

27th May 2016

Healthcare

**AstraZeneca**

Price 4,012p

**Negative news on ZS-9 offset positive one on Faslodex**

**Fair Value 5100p (+27%)**

**BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,628 / 3,799
Market Cap (GBPm)	50,727
Avg. 6m daily volume (000)	2 623

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-4.6%	-11.3%	-13.1%
Healthcare	2.7%	4.3%	-8.0%	-6.3%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	13.8x	14.8x	15.4x	14.9x
Div yield (%)	4.8%	4.8%	4.8%	4.8%

#### ANALYSIS

- Two different press releases from AstraZeneca this morning: (i) reception of a complete response letter (CRL) from the FDA for ZS-9 in hyperkalaemia after observations arose from a pre-approval manufacturing inspection. It is always difficult to read between the lines and manufacturing issues can be long to solve but AstraZeneca told us they were confident in being able to sort the problem out by the end of the 6-month new review period that has been opened (class II process). Note that the group has also submitted new clinical data recently that will be able to be studied and ultimately included in the label should the drug be approved. It is then now fair to expect an approval in November 2016. The shame is that ZS-9 is facing a delay while competitor Veltassa from Relypsa recently hit the market. ZS-9 may have proved superior but delay gives time to competitor to have physician face-to-face interactions.
- On a positive tone, FALCON phase III trial met its primary endpoint meaning that Faslodex beat Arimidex in a head-to-head trial in first-line ER+/HER2- breast cancer. Injectable Faslodex 500mg extended PFS vs Arimidex 1mg daily oral. Although Faslodex is not a young product (patent set to expire in 2021), it could boost sales for the remainder of its life. It is adding to the benefit of the combination with Ibrance that has proven positive in PALOMA-3 and has been added to the label already. We had expected Faslodex to stabilize outside the EM but it grew 24% in Q1 2016 and with these new data, it may well keep growing at a more than decent pace.

#### VALUATION

- ZS-9: we remove sales in 2016 and decrease the ramp-up in the following years (we had and still have a 80% PoS on ZS-9);
- Faslodex: we slightly increase our sales estimates in 2016 and 2017 following FALCON's positive results that is adding to the label extension that was based on PALOMA-3 data.

#### NEXT CATALYSTS

- 3-7 June 2016: ASCO meeting - [Click here to download document](#)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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