

18th May 2016

Healthcare

AstraZeneca

Price 3,931p

Lynparza fails in gastric cancer

Fair Value 5100p (+30%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,628 / 3,799
Market Cap (GBPm)	49,703
Avg. 6m daily volume (000)	2 626

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.2%	-8.2%	-10.6%	-14.9%
Healthcare	-2.4%	1.1%	-12.1%	-11.0%
DJ Stoxx 600	-2.4%	1.8%	-11.9%	-8.5%

	2015	2016e	2017e	2018e
P/E	13.3x	14.2x	14.9x	14.4x
Div yield (%)	4.9%	4.9%	4.9%	4.9%

ANALYSIS

- AstraZeneca today announced that Lynparza missed OS primary endpoint in the GOLD phase III trial investigating the PARP inhibitor in advanced gastric cancer patients. There was a numerical survival trend, but that did not reach statistical significance, be it in the overall population or in those whose tumour was tested negative for ATM protein (18% of the total), in combination with paclitaxel. The phase III trial was the only one conducted in gastric cancer and had recruited in Asia where prevalence is high.
- As a consequence, this is likely the end for Lynparza in gastric cancer, which was one among many indications targeted but obviously not one of the key ones based on the knowledge about PARP inhibitors. Currently marketed in advanced lines of BRCAm ovarian cancer, main goal is to move Lynparza forward in earlier stages of ovarian cancer and to show benefit in breast and in prostate cancer where chances of success are obviously higher.

VALUATION

- See on the left how AstraZeneca factored Lynparza into its 2023 target in May 2014. We assume GOLD failure is not impacting the objective in a very meaningful way. Out of the box on the right, we believe prostate cancer represents the major part.
- No change to our numbers.

NEXT CATALYSTS

- 26 May 2016 : PDUFA date for ZS-9

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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