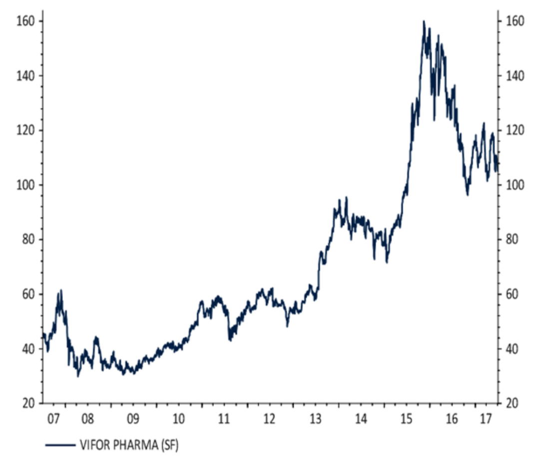
Vifor Pharma

Switzerland - Health
Analyst : J.-L. Richard

Stock Information

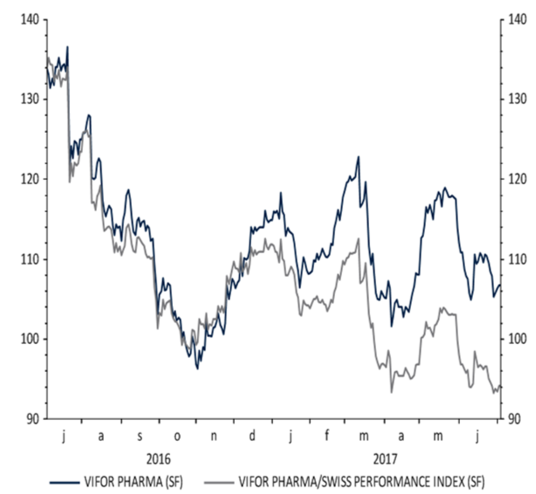
Prix	04.07.2017	CHF	106.70
Capitalisation		CHF (mn)	6'936
Average volume (000/day)			383.9
52 weeks High / Low			136.6 / 96.3
ISIN			CH0364749348
Bloomberg Code			GALN SW

10 years performance



Graphic IAM - Source Thomson Reuters

1 year relative performance



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Relative and absolute performances

In %	Absolute	Relative *
1 month	-3.8	-2.8
3 months	3.2	-2.5
YTD	-5.6	-19.2
2016	-26.1	-24.7
2015	102.3	99.6

*compared to the Swiss Performance Index (SPI)

Description

Vifor pharma is the world number 1 producer of intravenous iron, a category used against anemia, mostly in connection to dialysis. The firm aims at expanding the treatment of anemia in other contexts such as cancers, cardiac and gastro conditions and women's health.

In 2016, Viphor Pharma took over US based Relypsa, a firm that has developped Veltassa, a new drug against hyperkalemia, a condition characterized by an excess of potassium. Patients undergoing dialysis are the prime target.

Moreover, the firm has entered several distribution agreements, for example with Roche for Mircera, which lead to a better use of its distribution network.

Investment case

The iron market should remain a growth engine in the coming years. The success of the firm's strategy depends on its ability to convince the medical community of the advantages of intravenous iron beyond its traditional use in dialysis. In Switzerland, the firm has already been able to considerably expand its iron sales in applications like surgery, obstetrics, gastroenterology and oncology. It aims at reproducing these successes in other geographies.

With Veltassa, Viphor Pharma is confronted with the challenge of convincing the medical community to adopt a new approach against hyperkalemia, a condition which has been inadequately treated up until now. The risk is high, but so is the potential reward. In the short term, Veltassa is loss making.

Per share (CHF)

	2014	2015	2016	2017e	2018e
Earnings	4.38	4.64	3.76	1.11	2.24
Variation	-3.9%	5.8%	-19.0%	-70.3%	101.2%
Earnings (IBES)	4.38	4.64	3.76	0.84	1.87
P/E	19.4	23.5	33.7	95.7	47.6
P/B	3.1	3.6	3.6	2.1	2.1
P/FCF	17.8	19	-4595	46.7	42.0
Dividend	1.5	1.8	2.0	1.3	1.8
Pay-out ratio	34%	39%	53%	120%	80%
Dividend yield	1.8%	1.7%	1.6%	1.3%	1.7%

Strengths

- Proven success of the approach in intravenous iron
- World leader in intravenous iron

Weaknesses

- Dependence on 2 lines of products: the intraveinous iron and the potassium treatment

Opportunities

- The niches of intravenous iron and potassium reduction seem very promising
- The company would be a take-over candidate

Threats

- Development of generic irons.
- Unability to developp a sizeable market for Veltassa.

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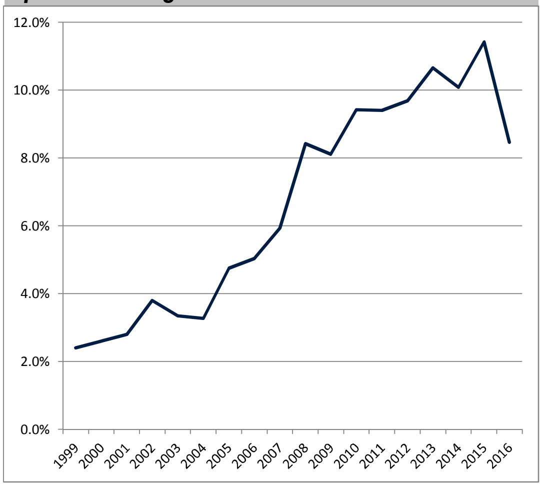
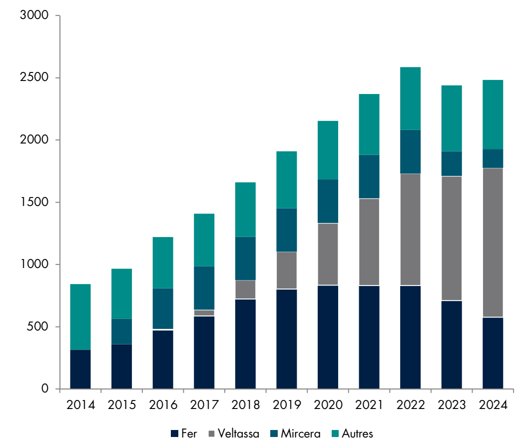
Operational margin



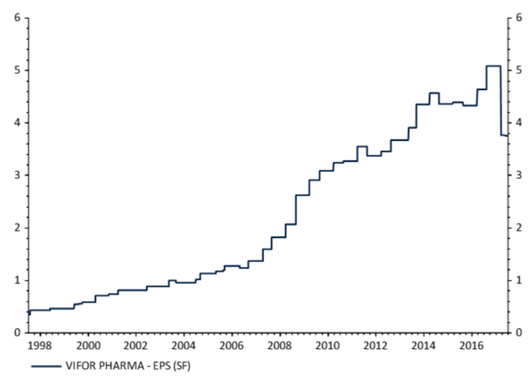
Graphic IAM - Source firm

Sales projections



Graphic IAM - Source IAM

Earnings per share (CHF)



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Key figures (mn CHF), Dec 31st

	2014	2015	2016	2017e	2018e
Sales	3'671	3'945	4'275	1'409	1'659
variation	*0.2%*	*7.5%*	*8.4%*	*-67.1%*	*17.8%*
Operating costs	3'301	3'494	3'914	1'272	1'426
EBIT	370	451	362	136	233
Earnings before taxes	357	429	336	112	220
Net earnings	312	370	324	96	188
Minorities	28	69	80	24	46
Shareholders earnings	284	301	244	72	141
Current assets	1'302	1'422	1'389	1'135	1'065
Net fixed assets	1'906	2'218	4'043	3'222	3'194
Total assets	3'208	3'640	5'432	4'357	4'259
Equity	1'750	1'976	2'301	3'269	3'141
Working capital	618	618	-1'249	772	673
Net debt	997	984	2'557	142	309
Operating cash flow	356	522	258	180	197
Capex	70	165	283	42	48
Free cash flow	309	377	-2	148	160

Performance ratio

	2014	2015	2016	2017e	2018e
Operating margin	10.1%	11.4%	8.5%	9.7%	14.1%
Net margin	7.7%	7.6%	5.7%	5.1%	8.5%
Equity yield	16.2%	15.2%	10.6%	2.2%	4.5%
NWC / Sales	16.8%	15.7%	-29.2%	54.8%	40.5%
Net debt / EBIT	2.7	2.2	7.1	1.0	1.3
Net debt / Equity	0.6	0.5	1.1	0.0	0.1
D&A / PPE	11.5%	8.7%	4.6%	3.3%	3.0%
Capex / D&A	0.9	1.9	2.2	0.5	0.6
Capex / Sales	1.9%	4.2%	6.6%	3.0%	2.9%
FCF / Net earnings	1.1	1.3	0.0	2.1	1.1

Peers (in CHF)

Name	Cap.	P/E trailing	P/E current	Div yield	Perf YTD
Stock Information	6935.5	28.4	126.9	1.9%	-5.6%
MERCK KGAA	14745.3	29.0	16.5	1.2%	6.0%
SONOVA N	10127.5	29.0	23.7	1.5%	27.2%
CELESIO	5962.7	13.3	NA	3.1%	4.3%

Shareholders		**Management**
Free float	72.0%	President: Etienne Jornod
Patinex	20%	COO: Stefan Schulze
R & M Stoffel	8%	CFO : Colin Bond

Breakdown by products

	2014	2015	2016	2017e	2018e
Intravenous iron	317.3	359.7	474.5	586.1	724.4
Variation	*3.4%*	*13.4%*	*31.9%*	*23.5%*	*23.6%*
Venofer	113.4	108.9	125.0	125.0	125.0
Ferinject	188.3	212.4	282.1	366.7	476.7
Royalties Injectafer	15.6	38.4	67.4	94.4	122.7
Veltassa	0.0	0.0	7.4	50.0	150.0
Variation				*575.7%*	*200.0%*
Royalties	99.0	13.7	0.3	0.3	0.3
Cellcept	91.8	87.0	86.4	60.0	40.0
Mircera	0.0	206.8	328.6	350.0	350.0
Velphoro	14.9	43.2	54.4	76.2	91.4

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