

# ThromboGenics

Pharma &amp; biotech

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## Investment summary: Clearing blurred vision

ThromboGenics' share price has tumbled c 25% following commentary at the H113 financial results that US sales of Jetrea are not expected to grow in H2. While this is clearly disappointing given the early stage of launch, the current share price is now at levels previously seen more than a year ago, before Jetrea had even been approved. Sales progression could take time, but any uptick or updated positive commentary from management could provide upside from current levels.

### Jetrea peak potential not necessarily reduced

H113 US sales were €12.5m (\$16.6m), which suggests 2013 sales of €25m (\$33m) in the absence of H2 growth. While the outlook for Jetrea may appear bleaker than before, there are a number of factors to consider: (1) in this first year of launch ThromboGenics is only targeting selected key retina physicians, hence there are additional physicians that will be targeted in the future; (2) a temporary reimbursement Q-code increases the administrative hurdles for physicians – a permanent J-code that will facilitate usage will be available in January 2014; and (3) Jetrea is currently being used to treat more severe patients, with the key milder patients largely untreated. Encouragingly, the number of practices ordering or re-ordering Jetrea has grown since April to 51% and 62% of targeted practices (from 40% and 50%).

### Penetration of milder patients will take time

ThromboGenics continues to believe there are 250k patients in the US with symptomatic vitreomacular adhesion (VMA) who would be eligible for Jetrea. Around 50k of these are moderate-to-severe, where Jetrea is currently treating around 6% of these patients. The larger mild-to-moderate patient group will likely take longer to penetrate, as treatment will be dependent on physicians gaining experience with Jetrea (via the more severe patients), and physician education on the benefits of Jetrea in this population. A clinical trial in this setting could potentially help drive penetration of this market.

### Valuation: Trading below pre-approval levels

ThromboGenics' shares are trading c 30% below the average share price in the month before Jetrea approval (€32) and c 50% below the all-time high at the start of January 2013 (€47). Cash of €193m suggests an EV of c €625m. A back-of-the-envelope calculation suggests this could be justified by peak sales of around €200m in each of the US and EU, requiring 25% penetration of the US market.

#### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/11	2.5	(21.6)	(0.67)	0.0	N/A	N/A
12/12	75.1	30.4	0.87	0.0	26.0	N/A
12/13e	127.7	24.7	1.26	0.0	18.0	N/A
12/14e	77.7	(32.7)	(0.16)	0.0	N/A	N/A

Note: Bloomberg

**Price** €22.65

**Market cap** €817m

#### Share price graph



#### Share details

Code	THR
Listing	Euronext Brussels
Shares in issue	36.09m

#### Business description

ThromboGenics is a Belgian biotechnology company focused on ophthalmology. The lead product, Jetrea, for treatment of back-of-the-eye disorders has been approved and launched in the US and EU. Jetrea is partnered with Alcon ex-US.

#### Bull

- Jetrea is approved, launched and partnered.
- Jetrea treats a condition where the only option is invasive vitrectomy surgery.
- Well-financed.

#### Bear

- Stalling sales at an early launch phase.
- Unknown market potential.
- Cost-share with Alcon could put pressure on R&D spend.

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