

# Ablynx (ABLY BB)

## Agreed Acquisition by Sanofi for €45/share

### Key Takeaway

**The Boards of Sanofi and Ablynx have both unanimously approved a €45/share (\$56/ADS) cash acquisition, for a €3.9bn equity value, representing c.110% premium to the early-Jan stock price prior to Novo going public with its bids. Recall our potential takeout NPV was €49/\$60 per share/ADS factoring-in possible positive newsflow this year and €7/share platform value, hence we view the agreed bid to be fair and doubt counteroffers will emerge.**

**Agreed deal with Sanofi:** Both Boards unanimously approved the €45/share cash acquisition of Ablynx by Sanofi (SAN FP, €73, Hold) for an equity value of €3.9bn. Recall in December-January Ablynx's Board rebuffed cash bids of €26.75/share and up to €30.5/share from Novo Nordisk (NOVOB DC, DKK348, Hold) declining to enter into talks. This was justifiable, in our view, given our higher base-case standalone NPV. The €45/share agreed price from Sanofi is shy of our €49/\$60 potential takeout NPV but seems reasonable given entirely in cash with no CVRs triggered by pipeline news. To derive our takeout value we adjusted the €31/\$38 standalone NPV by: (1) synergies for commercialising capla (+€6/share); (2) upsides from Phase II success for voba in lupus and ALX-0171 in RSV this year (+€4.5/share); and (3) platform value based on a conservative just 5% of >€10.6bn milestones from existing deals (+€7/share).

**We doubt counteroffers will emerge:** This is the second acquisition by Sanofi this month in Orphan diseases and haematology, hot on the heels of Bioverativ (BIVV, \$103, Hold) for \$11.6bn. Ablynx's lead product caplacizumab for rare blood disorder acquired thrombotic thrombocytopenic purpura (aTTP) should complement this franchise, in our view. Sanofi management also states it intends to maintain and support the Ablynx facility in Ghent, Belgium, and has other R&D programmes in RSV suggesting interest in anti-RSV NanoBody ALX-0171. Given these synergies and the agreed nature of the deal, we do not expect counterbids from rivals.

**Capla is a potential game-changer:** Caplacizumab significantly curtails costly plasma exchange, a risky procedure, reduces the risk of exacerbations, and protects organ damage, providing a window for physicians to resolve the underlying disease acquired TTP. We expect EU approval during 3Q18E, with FDA filing shortly for 1H19E US launch. We envisage highly profitable \$500m WW peak sales from 70% penetration, assuming it is widely adopted as a standard-of-care, for a €24/share NPV at 100% probability.

**Pipeline has significant optionality:** ALX-0171 Phase IIb RSV results are anticipated 2H18E and this asset remains fully-owned by Ablynx. Phase II results for vobarilizumab in systemic lupus erythematosus are expected 1H18E, triggering an opt-in decision by AbbVie (ABBV, \$123, Buy), which would also include the arthritis indication. Focus partnered programmes include two Nanobody drugs from the I-O collaboration with Merck (MRK, \$62, Hold) likely to enter the clinic this year.

### BUY

Bloomberg BRU: ABLX BB  
Price target €42.00  
Price €37.12^

### BUY

Bloomberg OTC: ABLX  
ADR Price target \$51.00  
ADR Price \$47.65^

^Prior trading day's closing price unless otherwise noted.

**Peter Welford, CFA \***

Equity Analyst

44 (0) 20 7029 8668 pwelford@jefferies.com

**Lucy Codrington \***

Equity Analyst

+44 (0) 20 7029 8570 lcodrington@jefferies.com

\* Jefferies International Limited

## Company Description

Ablynx is a Belgian biotech company engaged in the discovery and development of Nanobodies, a novel class of therapeutic proteins based on single-domain antibody fragments. The company has alliances with Merck Serono, Merck, Boehringer Ingelheim and Novartis to use its platform technology to generate Nanobodies against specific disease targets. Lead pipeline product caplacizumab (anti-vWF) treats the rare blood disorder thrombotic thrombocytopenic purpura (TTP). Ablynx has partnered ALX-0061 (anti-IL-6R) with AbbVie for rheumatoid arthritis and systemic lupus erythematosus, and has ALX-0171 (anti-RSV) in early-stage clinical development for respiratory syncytial virus infections.

## Analyst Certification:

I, Peter Welford, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Lucy Codrington, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

**Registration of non-US analysts:** Peter Welford, CFA is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

**Registration of non-US analysts:** Lucy Codrington is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

## Investment Recommendation Record

### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 03:21 ET. January 29, 2018  
 Recommendation Distributed , 03:20 ET. January 29, 2018

## Company Specific Disclosures

Steven DeSanctis owns shares of Merck & Co. Inc. common shares.

Jefferies Group LLC makes a market in the securities or ADRs of Ablynx.

Jefferies Group LLC makes a market in the securities or ADRs of Sanofi.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Ablynx.

Within the past twelve months, Ablynx has been a client of Jefferies LLC and investment banking services are being or have been provided.

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Ablynx or one of its affiliates within the past twelve months.

## Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

## Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market

risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

**Jefferies Franchise Picks**

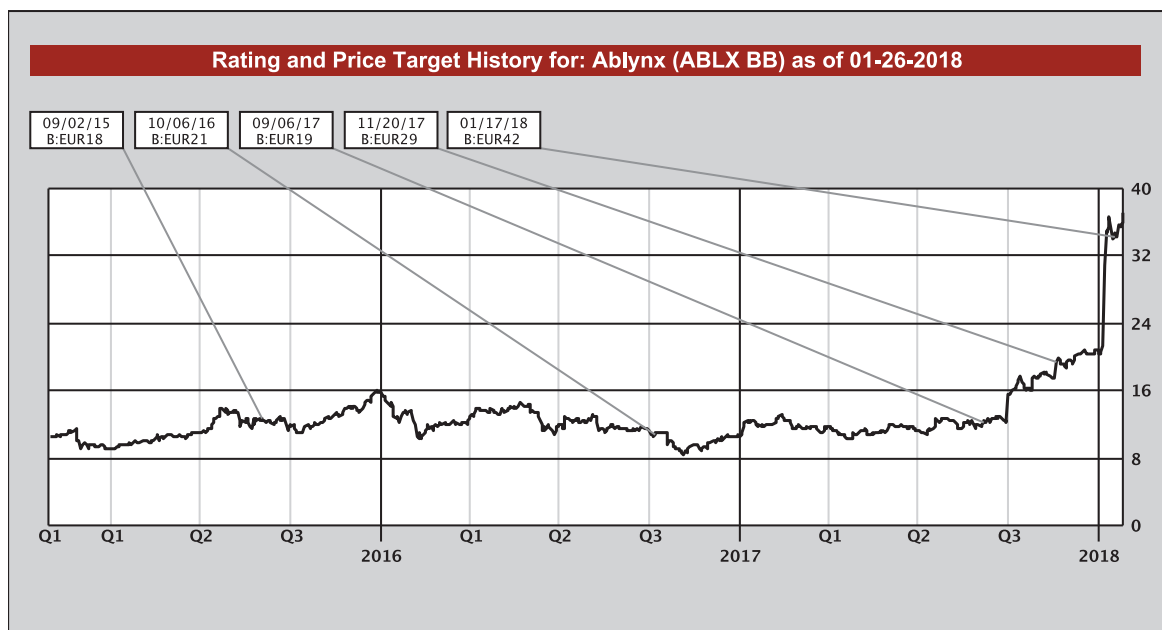
Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

**Risks which may impede the achievement of our Price Target**

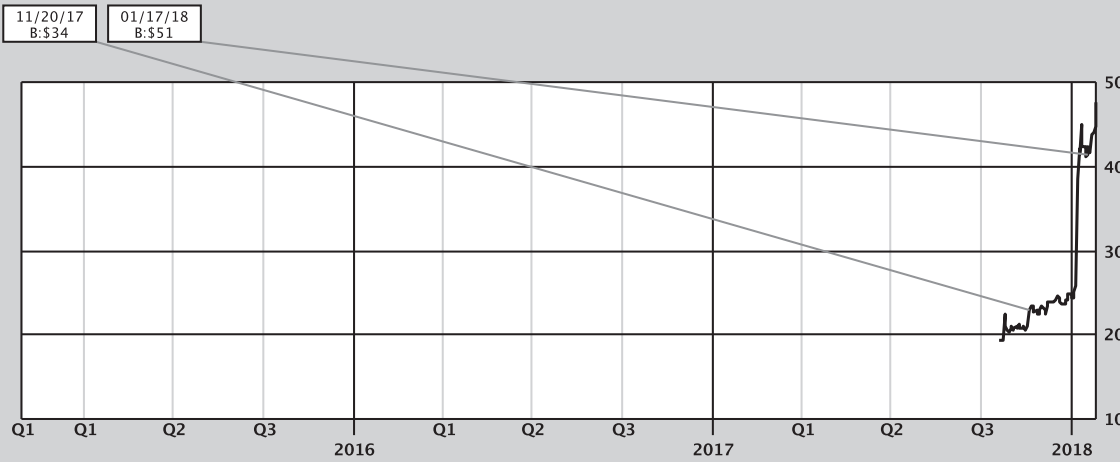
This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

**Other Companies Mentioned in This Report**

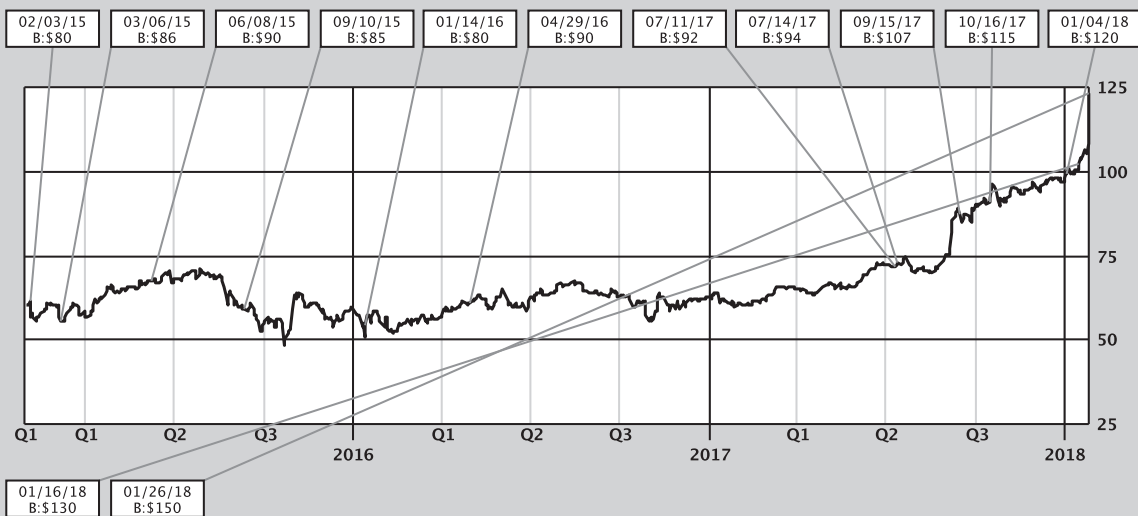
- AbbVie (ABBV: \$123.21, BUY)
- Merck & Co. (MRK: \$62.04, HOLD)
- Novo Nordisk (NOVOB DC: DKK347.60, HOLD)
- Sanofi (SAN FP: €73.48, HOLD)



**Rating and Price Target History for: Ablynx (ABLX) as of 01-26-2018**



**Rating and Price Target History for: AbbVie (ABBV) as of 01-26-2018**



**Rating and Price Target History for: Merck & Co. (MRK) as of 01-26-2018**

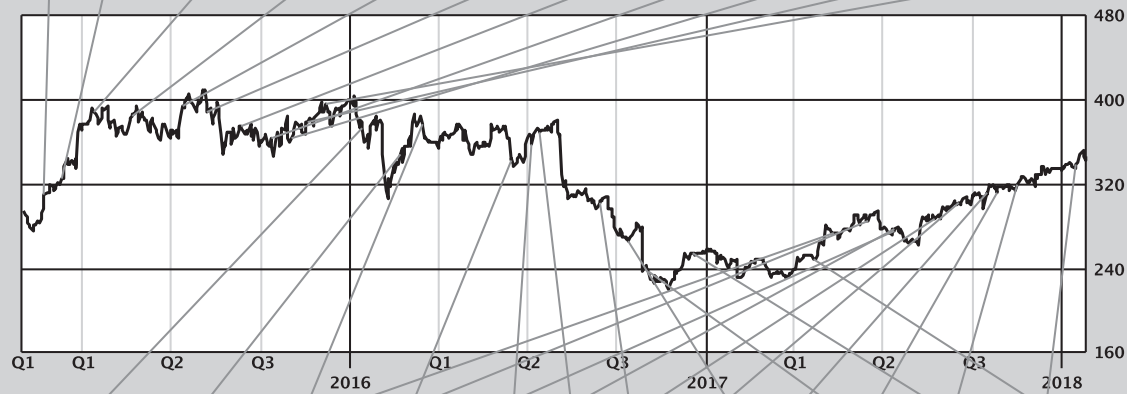
02/20/15 H:\$63	03/10/15 H:\$62	04/13/15 H:\$63	05/21/15 H:\$66	06/16/15 H:\$63	08/27/15 H:\$57	10/12/15 H:\$53	11/18/15 H:\$55	12/07/15 H:\$57	01/14/16 H:\$53	02/22/16 H:\$50
--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------



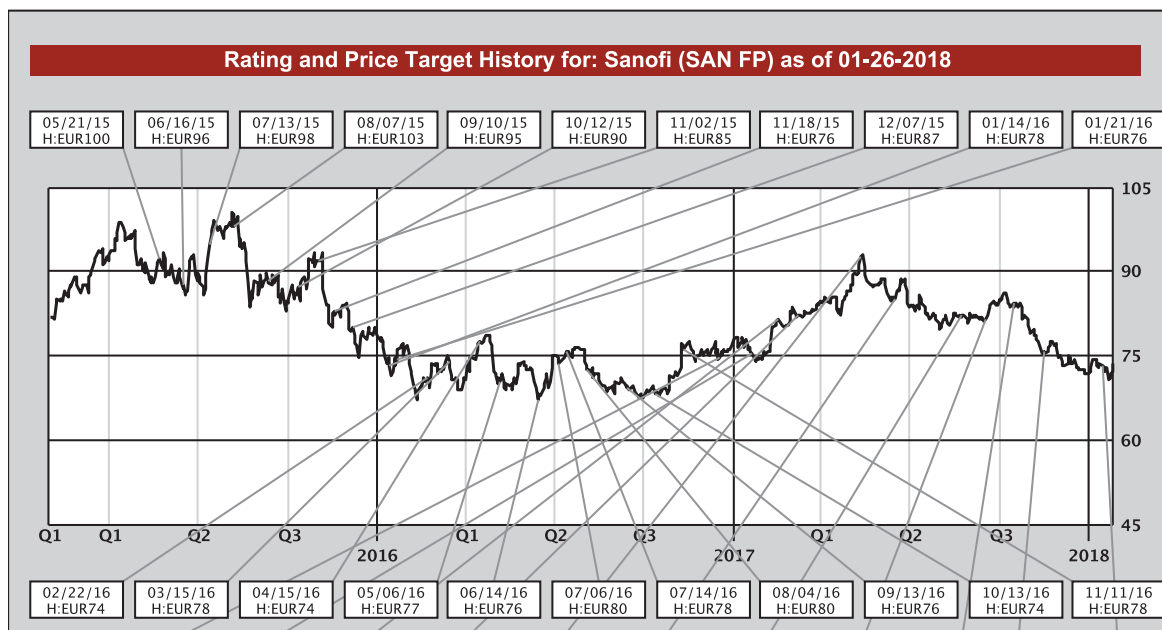
03/15/16 H:\$51	04/15/16 H:\$54	06/14/16 H:\$53	06/30/16 H:\$50	07/14/16 H:\$53	08/08/16 H:\$57	09/12/16 H:\$56	10/13/16 H:\$65	11/11/16 H:\$59	12/19/16 UP:\$48	02/02/17 UP:\$50
--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	---------------------	---------------------

**Rating and Price Target History for: Novo Nordisk (NOVOB DC) as of 01-26-2018**

02/20/15 H:DKK320	03/10/15 H:DKK345	04/13/15 H:DKK425	05/21/15 H:DKK410	07/13/15 H:DKK425	08/07/15 H:DKK440	09/10/15 H:DKK410	10/12/15 H:DKK400	11/02/15 H:DKK340	11/18/15 H:DKK350	12/07/15 H:DKK375
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------



01/14/16 H:DKK400	02/22/16 H:DKK340	03/15/16 H:DKK370	06/14/16 H:DKK380	07/06/16 H:DKK370	07/14/16 H:DKK380	09/13/16 H:DKK315	10/13/16 H:DKK285	11/03/16 H:DKK230	12/19/16 H:DKK240	04/21/17 H:DKK250
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

For Important Disclosure information on companies recommended in this report, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 212.284.2300.

### Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.		JIL Mkt Serv./Past 12 Mos.	
			Count	Percent	Count	Percent
<b>BUY</b>	1101	53.21%	342	31.06%	66	5.99%
<b>HOLD</b>	823	39.78%	161	19.56%	23	2.79%
<b>UNDERPERFORM</b>	145	7.01%	20	13.79%	3	2.07%

## Other Important Disclosures

Jefferies does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

**United States:** Jefferies LLC which is an SEC registered firm and a member of FINRA.

**United Kingdom:** Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

**Hong Kong:** Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

**Singapore:** Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

**Japan:** Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

**India:** Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited Equity Research personnel are separated from other business groups and are not under their supervision or control. Jefferies International Limited has implemented policies to (i) address conflicts of interest related to the preparation, content and distribution of research reports, public appearances, and interactions between research analysts and those outside of the research department; (ii) ensure that research analysts are insulated from the review, pressure, or oversight by persons engaged in investment banking services activities or other persons who might be biased in their judgment or supervision; and (iii) promote objective and reliable research that reflects the truly held opinions of research analysts and prevents the use of research reports or research analysts to manipulate or condition the market or improperly favor the interests of the Jefferies International Limited or a current or prospective customer or class of customers. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. Jefferies International Ltd, its affiliates or subsidiaries, may make a market or provide liquidity in the financial instruments referred to in this investment recommendation. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. Additional research products including models are available on Jefferies Global Markets Portal. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 1.888.JEFFERIES

© 2018 Jefferies Group LLC