

23rd March 2016

Healthcare

**AstraZeneca**

Price 3,915p

**SOCRATES misses its primary endpoint**

**Fair Value 5,300p vs 5,550p (+35%)**

**BUY-Top Picks**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,863 / 3,890
Market Cap (GBPm)	49,495
Avg. 6m daily volume (000)	2 505

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.5%	-11.0%	-6.0%	-15.2%
Healthcare	-1.7%	-9.2%	-8.5%	-12.3%
DJ Stoxx 600	2.6%	-4.6%	-1.8%	-7.0%

  

	2015	2016e	2017e	2018e
P/E	13.1x	14.0x	14.4x	13.5x
Div yield (%)	5.0%	5.0%	5.0%	5.0%

#### ANALYSIS

- AstraZeneca today reported top-line results from the SOCRATES study that was investigating 90mg Brilinta twice-daily vs a 100mg daily dose of aspirin in patients with acute ischemic stroke or transient ischemic attack. Although fewer events were observed for Brilinta, the trend did not reach statistical significance and so the primary endpoint i.e. occurrence of first event from a composite of stroke, MI or death was not met. Detailed results including subgroup analysis will be presented at an upcoming medical congress.
- SOCRATES was known to be a high-risk study and an “easier one” is due to follow with EUCLID in PAD later in the year. This news should not prevent Brilinta from achieving consensus estimates of about USD2.0bn but could make it more difficult to reach the USD3.5bn mark assessed to the drug by AstraZeneca when forming the 2023 revenue guidance. It will depend on EUCLID however. Our understanding was that it could have represented about 20% of this target.

#### VALUATION

- We thought there was a chance that Brilinta might achieve superiority over aspirin in SOCRATES although with a low PoS, thereby contributing to our 2022 target of USD3.2bn. We have cut our estimates accordingly as we will take no risk with subgroup analysis. We are reducing our PS from USD3.2bn to USD2.6bn in 2022. Our FV is reduced by GBP250to GBP5,300.

#### NEXT CATALYSTS

- 29 April 2016: First-quarter results

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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