

4th February 2016

Healthcare

AstraZeneca

Price 4,412p

First look at FY results suggests a clean delivery

Fair Value 5550p (+26%)

BUY-Top Picks

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,863 / 3,904
Market Cap (GBPm)	55,775
Avg. 6m daily volume (000)	2 273

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.4%	6.0%	1.6%	-4.4%
Healthcare	-9.7%	-10.2%	-16.9%	-9.7%
DJ Stoxx 600	-9.9%	-12.9%	-17.5%	-9.9%

	2014	2015e	2016e	2017e
P/E	15.1x	15.1x	15.9x	15.9x
Div yield (%)	4.3%	4.3%	4.3%	4.3%

ANALYSIS

- Although published a bit late to enable in-depth analysis, FY results from AstraZeneca look fairly clean. We note slightly higher than expected revenues, split equally between sales and outsourcing revenues. However, positive surprises mainly stemmed from mature drugs including Crestor (flat in Q4 vs negative first three quarters) and Nexium (only down 26%) whereas Symbicort was weak for instance.
- In terms of P&L structure, COGS was a touch higher than anticipated in Q4 but all in all there was no major deviation from expectations and core EPS stood at USD4.26 whereas the consensus was expecting USD4.27. As such, this will be the base for guidance.
- Precisely, for 2016, AstraZeneca is guiding towards a low-to-mid single digit decline in revenues and core EPS (with currencies adding a 3% negative). This is very reassuring guidance as it includes the two dilutive deals concluded recently i.e. ZS Pharma and Acerta. Obviously this factors in generics for Crestor as of May. This should then bring core EPS down to about USD4-4.05 which is very close to where the consensus is today. We were more conservative and should make some upward revisions to our numbers as we anticipated 11% reported core EPS in 2016.
- Now, with this reassuring resilience in short-term numbers, what is clearly more relevant to AZN's investment case is the way the pipeline is delivering and we know that 2016 will be rich in clinical and regulatory updates starting with the PINNACLES (PT003) and SOCRATES (Brilinta) phase III read-outs, saxa-dapa re-submission in the US and approvals for Tagrisso in Europe and ZS-9 in the US, all in H1 2016.

VALUATION

- We are very comfortable with our current FV. Adjustments to numbers to come.

NEXT CATALYSTS

- Today 1pm: Conference Call on FY results - [Click here to download](#)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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