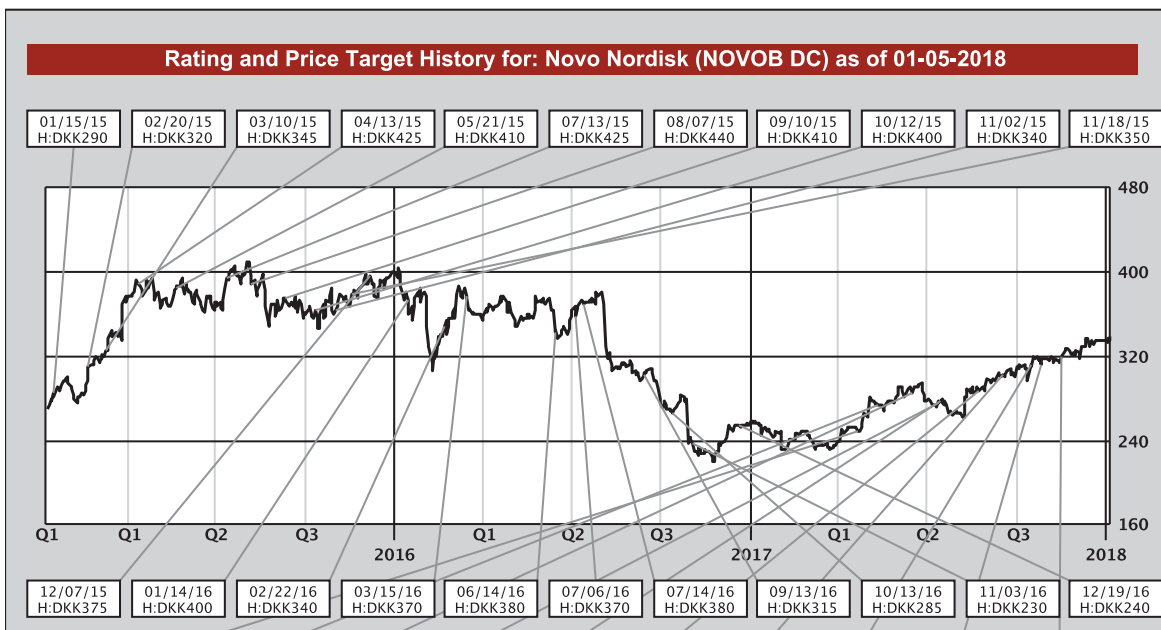
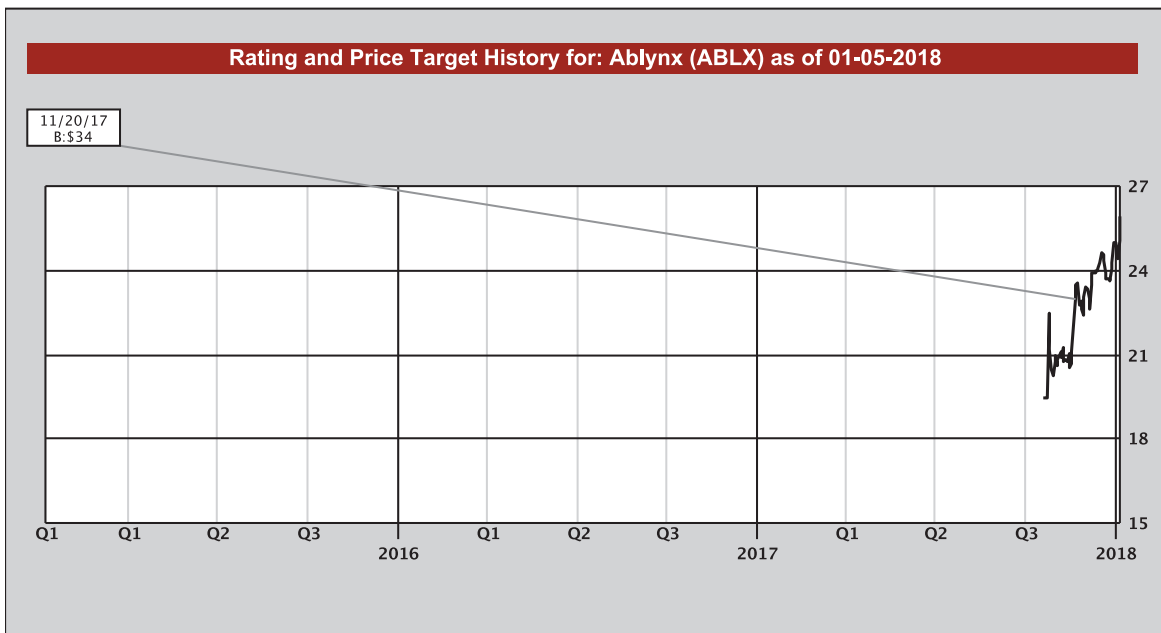
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Other Companies Mentioned in This Report

- Novo Nordisk (NOVOB DC: DKK338.35, HOLD)





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