

12th April 2016

Healthcare

Roche

Price CHF242.50

Venclexta approved in first indication

Fair Value CHF294 (+21%)

BUY

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	170,372
Avg. 6m daily volume (000)	1 476

ANALYSIS

- After obtaining priority review for atezolizumab yesterday in NSCLC, Roche got a second good piece of news on the same day: the approval of first-in-class Bcl-2 inhibitor venetoclax, developed in partnership with AbbVie, in its first indication i.e. patients with CLL and p17 deletion that have received at least one prior therapy.
- The drug will be called Venclexta and it is key for Roche and Genentech because the results were simply remarkable with 80% ORR, first time to response below 1 month and reasonably good safety profile, but also because it adds a new line of defence to the rituximab franchise, although it is a shared product with AbbVie. Clearly in CLL most of the patients will have received a first line of treatment that is rituximab-based and if and when they relapse and if an FDA-approved test says that part of chromosome 17 is absent (hence the genomic alteration), which is found in 30-50% of the cases, then Venclexta will be the treatment of choice.
- Venclexta is the first of the three major drugs from Roche that are expected to be approved in 2016. It may be considered that it is the least impacting one because of the partnership with AbbVie. However it could be a significant drug if its success is further expanded towards new indications that include front-line CLL and forms of NHL in combination with Rituxan or Gazyva.

VALUATION

- We are comfortable with peak sales of about USD3.5bn for the drug globally in the early part of the next decade, but we may be too cautious about the ramp-up as we only expect Venclexta to deliver CHF75m for Roche in 2017. We will slightly adjust in connection with Q1 sales due next week.

NEXT CATALYSTS

- 19 April 2016: First-quarter sales - [Click here to download](#)

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.4%	-7.1%	-3.9%	-12.3%
Healthcare	0.2%	-3.8%	-5.3%	-10.4%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

	2015	2016e	2017e	2018e
P/E	18.0x	17.1x	15.4x	15.2x
Div yield (%)	3.3%	3.5%	3.9%	4.0%

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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