

HAIB FIRST TAKE

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06-May-22

Novartis facing setback in manufacturing of radioligand therapies

Topic: Novartis announced a temporary **manufacturing halt of its two commercial radioligand therapies** (Lutathera and Pluvicto) due to potential quality issues at manufacturing sites supplying the US market.

Simultaneously, the enrolment for extension trials with Pluvicto and Lutathera was put on hold. Novartis expects the issue to be resolved and **to be able to “resume some supply” in the next six weeks.**

To recap: Radioligand therapy is a novel cancer treatment option that combines cancer-specific compounds (i.e. ligands) with radioactive isotopes. While Lutathera has been marketed since 2018 and already generates > EUR 500m p.a., Pluvicto was only approved in March 2022.

What implications could this have on EUZ: Lutathera and Pluvicto are labelled with Lu-177 and rely on a positive Ga-68 scan prior to treatment. EUZ is **one of the two relevant suppliers of Ga-68 generators**, which is the most convenient and least expensive source of Ga-68. In 2021, we estimate EUZ to have generated more than € 30m+ sales with this product.

Evidently, due to the manufacturing hiccup, **the rollout scheduled of Pluvicto will be delayed.** While this could present some growth headwinds in the short-term, the **negative effect to the FY'22 sales guidance isn't likely to be too material**, in our view.

Management's FY guidance – expecting 8% yoy growth (or € 6.5m incr. sales) in the Medical division – was already conservative, while the **manufacturing hiccups have a larger affect on incremental demand for Ga-68**, not the base business. Routine Ga-68 imaging is likely to continue to be performed and Lutathera's supply to Europe is not affected. At the same time, the expected launch of SIRTEX' Y-90 based liver cancer drug should **drive growth with Y-90** in 2022.

Importantly, the **mid- to long-term growth potential** stemming from radioligand therapies increasingly going mainstream **remains fully intact.**

As **one of the leading global suppliers** of mission-critical pharmaceutical isotopes (e.g. Ga-68, Lu-177, Y-90, Ac-225) and a whole range of auxiliary products and services, **EUZ looks set perfectly positioned to benefit from the nuclear medicine market growth.**

The relevant vertical of the nuclear medicine market is seen to **grow from c. € 1bn in 2020 to more than € 20bn by 2030E**, largely driven by the introduction of numerous radioligand therapies. This should correspond to a total addressable **market opportunity of € 2.5-5bn** for EUZ, based on an estimated value share of 10-20% for isotope specialists.

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Buy

Price target: EUR 152.00

Price: EUR 45.00

Close price as of: 05.05.2022

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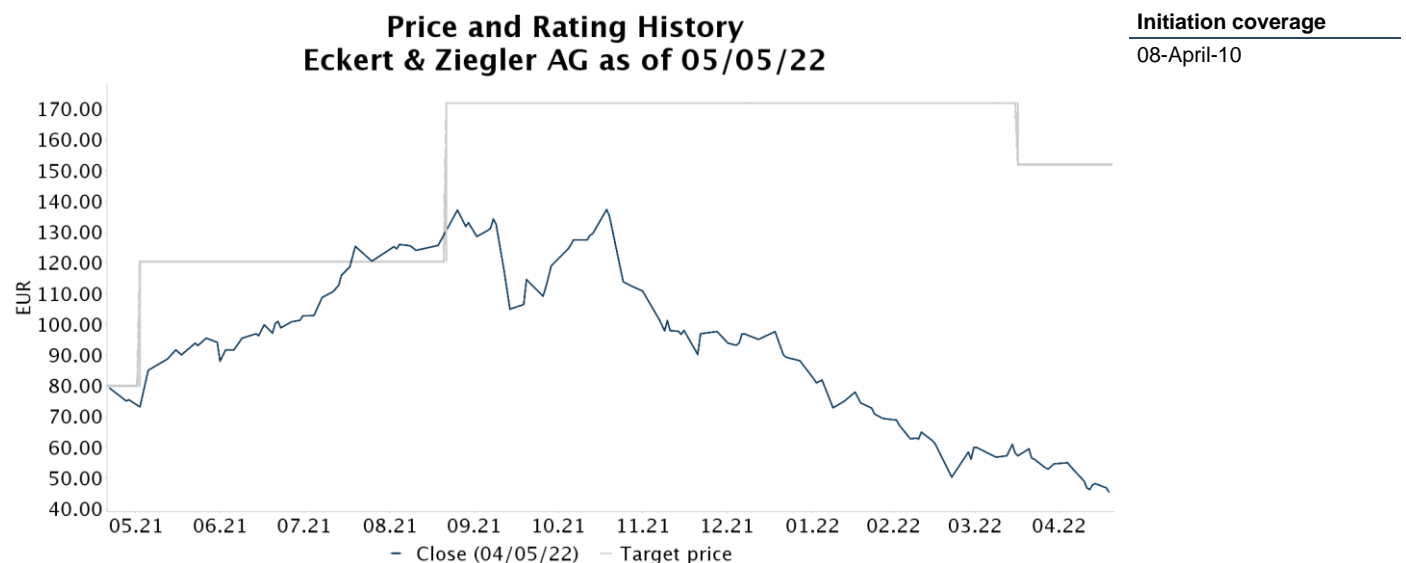
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Company	Disclosure
Eckert & Ziegler AG	2

Historical target price and rating changes for Eckert & Ziegler AG in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
Eckert & Ziegler AG	11.04.2022	Galitsa, Alexander	Buy	EUR 152,00	EUR 53,35
	04.04.2022	Galitsa, Alexander	Buy	EUR 152,00	EUR 57,30
	28.09.2021	Galitsa, Alexander	Buy	EUR 172,00	EUR 116,90
	07.09.2021	Galitsa, Alexander	Buy	EUR 172,00	EUR 125,70
	07.09.2021	Galitsa, Alexander	Buy	EUR 172,00	EUR 125,70
	07.09.2021	Galitsa, Alexander	Buy	EUR 172,00	EUR 125,70

07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
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07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
07.09.2021	Galiitsa, Alexander	Buy	EUR 172,00	EUR 125,70
10.06.2021	Galiitsa, Alexander	Buy	EUR 120,50	EUR 93,15
19.05.2021	Galiitsa, Alexander	Buy	EUR 120,50	EUR 73,20

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