

Sector View

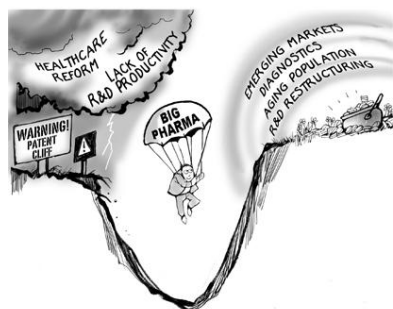
Pharmaceuticals

	1 M	3 M	6 M	31/12/15
Healthcare	5.6%	0.2%	-9.1%	-8.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Value
ACTELION	BUY	CHF173
Last Price	CHF155,8	Market Cap. CHF17,781m
ASTRAZENECA	BUY	5360p
Last Price	3959,5p	Market Cap. GBP50,068m
BAYER	NEUTRAL	EUR110
Last Price	EUR104,25	Market Cap. EUR86,209m
GLAXOSMITHKLINE	BUY	1700p
Last Price	1489p	Market Cap. GBP72,525m
IPSEN	BUY	EUR60
Last Price	EUR52,87	Market Cap. EUR4,401m
NOVARTIS	NEUTRAL	CHF88
Last Price	CHF74,8	Market Cap. CHF200,239m
NOVO NORDISK	NEUTRAL	DKK400
Last Price	DKK371	Market Cap. DKK746,661m
ROCHE HOLDING	BUY	CHF293
Last Price	CHF247,3	Market Cap. CHF173,744m
SANOFI	NEUTRAL	EUR87
Last Price	EUR76,19	Market Cap. EUR99,481m
UCB	NEUTRAL	EUR80
Last Price	EUR67,55	Market Cap. EUR13,139m



Novo in line, Sanofi not bad in underlying and AstraZeneca with further focus in oncology

Today reported Q1 numbers for Novo-Nordisk, Sanofi and AstraZeneca should not result in major share price reactions overall. Novo was very much in line. Sanofi, once restated from reclassification and Venezuela was not bad at all and AstraZeneca had soft quarter as expected and is announcing new restructuring to further focus on oncology and de-prioritize inflammation beyond respiratory.

ANALYSIS

- SANOFI (NEUTRAL – FV EUR87)** has posted Q1 numbers that we would qualify in summary as not bad at all. Actually, sales may appear a bit soft but this is mostly the reflection of the reclassification of VaxServe (distribution unit in the US) sales in other revenues (EUR83m out from Vaccines sales) whereas DengVaxia was also expected higher than it was (EUR19m vs EUR50m) but ramp-up is tough to estimate and so far sales were limited to Philippines. The rest is very much in line, with maybe the mention of a very negative impact across the board from the Venezuelan business whose sales came down from around EUR200m to EUR3m, which is for instance reflected in CHC, reported down 3.1% but which actually was up 4.1% when growth is restated from Venezuela and divestment. To note is that Venezuela will weigh another EUR200m in Q2 but then will ease significantly in H2. The rest was very much in line, driven by Genzyme (+20.5%) and also a good quarter for Merial (+17.5%). The Diabetes franchise was down 7%.

Earnings-wise, operating costs were well under control both in SG&A and in R&D with modest increases despite increased activities related to product launches and maturing pipeline respectively. As expected, the other operating income line includes a one-off gain of EUR192m that is partly offset by currency loss of EUR102m in Venezuela. Tax rate was also marginally below expectations, at the low-end of the FY guidance of 24-25%. In the end, core EPS comes out slightly above expectations at EUR1.34 vs EUR1.30, up 5.3% which is reasonably good for the first quarter into what has been described as a transition period.

M€	T1-2015		T1-2016		change
		BG	consensus	actual	
Sales	8 810	8 675	8 730	8 543	0,7%
<i>incl. Lantus</i>	1 346	1 169		1 167	-14,1%
<i>incl. Genzyme</i>	963	1 164		1 169	20,5%
<i>incl. Vaccines</i>	697	783		625	8,2%
Business EBIT	2 398	2 296	2 318	2 384	-0,8%
Marge EBIT	27,2%	26,5%	26,6%	27,9%	
Business Net Profit	1 726	1 668	1 678	1 722	-0,2%
Business EPS	1,32	1,29	1,30	1,34	5,3%

- ASTRAZENECA (BUY – GBP5,380)** came out this morning with Q1 numbers whose components are very much expected in nature i.e. soft sales (despite surprisingly resilient Crestor ahead of generic competition in the US) but strong and even higher-than-expected externalisation revenues, including USD93m from Pfizer on OTC Nexium, resulting into total revenues above estimates. This is likely to be criticised by some but is anyway in line with group's strategy. To note among new products is that Tagrisso and Farxiga did well in the quarter, Brilinta was in line, Bydureon was soft and Lynparza remains small.

Operating costs were significantly up once again, including core R&D expenses, up 15%. SG&A costs were under control. In the end, core operating margin was down 280bp to 28.6%, which is more or less in line with estimates. Core EPS was 0.95, slightly below our estimates. We would also note that AstraZeneca made progress in terms of cash-flow generation with a much better control of working capital and as a result net cash flow from operations grew from a negative Q1 2015 to USD1.2bn in Q1 2016. This is however in line with our annual estimate of USD5.5bn.

Actually the main announcement today is a further focus of strategy towards oncology in terms of resource allocation. AstraZeneca will start a new restructuring plan that will mainly involve manufacturing and commercial activities with inflammation outside respiratory now being de-prioritised. The one-time cost is expected to be USD1.5bn and savings USD1.1bn in 2018 onwards.

(M\$)	T1-2015	T1-2016 BG	T1-2016 Consensus	T1-2016 Actual	Change in CER
Sales	5 748	5 542	5 577	5 565	+1
Total revenues	6 057	5 962	5 955	6 115	+5
<i>incl. Crestor</i>	1 167	1 080	1 084	1 156	+2
<i>incl. Brilinta</i>	131	183	182	181	+46
<i>incl. Symbicort</i>	845	769	802	749	-7
Core EBIT	1 805	1 705	1 604	1 593	-8
Marge EBIT	31,4%	30,8%	28,8%	28,6%	
PBT	1 682	1 540	1 440	1 432	-10
RN	1 368	1 268	1 195	1 199	-7
Core EPS	1,08	1,00	0,94	0,95	-7

- **NOVO-NORDISK (NEUTRAL – FV DKK400)** had Q1 very much in line with expectations. All numbers were very close to expectations and guidance is reiterated with no change except currency impacts. To note is that NordiTropin posted a spectacular 32% growth in Q1, including 60% growth in the US which included a non-recurring adjustment of rebates in the Medicaid patient segment relating to the period 2010-2015. We do not expect major changes following this Q1 release.

Yesterday, SUSTAIN 6 headline results were communicated with non-inferiority vs placebo achieved. Semaglutide hereby confirms best-in-class status in the weekly GLP1 class. Challenge towards reimbursement and pricing remains however.

(MDKK)	Q1-2015	Q1-2016 BG	Q1-2016 consensus	Q1-2016 actual	change
Sales	25 200	27 148	27 334	27 212	9%
<i>incl Diabetes</i>	19 818	21 733		21 031	7%
<i>incl Victoza</i>	3 957	4 600	4 669	4 591	15%
<i>incl BioPharma</i>	5 382	5 415		6 181	15%
EBIT	13 857	12 049	12 029	12 309	-10%
EBIT margin	55,0%	44,4%	44,0%	45,2%	
PBT	12 485	11 699	11 724	11 953	
Net result	9 876	9 243	9 292	9 455	
EPS	3,79	3,62	3,62	3,71	

NEXT CATALYSTS

- Novo-Nordisk : Conference call 1pm
- Sanofi : Conference call 2.30pm
- AstraZeneca: Conference call 1pm

[Click here to download document](#)



Analyst :
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Team :
Mickael Chane Du
Hugo Solvet

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

Important information

This document is classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.