

8 January 2021

Idorsia

Switzerland

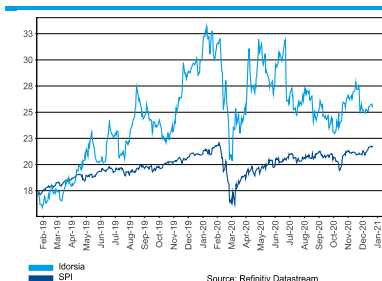
Pharma

Reuters: IDIA.S Bloomberg: IDIA SE

Sell

Closing price as of 06-Jan-21	CHF 25.50
Target price	CHF 19.00
High/Low (12M)	CHF 33.18/20.35
Market cap.	CHF mn 4,245
Enterprise value	CHF mn 4,027
Free float	66.3%
Avg. daily turnover	CHF mn 12.81

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-6.2	5.9	-19.7
rel. SMI	-9.8	1.3	-25.1
rel. STOXX Europe 600	-9.3	-5.2	-29.2
rel. SXXP Health Care	-6.8	7.0	-13.5

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A rich pipeline and approaching first product to the market

- Investment case:** Idorsia began its operations in 2017 after the demerger from Actelion following its acquisition by J&J, with registered shares of Idorsia being listed on the SIX Swiss Exchange in June 2017. In essence, Idorsia condensed most of Actelion's early-stage pipeline and intellectual property assets. Idorsia has an advanced pipeline, with one drug candidate ready to file, three compounds in phase III, four in phase II and an emerging group of early drug candidates in phase I. On the other hand, it also has a very large organization with respect to revenues, resulting into an on average CHF 450mn annual cash burn.
- Key to Idorsia's near-term development and its return to profitability is daridorexant, a drug candidate which successfully completed two phase III studies in insomnia and which could be filed with the FDA immediately. We estimate daridorexant peak sales at CHF 378mn (consensus CHF 900mn). Last June, Eisai launched Dayvigo in the U.S. (blue sky consensus peak sales est. USD 1.3bn), a sleeping pill in the same drug category as Idorsia's daridorexant. With the full-year results on 2 February 2021, Eisai should lift the veil on the real market potential of this class of drugs.**
- What to ask the management?**
 - Considering Belsonra label extension in Alzheimer's disease (AD), would Idorsia consider starting clinical studies in AD and depression and how much additional value could those indications unlock for daridorexant?
 - After the completion of the two phase III studies in insomnia, what would be the R&D run rate for 2021E and could you provide an indication on daridorexant launch costs for 2021?
 - Could you provide an update on Aprocitantan clinical studies status; should we expect a delay after the second COVID-19 wave this winter?
 - Considering the recent trend at the FDA to favor lower doses (see Galapagos issues), how comfortable are you to see the higher 50mg daridorexant dose effectively supported by the agency?

Key financials

CHF mn	2019	2020E	2021E	2022E	CAGR (%)
Sales	23.8	67.9	21.6	56.3	33.2
EBIT adj.	-482.4	-395.7	-399.5	-425.6	-4.1
EPS adj. (CHF)	-3.76	-2.84	-2.46	-2.61	-11.5

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2019	2020E	2021E	2022E
EV/Sales	120.9	50.5	186.5	79.4
EV/EBIT adj.	-6.0	-8.7	-10.1	-10.5
P/E adj.	-	-	-	-

Idorsia

Key data

FY 31 Dec.	2017	2018	2019	2020E	2021E	2022E
Share data						
EPS reported (CHF)	-	-3.10	-3.76	-2.84	-2.46	-2.61
EPS adjusted (CHF)	-	-3.10	-3.76	-2.84	-2.46	-2.61
Dividend (CHF)	-	0.00	0.00	0.00	0.00	0.00
Book value (CHF)	-	5.27	1.25	4.23	1.41	-1.12
Free cash flow (CHF)	-	-2.58	-4.09	-3.76	-2.36	-2.61
Avg. no. of shares (mn)	-	124.8	131.2	148.8	166.5	166.5
Market cap. (avg./current; CHF mn)	-	2,745.1	3,017.3	4,045.6	4,244.7	4,244.7
Enterprise value (CHF mn)	-	2,096.3	2,879.8	3,427.8	4,027.4	4,470.8
Valuation						
P/E adj. (x)	-	-	-	-	-	-
P/BV (x)	-	4.2	18.4	6.4	18.1	-22.8
FCF/EV (%)	-	-12.7	-16.7	-17.6	-9.7	-9.7
FCF yield (%) (FCF/Mcap.)	-	-11.7	-17.8	-13.8	-9.2	-10.2
Dividend yield (%)	-	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	-	34.6	120.9	50.5	186.5	79.4
EV/EBITDA adj. (x)	-	-6.0	-6.2	-9.0	-10.5	-10.9
EV/EBIT adj. (x)	-	-5.6	-6.0	-8.7	-10.1	-10.5
EV/CE (x)	-	14.1	19.3	24.9	28.0	26.9
ROCE/WACC adj. (x)	-	-44.9	-58.0	-1.5	-50.0	-45.9
Key company data						
Sales growth (%)	-	-	-60.7	185.2	-68.2	160.5
EBITDA adj. growth (%)	-	-	31.6	-17.6	1.0	6.8
EBITDA adj. margin (%)	-	-578.3	-1937.3	-559.7	-1777.9	-728.8
EBIT adj. margin (%)	-	-612.2	-2025.4	-582.5	-1849.7	-756.4
Net adj. margin (%)	-	-639.8	-2037.0	-624.3	-1894.5	-773.6
Free cash flow margin (%)	-	-530.6	-2253.9	-823.3	-1815.2	-773.2
Payout ratio (%)	-	0.0	0.0	0.0	0.0	0.0
Gearing (%) (net debt/equity)	-	-101.4	-115.9	-105.8	-113.0	-95.8
Net debt/EBITDA (x)	-	1.9	0.4	1.8	0.7	-0.4
Equity ratio (x) (equity/total assets)	-	46.7	16.4	42.9	21.7	-27.5
Capital employed (CHF mn)	-	148.5	149.5	137.9	143.7	166.5
ROCE adj. (%)	-	-249.9	-322.6	-8.6	-278.0	-255.6
Income statement (CHF mn)						
Turnover	-	60.6	23.8	67.9	21.6	56.3
EBITDA	-	-350.5	-461.5	-380.2	-384.0	-410.1
EBITDA adj.	-	-350.5	-461.5	-380.2	-384.0	-410.1
EBIT	-	-371.1	-482.4	-395.7	-399.5	-425.6
EBIT adj.	-	-371.1	-482.4	-395.7	-399.5	-425.6
EBT	-	-387.8	-485.2	-424.1	-409.2	-435.3
Net profit after minorities	-	-387.8	-485.2	-424.1	-409.2	-435.3
Net profit adj.	-	-387.8	-485.2	-424.1	-409.2	-435.3
Balance sheet (CHF mn)						
Non-current assets	-	465	229	211	216	225
thereof goodwill	-	-	-	-	-	-
Current assets	-	941	775	1,258	868	450
Total assets	-	1,407	1,004	1,468	1,084	675
Shareholders' equity	-	658	164	630	235	-186
Total equity and liabilities	-	1,407	1,004	1,468	1,084	675
Net debt	-	-667	-190	-666	-266	178
Cash flow (CHF mn)						
Cash flow from operations	-	-352.8	-462.0	-356.7	-372.1	-412.1
of which change in working capital	-	2.4	0.4	2.2	2.2	2.8
Cash flow from investments	-	31.2	-74.8	-202.6	-20.0	-23.0
of which investment in fixed assets	-	-11.6	-18.8	-5.6	-20.0	-23.0
Free cash flow	-	-321.6	-536.8	-559.3	-392.1	-435.1
Dividends paid	-	-	-	-	-	-
Cash flow from financing activities	-	497.8	1.3	864.4	0.0	667,646.0
Change in cash position	-	176.1	-535.6	304.8	-392.1	667,210.9

Source: Company data, Baader Helvea Equity Research

Idorsia

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