

Sector View

Pharmaceuticals

Lose-lose for AstraZeneca and Novartis

	1 M	3 M	6 M	31/12/15
Healthcare	-2.5%	2.6%	-9.6%	-11.1%
DJ Stoxx 600	-2.4%	4.5%	-9.7%	-8.5%

*Stoxx Sector Indices

Companies covered

ACTELION	BUY	CHF173
ASTRAZENECA	BUY	5100p
BAYER	NEUTRAL	EUR110
GLAXOSMITHKLINE	BUY	1700p
IPSEN	BUY	EUR60
NOVARTIS	NEUTRAL	CHF89 vs.88
NOVO NORDISK	NEUTRAL	DKK400
ROCHE HOLDING	BUY	CHF293
SANOFI	NEUTRAL	EUR86
UCB	NEUTRAL	EUR80

We see the departure of Paul Hudson from AstraZeneca and of David Epstein from Novartis as bad news for the two companies. Obviously, Epstein had a more central role within Novartis than Hudson at AZN and his surprise departure should have a more serious impact on the stock.

ANALYSIS

- In a short press release yesterday, Novartis reports that, as a consequence of a small reorganisation dividing its Pharmaceuticals division in two separately-managed business units, Pharmaceuticals and Oncology (whereas Oncology was previously a sub-unit of Pharma), David Epstein has decided to leave the group.
- We are surprised by both the announcement of Epstein's departure, but also by the sequence of events. We would rather believe that because of Epstein's departure, Novartis is marginally amending its organisation. Epstein is said to be "exploring new challenges from the US".
- Epstein has a long track-record of successes within Novartis, first in oncology and then as head of the pharma division. It can be easily envisaged that this has tarnished a bit in the recent past with the failed launch of key drug Entresto in rEF CHF in the US, but it's hard to imagine that this was a reason to seek his departure.
- Shortly after Ameet Nathwani left to join Sanofi, Novartis is losing a highly-respected talent. That said, as new Head of Pharmaceuticals (no longer including Oncology), Novartis announced the appointment of AstraZeneca's EVP North America Paul Hudson, whose main objective in this role had been to revive Brilinta in the US. Will see how the tandem with Joe Jimenez works.
- Obviously, this is another significant departure for AstraZeneca too during a difficult transition period with upcoming product launches.

NEXT CATALYSTS

- AstraZeneca : 26 May 2016 – PDUFA date ZS-9
- Novartis : 24-25 May 2016 – Meet the Management Meeting (Basel)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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