

Adocia

Pharma & biotech
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Chinese progress and US lawyers

FY18 accounts show cash of €39.8m after the April 2018 payment of €37.2m (\$50m) for the deal with Tonghua Dongbao (THDB) in China. The €11.9m 2018 arbitration award (\$11.6m plus \$1.6m interest) against Lilly should be received in 2019 after further legal aspects are cleared. A successful single-dose Phase I of BioChaperone (BC) pramlintide insulin could lead to a multiple-dose study in Q219. A European/US Phase III of BC Lispro can be run after a short bridging study and if a partner is found.

China key to current strategy

The deal with THDB provided an upfront of \$50m (\$40m for BC Combo and \$10m for BC Lispro). Adocia could receive an additional \$85m (\$50m for BC Combo and \$35m for BC Lispro) and double-digit royalties. Pre-mixed insulins are bestsellers in China (see our [initiation report](#)). In China, a Phase III of BC Lispro is planned by THDB starting in 2019 and a Phase I of BC Combo may start in late 2019. THDB manufactures lispro and insulin glargine in China and supplies Adocia.

European trials

BC Lispro is stated to be Phase III ready once a European bridging study to show THDB Lispro's equivalence to Lilly's lispro is run, but a Phase III will need a partner. Adocia retains rights to the US, Europe and Japan. A multiple-dose BC pramlintide insulin study is planned to start in Q219 after the successful 2018 single-dose Phase I showed a 97% decrease in glucose excursions compared to Humalog.

Legal matters grind on

Adocia is due to receive \$11.6m (revenue) plus \$1.6m interest (an accrual) from Lilly (€11.9m total) subject to ongoing arbitration; it also claims legal costs, it spent €8.3m in 2018. The cash could provide the funds to develop BC Lispro. Adocia also claims \$1.3bn in damages; Lilly has filed counterclaims for \$188m. There are also US civil patent actions initiated by Lilly. Hence, legal outcomes could have major value impacts, but can be slow to resolve and require significant cash.

Valuation: Legal may be as key as clinical outcomes

Away from the focus on legal issues, the pipeline is being developed and partnering seems essential in the US and European diabetes markets. China might be the key initial market as THDB is pushing ahead on Phase III. In the US and Europe, Adocia will need a partner to rapidly progress trials and enable marketing against well-established competitors. Adocia's market cap (12 March) was €101m with debt of €7.1m and cash of €39.8m, making an enterprise value of €68.3m.

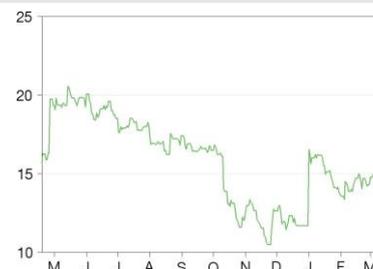
Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/17	27.2	(8.2)	(1.2)	0.0	N/A	N/A
12/18	53.9	9.7	1.1	0.0	13.9	N/A

Source: Company data

Price €15.24
Market cap €105m

Share price graph



Share details

Code ADOC
 Listing Euronext Paris
 Shares in issue 6.91m
 Cash (€m) at 31 December 2018 39.8

Business description

Adocia is a French biotech company focused on innovative formulations of approved proteins. The company owns BioChaperone technology and has generated six products in clinical stage; the most advanced is Phase III-ready BioChaperone Lispro.

Bull

- Proprietary versatile technology platform.
- Clinical-stage pipeline addressing the large diabetes market.
- Deal with Tonghua Dongbao.

Bear

- Need of partnerships to advance to late stage.
- Competition from large pharma companies.
- Uncertainty regarding litigation against Lilly.

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