



Capital  
Markets

February 9, 2023

## Swedish Orphan Biovitrum AB

### Critical launches ahead to support mid-sd growth

**Our view:** Sobi delivered a robust Q4 and anticipates modest CER growth (low-to-mid-sd) for 2023. However, the next two years will be critical in determining the mid-term outlook, driven by two important product launches. Sanofi will likely launch Altuviio (haemophilia) in Q2 this year, and Beyfortus later in 2023. Sobi shares in the economics of both. Rolling to 2024, Sobi should be launching efanesoctocog in Europe, its most important internal programme. We make small forecast changes and anticipate 5% sales growth and 9% EBITDA growth in the medium term, underpinned by these launches. Our PT climbs to SEK 260.

#### Key points:

- **Good Q4 results thanks to strong sales from Synagis and Doptelet:** Sobi's Q4 revenues of SEK 5,991m beat Infront consensus by 6% due to two excellent product performances. Synagis sales (SEK 1,849m) benefited from a strong RSV season in the US. Doptelet sales (SEK 771m) beat by 25% thanks to continued robust sales to its China partner, Fosun. The company guides to low-mid-sd CER revenue growth for FY23, with an adj. EBITA margin in the low 30% range.
- **Sanofi preparing for Altuviio launch:** Sanofi anticipates FDA approval for its next generation factor-VIII product Altuviio (efanesoctocog-alfa) in late February and the launch through the remainder of 2023 will give important insight into its adoption, given its seemingly best-in-class potential. Sobi earns a high-sd royalty on sales.
- **Beyfortus launch in H2-23 could reset US RSV market:** Sanofi is anticipating an FDA approval for Beyfortus (nirsevimab) during 2023, although the timing is uncertain. This is a profit share with Sanofi and thus could result in a cost in 2023 before swinging to a profit in future years. The launch timing is critical and could mean Beyfortus missing a positive ACIP recommendation for the 2023 RSV season.
- **Sobi's efanesoctocog launch in 2024:** Sobi has rights for efanesoctocog in Europe, and will file for approval in Europe in the second half of this year, paving the way for a 2024 approval. This should help Sobi at least keep its haemophilia franchise stable. Indeed, we forecast a period of mid-sd growth for the franchise from 2023-28.
- **Modest mid-term forecast changes:** Updating our model for the recent results, latest fx and some adjustments to specific product forecasts, results in modest (low-to-mid-sd) changes, both positive and negative.
- **Rolling DCF model forward lifts PT from SEK 240 to SEK 260:** We also roll our DCF forward by 12 months to set a year-end price target of SEK 260, up from our previous target of SEK 240. While this offers some upside potential, we retain our Sector Perform rating, given the significant uncertainties around the upcoming launches (Altuviio and Beyfortus) and the potential negative impact on existing drugs (Elocta and Synagis).

RBC Europe Limited

Alistair Campbell (Analyst)

+44 20 7653 4021, alistair.campbell@rbccm.com

Charles Weston, CFA (Analyst)

+44 20 7429 8425, charles.weston@rbccm.com

Natalia Webster (Senior Associate)

+44 20 7653 4064, natalia.webster@rbccm.com

### Sector Perform

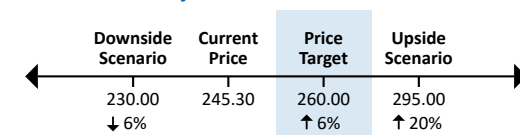
STO: SOBI; SEK 245.30

Price Target SEK 260.00 ↑ 240.00

#### WHAT'S INSIDE

<input type="checkbox"/> Rating/Risk Change	<input checked="" type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input checked="" type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input type="checkbox"/> News Analysis

#### Scenario Analysis\*



\*Implied Total Returns

#### Key Statistics

Shares O/S (MM):	296.0	Market Cap (MM):	72,612
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	283,602

#### RBC Estimates

FY Dec	2022A	2023E	2024E	2025E
Revenue	18,791.0	19,961.7	20,144.8	20,862.0
Prev.	18,278.9	19,642.1	20,251.7	21,184.7
EBITDA	6,232.0	6,689.8	6,715.1	7,540.0
Prev.	5,739.4	6,716.8	7,096.4	7,827.9
EBIT	3,813.0	4,675.4	4,670.7	5,461.4
Prev.	3,493.0	4,447.2	4,800.3	5,501.5
Free Cash Flow	3,193.0	2,665.0	1,806.2	5,400.3
Prev.	(294.0)	4,228.9	5,039.3	5,555.4
FCF Yield	4.4%	3.7%	2.5%	7.4%

All values in SEK unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).



Exhibit 1 - Forecast changes

Summary financials			2022	2023E	2024E	2025E	2026E	2027E	CAGR (22-27E)
Revenue	Old	SEKm	18,279	19,642	20,252	21,185	22,523	24,259	5.8%
	New	SEKm	18,791	19,962	20,145	20,862	22,000	23,647	4.7%
	Delta		2.8%	1.6%	-0.5%	-1.5%	-2.3%	-2.5%	
EBIT	Old	SEKm	3,493	4,447	4,800	5,502	6,193	6,860	14.5%
	New	SEKm	3,813	4,675	4,671	5,461	6,356	7,321	13.9%
	Delta		9.2%	5.1%	-2.7%	-0.7%	2.6%	6.7%	
EBITDA	Old	SEKm	5,739	6,717	7,096	7,828	8,554	9,260	10.0%
	New	SEKm	6,232	6,690	6,715	7,540	8,474	9,483	8.8%
	Delta		8.6%	-0.4%	-5.4%	-3.7%	-0.9%	2.4%	
Core EPS	Old	SEK	14.00	16.43	17.59	19.69	21.66	23.49	10.9%
	New	SEK	14.59	16.57	16.79	19.12	21.63	24.23	10.7%
	Delta		4.2%	0.9%	-4.6%	-2.9%	-0.2%	3.2%	

Source: Company reports, RBC Capital Markets estimates

Exhibit 2 - SOBI: Segmental Model

Year ending Dec SEKm	2020 FY	2021 FY	2022 FY	2023E FY	2024E FY	2025E FY	2025E FY
<b>Haematology</b>	<b>8,660</b>	<b>8,536</b>	<b>10,831</b>	<b>11,998</b>	<b>12,581</b>	<b>13,801</b>	<b>15,251</b>
- reported growth	11.7%	-1.4%	26.9%	10.8%	4.9%	9.7%	10.5%
- CER growth	13.0%	3.0%	13.3%	5.4%	4.9%	9.7%	10.5%
- Fx	-1.2%	-4.3%	12.0%	5.1%	0.0%	0.0%	0.0%
By product:							
Elocta	4,586	3,959	4,402	4,675	4,441	3,775	3,209
Alprolix	1,705	1,764	1,885	2,002	2,022	2,042	2,001
Doptelet	587	1,116	2,526	2,922	3,360	3,864	4,250
Aspaveli / Empaveli		1	178	524	865	1,297	1,725
Altuviio					140	980	1,960
Zynlonta				30	210	389	622
Manufacturing	481	445	413	391	117		
Royalty	1,301	1,251	1,427	1,455	1,426	1,455	1,484
<b>Immunology</b>	<b>5,415</b>	<b>5,780</b>	<b>6,680</b>	<b>6,732</b>	<b>6,429</b>	<b>6,007</b>	<b>5,763</b>
- reported growth	15.0%	6.7%	15.6%	0.8%	-4.5%	-6.6%	-4.1%
- CER growth	16.0%	15.0%	3.2%	-4.2%	-4.5%	-6.6%	-4.1%
- Fx	-0.8%	-7.2%	12.0%	5.1%	0.0%	0.0%	0.0%
By product:							
Kineret	2,079	2,290	2,284	2,450	2,499	2,573	2,651
Synagis	2,727	2,650	3,501	3,313	2,816	2,112	1,478
SEL-212						40	160
Gamifant	609	840	895	969	1,115	1,282	1,474
<b>Specialty care</b>	<b>1,186</b>	<b>1,213</b>	<b>1,280</b>	<b>1,231</b>	<b>1,135</b>	<b>1,054</b>	<b>986</b>
- reported growth	-33.6%	2.3%	5.5%	-3.8%	-7.9%	-7.1%	-6.4%
- CER growth	-33.0%	8.0%	-5.8%	-8.5%	-7.9%	-7.1%	-6.4%
- Fx	-0.9%	-5.3%	12.0%	5.1%	0.0%	0.0%	0.0%
By product:							
Orfadin	665	459	462	413	351	298	254
Tegsedi		427	429	406	365	329	296
Waylivra		121	152	176	193	213	234
Other	521	206	237	237	225	214	203
<b>Total revenues</b>	<b>15,261</b>	<b>15,529</b>	<b>18,791</b>	<b>19,962</b>	<b>20,145</b>	<b>20,862</b>	<b>22,000</b>
- reported growth	7.1%	1.8%	21.0%	6.2%	0.9%	3.6%	5.5%
- CER growth	8.0%	7.0%	8.0%	1.0%	0.9%	3.6%	5.5%
- Fx	-0.8%	-4.9%	12.0%	5.1%	0.0%	0.0%	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 3 - SOBI: Income Statement

Year ending Dec	2020	2021	2022	2023E	2024E	2025E	2026E
SEKm	FY	FY	FY	FY	FY	FY	FY
<b>Revenues</b>	<b>15,261</b>	<b>15,529</b>	<b>18,791</b>	<b>19,962</b>	<b>20,145</b>	<b>20,862</b>	<b>22,000</b>
Cost of goods	(3,225)	(3,484)	(4,776)	(5,090)	(5,238)	(5,424)	(5,720)
<b>Gross profit</b>	<b>12,036</b>	<b>12,045</b>	<b>14,015</b>	<b>14,871</b>	<b>14,907</b>	<b>15,438</b>	<b>16,280</b>
<i>Gross margin</i>	78.9%	77.6%	74.6%	74.5%	74.0%	74.0%	74.0%
Sales & admin (exc. amort & write downs)	(4,099)	(4,453)	(5,730)	(5,589)	(5,439)	(5,424)	(5,720)
- as % sales	-26.9%	-28.7%	-30.5%	-28.0%	-27.0%	-26.0%	-26.0%
R&D (exc. amort & write downs)	(1,594)	(1,994)	(2,354)	(2,595)	(2,619)	(2,816)	(3,080)
- as % sales	-10.4%	-12.8%	-12.5%	-13.0%	-13.0%	-13.5%	-14.0%
Other op. income / expense	357	(24)	(1)	(212)	(378)	64	676
<b>EBITA</b>	<b>6,700</b>	<b>5,574</b>	<b>5,930</b>	<b>6,475</b>	<b>6,471</b>	<b>7,261</b>	<b>8,156</b>
Non-recurring items	(399)		674				
<b>Adjusted EBITA</b>	<b>6,301</b>	<b>5,574</b>	<b>6,604</b>	<b>6,475</b>	<b>6,471</b>	<b>7,261</b>	<b>8,156</b>
<i>EBITA margin</i>	41.3%	35.9%	35.1%	32.4%	32.1%	34.8%	37.1%
<b>EBITDA</b>	<b>6,841</b>	<b>5,739</b>	<b>6,232</b>	<b>6,690</b>	<b>6,715</b>	<b>7,540</b>	<b>8,474</b>
Amortisations	(1,882)	(1,841)	(2,117)	(1,800)	(1,800)	(1,800)	(1,800)
<b>EBIT</b>	<b>4,818</b>	<b>3,733</b>	<b>3,813</b>	<b>4,675</b>	<b>4,671</b>	<b>5,461</b>	<b>6,356</b>
<i>EBIT margin</i>	31.6%	24.0%	20.3%	23.4%	23.2%	26.2%	28.9%
Financial income / expense	(601)	(438)	(492)	(267)	(99)	42	104
<b>PBT</b>	<b>4,217</b>	<b>3,295</b>	<b>3,321</b>	<b>4,408</b>	<b>4,572</b>	<b>5,503</b>	<b>6,461</b>
Income tax	(972)	(616)	(683)	(926)	(1,006)	(1,238)	(1,454)
- tax rate	-23.0%	-18.7%	-20.6%	-21.0%	-22.0%	-22.5%	-22.5%
<b>PAT</b>	<b>3,245</b>	<b>2,679</b>	<b>2,638</b>	<b>3,482</b>	<b>3,566</b>	<b>4,265</b>	<b>5,007</b>
Remeasurement of DB & equity instrumen	6	28	(16)				
Translation difference	(434)	464	880				
Cashflow & investment hedges, net of tax	376	(305)	(448)				
<b>Comprehensive income</b>	<b>3,193</b>	<b>2,866</b>	<b>3,054</b>	<b>3,482</b>	<b>3,566</b>	<b>4,265</b>	<b>5,007</b>
Basic shares in issue	295	295	296	296	296	296	296
<b>Basic EPS (SEK)</b>	<b>11.0</b>	<b>9.1</b>	<b>8.9</b>	<b>11.8</b>	<b>12.0</b>	<b>14.4</b>	<b>16.9</b>
Diluted shares in issue	298	297	298	298	298	298	298
<b>Diluted EPS (SEK)</b>	<b>10.9</b>	<b>9.0</b>	<b>8.8</b>	<b>11.7</b>	<b>11.9</b>	<b>14.3</b>	<b>16.8</b>
<b>Core basic EPS (SEK)</b>	<b>15.9</b>	<b>14.2</b>	<b>14.6</b>	<b>16.6</b>	<b>16.8</b>	<b>19.1</b>	<b>21.6</b>
<b>Core diluted EPS (SEK)</b>	<b>15.8</b>	<b>14.1</b>	<b>14.5</b>	<b>16.4</b>	<b>16.7</b>	<b>19.0</b>	<b>21.5</b>

Source: Company reports, RBC Capital Markets estimates

Exhibit 4 - SOBI: Balance Sheet

Year ending Dec SEKm	2020 FY	2021 FY	2022 FY	2023E FY	2024E FY	2025E FY	2026E FY
<b>Assets</b>							
<b>Non-current assets</b>	<b>40,115</b>	<b>39,883</b>	<b>41,285</b>	<b>40,021</b>	<b>38,811</b>	<b>37,658</b>	<b>36,511</b>
Intangible fixed assets	38,791	38,424	40,013	38,713	37,463	36,263	35,063
Tangible fixed assets	534	493	274	310	350	397	450
Financial fixed assets	179	199	121	121	121	121	121
Deferred tax assets	611	767	877	877	877	877	877
<b>Current assets</b>	<b>8,168</b>	<b>8,778</b>	<b>11,211</b>	<b>9,224</b>	<b>5,551</b>	<b>8,645</b>	<b>14,508</b>
Inventories	3,053	3,424	3,332	3,828	3,587	3,429	3,616
Accounts receivables	3,756	3,439	5,249	4,102	3,863	3,715	3,918
Current receivables	955	870	1,269	1,269	1,269	1,269	1,269
Cash & equivalents	404	1,045	1,361	25	(3,169)	232	5,704
<b>Total assets</b>	<b>48,283</b>	<b>48,661</b>	<b>52,496</b>	<b>49,245</b>	<b>44,362</b>	<b>46,303</b>	<b>51,018</b>
<b>Equity &amp; liabilities</b>							
<b>Shareholders equity</b>	<b>20,206</b>	<b>23,203</b>	<b>26,526</b>	<b>30,007</b>	<b>33,574</b>	<b>37,839</b>	<b>42,846</b>
Long-term liabilities	17,634	16,697	11,114	7,114	(1,086)	(3,186)	(3,286)
Long-term debt	10,137	8,777	2,971	(1,029)	(6,029)	(8,029)	(8,029)
Deferred tax liabilities	3,464	3,605	3,797	3,797	3,797	3,797	3,797
Lease liabilities	308	247	200	200	200	200	200
Long-term liabilities, non-interest bearing	3,725	4,068	4,146	4,146	946	846	746
<b>Current liabilities</b>	<b>10,443</b>	<b>8,761</b>	<b>14,856</b>	<b>12,123</b>	<b>11,875</b>	<b>11,650</b>	<b>11,459</b>
Short term debt	4,015	1,768	5,796	5,796	5,796	5,796	5,796
Accounts payable	569	558	1,252	909	911	936	995
Lease liabilities	111	114	134	134	134	134	134
Current liabilities, non-interest bearing	5,748	6,321	7,674	5,284	5,034	4,784	4,534
<b>Total equity &amp; liabilities</b>	<b>48,283</b>	<b>48,661</b>	<b>52,496</b>	<b>49,245</b>	<b>44,362</b>	<b>46,303</b>	<b>51,018</b>

Source: Company reports, RBC Capital Markets estimates



Exhibit 5 - SOBI: Cash Flow Statement

Year ending Dec	2020	2021	2022	2023E	2024E	2025E	2026E
SEKm	FY	FY	FY	FY	FY	FY	FY
Profit before tax	4,217	3,295	3,321	4,408	4,572	5,503	6,461
Amortization, depreciation and impairment	2,023	2,006	2,419	2,014	2,044	2,079	2,118
Other, including non-cash items	45	179	410	(2,390)	(3,450)	(350)	(350)
Income tax paid	(918)	(1,124)	(673)	(926)	(1,006)	(1,238)	(1,454)
<b>Cash flow from operations before change in WC</b>	<b>5,367</b>	<b>4,356</b>	<b>5,477</b>	<b>3,107</b>	<b>2,161</b>	<b>5,994</b>	<b>6,775</b>
Changes in working capital	(441)	1,114	(807)	308	481	332	(331)
<b>Cash flow from operations</b>	<b>4,926</b>	<b>5,470</b>	<b>4,670</b>	<b>3,415</b>	<b>2,641</b>	<b>6,325</b>	<b>6,443</b>
Acquisition of businesses, net of cash							
Investment in intangible fixed assets	(3,811)	(323)	(1,405)	(500)	(550)	(600)	(600)
Investment in tangible fixed assets	(41)	(47)	(72)	(250)	(285)	(325)	(370)
Divestment of tangible fixed assets	8	3					
Divestment of intangible fixed assets							
Investment in financial assets	(120)						
<b>Cash flow from investing activities</b>	<b>(3,964)</b>	<b>(367)</b>	<b>(1,477)</b>	<b>(750)</b>	<b>(835)</b>	<b>(925)</b>	<b>(970)</b>
Loans - raising / amortization	(1,452)	(3,998)	(2,420)	(4,000)	(5,000)	(2,000)	
Hedging for financing	288	(351)	(438)				
Net finance lease	(118)	(125)	(133)				
Share movements							
<b>Cash flow from financing activities</b>	<b>(1,282)</b>	<b>(4,474)</b>	<b>(2,991)</b>	<b>(4,000)</b>	<b>(5,000)</b>	<b>(2,000)</b>	
<b>Net change in cash</b>	<b>(320)</b>	<b>629</b>	<b>202</b>	<b>(1,335)</b>	<b>(3,194)</b>	<b>3,400</b>	<b>5,473</b>
Opening cash	737	404	1,045	1,361	25	(3,169)	232
Fx effect	(13)	12	114	(1)			
<b>Closing cash</b>	<b>404</b>	<b>1,045</b>	<b>1,361</b>	<b>25</b>	<b>(3,169)</b>	<b>232</b>	<b>5,704</b>

Source: Company reports, RBC Capital Markets estimates



## Healthcare

Alistair Campbell

+44 20 76534021

[alistair.campbell@rbccm.com](mailto:alistair.campbell@rbccm.com)

## Swedish Orphan Biovitrum: Summary of Financials

Charles Weston

+44 20 7429 8425

[Charles.Weston@rbccm.com](mailto:Charles.Weston@rbccm.com)

Natalia Webster

+44 20 76534064

[natalia.webster@rbccm.com](mailto:natalia.webster@rbccm.com)

Share price SEK 245.30

Year to 31 December

Core P&L (SEKm)

Revenues 18,791 19,962 20,145 20,862

% change YoY 21.0% 6.2% 0.9% 3.6%

Gross Profit 14,015 14,871 14,907 15,438

% change YoY 16.4% 6.1% 0.2% 3.6%

Adjusted EBITA 6,604 6,475 6,471 7,261

% change YoY 18.5% -1.9% -0.1% 12.2%

EBITDA 6,232 6,690 6,715 7,540

% change YoY 8.6% 7.3% 0.4% 12.3%

EBIT 3,813 4,675 4,671 5,461

% change YoY 2.1% 22.6% -0.1% 16.9%

Net finance expense (492) (267) (99) 42

Tax (683) (926) (1,006) (1,238)

Net income 2,638 3,482 3,566 4,265

Basic shares in issue 296 296 296 296

Diluted shares in issue 298 298 298 298

Reported diluted EPS (SEK) 8.84 11.67 11.95 14.29

Core diluted EPS (SEK) 14.47 16.43 16.65 18.97

CASH FLOW (€m)

Profit before tax 3,321 4,408 4,572 5,503

Depreciation and amortisation 2,419 2,014 2,044 2,079

Changes in working capital (807) 308 481 332

Other 410 (2,390) (3,450) (350)

Income tax paid (673) (926) (1,006) (1,238)

CF from operations 4,670 3,415 2,641 6,325

Capex (1,477) (750) (835) (925)

Other CF from investing - - - -

CF from investing (1,477) (750) (835) (925)

Loans - raising/amortisation (2,420) (4,000) (5,000) (2,000)

Net finance lease (133) - - -

Other CF from financing (438) - - -

CF from financing (2,991) (4,000) (5,000) (2,000)

Net cash flow 202 (1,335) (3,194) 3,400

Year end net debt/(cash) 1,361 25 (3,169) 232

Free cash flow 3,193 2,665 1,806 5,400

BALANCE SHEET (€m)

Tangible fixed assets 274 310 350 397

Intangible fixed assets 40,013 38,713 37,463 36,263

Working Capital 9,850 9,199 8,720 8,414

Cash 1,361 25 (3,169) 232

Others (incl. assets held for sale) 998 998 998 998

Total assets 52,496 49,245 44,362 46,303

Long-term debt 2,971 (1,029) (6,029) (8,029)

Non-current leases 200 200 200 200

Deferred Tax 3,797 3,797 3,797 3,797

Other financial liabilities > 1 year 4,146 4,146 946 846

Non-current liabilities 11,114 7,114 (1,086) (3,186)

Short-term debt 5,796 5,796 5,796 5,796

Payables 1,252 909 911 936

Current leases 134 134 134 134

Other current liabilities 7,674 5,284 5,034 4,784

Current liabilities 14,856 12,123 11,875 11,650

Total liabilities 25,970 19,237 10,789 8,464

Shareholders' equity 26,526 30,007 33,574 37,839

Market cap (SEKm) 72,612

Priced at

08-Feb-2023

MARGIN and RATIO ANALYSIS

EBITDA margin 33.2% 33.5% 33.3% 36.1%

EBIT margin 20.3% 23.4% 23.2% 26.2%

Net profit margin 14.0% 17.4% 17.7% 20.4%

FCF margin (on sales) 17.0% 13.4% 9.0% 25.9%

Interest cover (x) 12.7 25.0 68.1 -179.6

Effective interest rate (%) -36.1 -1069.1 3.1 18.1

Revenue/Total assets (x) 0.4 0.4 0.5 0.5

P/E (adj. dil.) 16.9x 14.9x 14.7x 12.9x

Dividend yield 0.0% 0.0% 0.0% 0.0%

EV/EBITDA 12.9x 11.7x 11.3x 9.4x

EV/Sales 4.3x 3.9x 3.8x 3.4x

Net Debt/EBITDA 0.2x 0.0x (0.5x) 0.0x

ROCE 10.1% 12.6% 14.4% 15.8%

ROIC 7.0% 8.4% 8.6% 10.3%

Revenue split

Haematology 10,831 11,998 12,581 13,801

Elocta 4,402 4,675 4,441 3,775

Alprolix 1,885 2,002 2,022 2,042

Doptelet 2,526 2,922 3,360 3,864

Aspavali / Empaveli 178 524 865 1,297

Altuvio 140 980

Zynlonta 30 210 389

Manufacturing 413 391 117

Royalty 1,427 1,455 1,426 1,455

Immunology 6,680 6,732 6,429 6,007

Kineret 2,284 2,450 2,499 2,573

Synagis 3,501 3,313 2,816 2,112

Gamifant 895 969 1,115 1,282

Specialty care 1,280 1,231 1,135 1,054

Orfadin 462 413 351 298

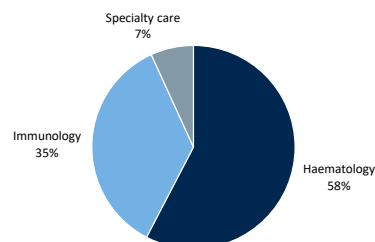
Tegsedi 429 406 365 329

Waylivra 152 176 193 213

Other 237 237 225 214

Total 18,791 19,962 20,145 20,862

Revenues split by segment FY22A



For RBC Capital Markets Healthcare valuation comparatives, recent research, and other data please see RBC Insight or Bloomberg <RBCR> GO

Source: RBC Capital Markets estimates, company reports

## Key fundamental questions

### Our view

**How sustainable is the haemophilia franchise?**

This franchise was nearly 50% of 2021 sales but several new entrants (Roche's Hemlibra and Biomarin's gene therapies) have been taking share from traditional factor replacement therapies. Sobi, and partner Sanofi, have developed a next-generation factor VIII with a true once-weekly profile, which should become the dominant factor VIII replacement product, offsetting the share lost to non-factor treatments.

**What other headwinds does Sobi face?**

Orfadin is in decline, but is now a relatively small product in the portfolio. Synagis will likely be replaced by Sanofi's new anti-RSV product nirsevimab, but Sobi has an economic interest in this product, which will help offset some of the value lost from Synagis.

**What is Sobi relying on for growth?**

Sobi has a collection of recently launched products that are still early in their lifecycle. The trio, Doptelet, Gamifant and Aspaveli, can each reach peak sales of SEK 3-5bn and should underpin strong sales growth in the medium term.

**How does Sobi source new products?**

Sobi relies on in-licensing and acquisitions to fill its late-stage portfolio. Sobi's strengths in rare diseases, particularly in haematology and immunology, make it an attractive partner for companies with rare disease assets in development. Nevertheless, there's a risk of overpaying for assets, although Sobi's track record has been robust over the last 5-10 years, as demonstrated by the improving ROIC.

**What are the key catalysts in the near term?**

In the near term, we hope to see key regulatory submissions for nirsevimab in the US. 2023 will be an important year for late-stage clinical trial data. Key events include phase III results for Gamifant in macrophage activation syndrome, SEL-212 in refractory gout and Aspaveli in ALS.



## Key ESG questions

*This section is intended to highlight key ESG discussion points relevant to this company, as well as our views on the outlook. Both the questions we highlight and our responses will evolve over time as the dialogue between management, analysts and investors continues to advance. We welcome any feedback on the topics.*

### Our view

#### **What are the most material ESG issues facing the company?**

Since 2019, Sobi has conducted materiality assessments and the top three issues identified as most influential in 2021 were patient safety & product quality (where Sobi has strong performance), compliance & anti-corruption and research ethics. These are typical hot areas for pharmaceuticals companies as they deal with how research companies discover and commercialise their products to a potentially vulnerable customer base. Sobi runs a Compliance Hotline as part of its code of conduct to facilitate anonymous reporting of ethical misconduct in the business.

#### **Does the company integrate ESG considerations into its strategy?**

Sobi takes its ESG strategy seriously and the overall business strategy has six key objectives, two of which come from the ESG strategy, Commitment to Patients and Responsible Behaviour. These are two of the most important industry-specific ESG issues highlighted above.

#### **What is diversity like at board / management level?**

At senior management level Sobi shows a good degree of diversification, with 40% female representation. This drops off at the Executive Committee level, however, where just one of twelve representatives is female. At board level Sobi has a much better balance with an even split between male and female representatives.

#### **How does Sobi ensure fair access to medicine?**

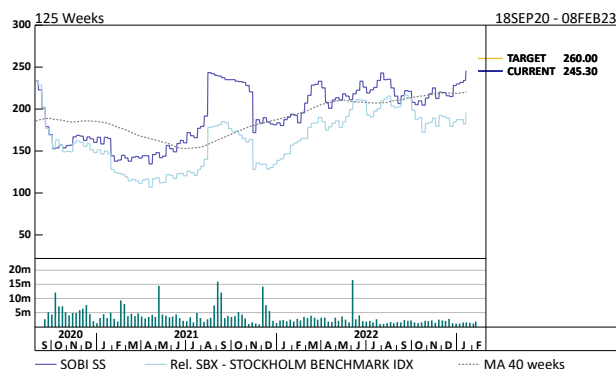
A good example of Sobi ensuring access is its collaboration with the World Federation of Hemophilia Humanitarian Aid Programme and Sanofi to provide clotting factor products for humanitarian use. Since the initial pledge over 18,880 people with haemophilia have been treated with factor donated by Sanofi and Sobi.

#### **How does Sobi minimise its impact on the environment?**

Sobi operates a highly outsourced model and thus Scope 1 and Scope 2 emissions from internal operations are limited. Nevertheless, the company aims to achieve net zero emissions internally no later than 2030.

## Target/Upside/Downside Scenarios

### Swedish Orphan Biovitrum AB



Source: Bloomberg and RBC Capital Markets estimates for Target

### Valuation

Sobi trades on 11.7x 2023E EV/EBITDA, a modest 3% premium to the sector. With EBITDA set to grow 10% per annum for 2022-27, we think this valuation is justified, and our DCF valuation sets a price target of SEK 260. While the company has high potential product launches ahead (Altuviio, Beyfortus), they will be somewhat cannibalistic on existing drugs (Elocta, Synagis), creating significant uncertainty. Our price target supports our Sector Perform rating.

### Upside scenario

In 2021, Advent and GIC made a SEK 235 per share offer to acquire Sobi. While recommended by the board, the bid failed due to an objection by 8% shareholder, AstraZeneca. Astra is still a shareholder and could prevent further bidders looking at Sobi, but a renewed bid by Advent / GIC or a different suitor cannot be totally discounted. A re-bid in 2023 at the same EV/EBITDA multiple would imply a per share offer of SEK 295 per share, or 20% implied upside.

### Downside scenario

Our model assumes Sobi can deliver significant efficiency improvement as the top line grows, notably a 400 basis point improvement in the sales & admin ratio from 30% of sales to 26% of sales. If efa-a launches poorly (reaching two thirds of our sales projection) and operating leverage is just 200 basis points, our DCF drops from SEK 260 to SEK 230, 6% below the current share price.

## Investment summary

Sobi has grown sales at c. 15% per annum (CER) over the last 5 years, largely thanks to its extended half-life haemophilia products. However, the haemophilia market is undergoing dramatic change with the emergence of bypassing agents and the transformational potential of gene therapy. As a result, Sobi's haemophilia franchise is expected to slow dramatically in the next 5 years.

In preparation for this slowdown, Sobi has in-licensed or purchased several products to reinforce growth, including Doptelet and Aspavali.

In aggregate, we forecast 6% sales growth (22-27) and 10% EBITDA growth for the same period. While this is ahead of the sector, it is largely reflected in Sobi's modest premium on EV/EBITDA.

Furthermore, our forecasts, while close to consensus for 2023, fall significantly below consensus for 2024 and 2025. Importantly, in 2025 we forecast sales of SEK 21bn, substantially below Sobi's "25 by 25" objective.

Our DCF-derived valuation of SEK 260 offers 6% implied upside, but this isn't attractive enough against the backdrop of consensus numbers with downside risk. We maintain our Sector Perform rating.

### Risks to rating and price target

The key risk is failure to establish efanesoctocog alpha as the best in class long acting factor for haemophilia A, given the importance of this franchise to Sobi. We expect efanesoctocog to become Sobi's largest product by the end of the decade, representing around 20% of sales by 2030.

Novartis' iptacopan could significantly disrupt the PNH market and pose a serious threat to Empaveli's market position. Iptacopan delivered impressive phase III results in 2022.

Perhaps the biggest upside risk could be a renewed bid to acquire the company. Private equity firm Advent bid at SEK 235 per share in 2021, although the bid failed due to an objection from AstraZeneca. A renewed bid could emerge above the SEK 235 level given the positive efa-a data that has since emerged.



## Company description

Sobi is a specialty pharmaceuticals company with a focus on rare diseases. Notably the company develops drugs under two therapeutic umbrellas, haematology and immunology. Sobi has enjoyed considerable success in the haemophilia field and co-commercialises (along with Sanofi) two major haemophilia products (Elocta and Alprolix). However, the haemophilia market is undergoing considerable change, notably the roll-out of Roche's Hemlibra. As a result, Sobi and Sanofi need to establish their next generation factor (efanesoctocog) as the best in class product to ensure this franchise can continue to grow.

Elsewhere, Doptelet has been a successful addition to the portfolio and still has years of growth ahead, as do Sobi's immune crisis drugs, Kineret and Gamifant.

Sobi performs minimal internal research and thus needs to source new development programmes through in-licensing or M&A, and BD is a top priority to refill the pipeline. Excluding efanesoctocog (the real pipeline star), nirsevimab could hold significant commercial value. We are less excited by SEL-212 (gout), given advances with competing projects over the last 12 months.

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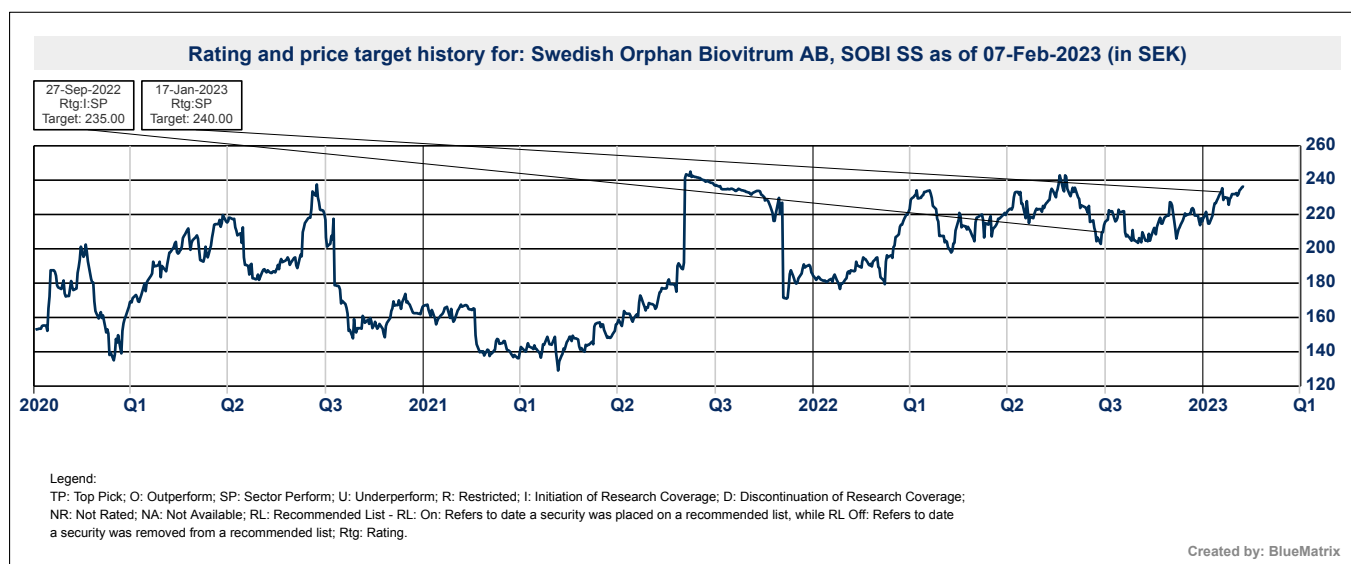
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### Swedish Orphan Biovitrum AB

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