

Hold

Price 26/03/2015
€51.6
Target (12 months)
€56.0
Upside to TP
8.5%
12m f'cast div
€0.75
12m TSR
10.0%
Market capitalisation
€714m

EPS (€)

12/14	3.13
12/15e	3.18
12/16e	3.19
12/17e	3.27
P/E (x)	
12/15e	16.2
12/16e	16.2
12/17e	15.8

Pharmaceuticals (France)

Stallergenes

Corporate news Update on progress with proposed merger with Greer

■ Stallergenes released an update yesterday on the proposed merger with Greer. The statement indicated that “Recognising the strategic interest of this project, which would strengthen the development potential of the business, allow the geographic risk to be spread due to the high concentration of Stallergenes’ sales in Europe and capture the as yet untapped growth of the US allergy immunotherapy market, Stallergenes’ Board of Directors has requested the Independent Directors Committee to review the proposal in the interest of all shareholders”. As a result, Ricol Lasteyrie, Lazard Frères and Ledouble have been appointed respectively as independent expert tasked with assessing the fairness of the financial conditions, advisory bank and court-appointed valuation expert.

■ As regards the timing: 1) the auditors’ report on the proposed merger, together with the fairness opinion of the independent experts will be available one month before the general meeting called to pronounce on the merger; 2) the independent directors committee will provide an update on their work at the board meeting to be held mid-April; and 3) following the information and consultation process currently underway, the board of directors will meet to discuss the recommendation of the independent directors committee and make a decision on the proposed operation which will then be submitted to the shareholders. The operation could then go ahead in Q3 2015.

■ It seems unlikely that the proposed exchange of 1 Stallergenes share for 1.5 Greer shares put forward by Ares Life Sciences will be able to be confirmed at the mid-April progress update meeting. We remain sceptical as regards the fairness of this proposal and believe that it will continue to weigh on the share price until a more detailed statement is released.

■ Our target price comes to €56. We value the activities outside of Japan and the US at €36 (DCF – WACC: 10%, normalised EBIT margin: 23%, MT sales growth: +2% p.a. vs +3%). To this, we add: 1) the NPV of the project agreement signed in Japan (€5); 2) the NPV of the development plans in the US (€5); and 3) the net cash position (€10). **Risks to our TP:** the pace of sales growth for new products or in new markets; uncertainty on the potential size of the market, notably in the US; and unfavourable selling prices and/or reimbursement rates for personalised allergy therapy preparations (APSI treatments) in France. Since the proposed merger between Stallergenes and Greer was announced, the lack of certainty about the valuation of both entities poses an additional risk to our TP.

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APPENDIX

COMPANIES MENTIONED

Stallergenes (GENP.PA, Hold)

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Historical Price: Stallergenes (GENP.PA)



2012/2013	Change	2014/2015	Change
17/09/12	New Rating: Hold	24/10/14	New Target: 56.0
17/09/12	New Target: 48.0		
11/10/12	New Target: 46.0		
20/02/13	New Target: 51.0		
16/10/13	New Target: 57.0		

Source: SG Cross Asset Research/Equity

SG EQUITY RESEARCH RATINGS on a 12 months period (in effect as of March 14, 2012)

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

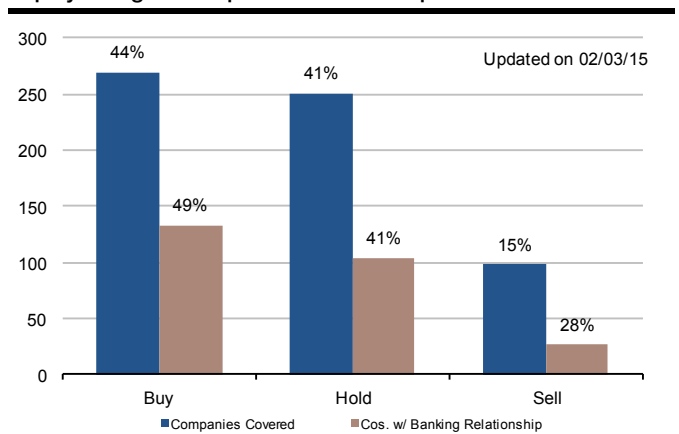
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OVERWEIGHT: sector expected to outperform the relevant broad market benchmark over the next 12 months.

Equity rating and dispersion relationship



Source: SG Cross Asset Research/Equity

NEUTRAL: sector expected to perform in-line with the relevant broad market benchmark over the next 12 months.

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