

19th May 2016

Healthcare

Roche

Price CHF245.30

Atezolizumab approved by FDA in bladder cancer in record time

Fair Value CHF293 (+19%)

BUY

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	172,339
Avg. 6m daily volume (000)	1 463

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.7%	-4.3%	-9.9%	-11.3%
Healthcare	-2.4%	1.2%	-11.3%	-10.3%
DJ Stoxx 600	-1.9%	2.6%	-11.0%	-7.7%

	2015	2016e	2017e	2018e
P/E	18.2x	16.8x	15.6x	15.4x
Div yield (%)	3.3%	3.6%	3.9%	3.9%

ANALYSIS

- Roche took time before ending submission of atezolizumab in first indications i.e. bladder and advanced lung cancers, but made clear that they were rolling submissions under fast-track pathway. And so, as with anti-PD-1 Opdivo and Keytruda coming, it received approval from the FDA in a new record time since the completion of the filing that was based on the phase II study IMvigor.
- So atezolizumab, which by the way will be marketed as Tecentriq, has received approval for the treatment of urothelial carcinoma (mUC, 90% of bladder cancers) in advanced or metastatic stages i.e. after progression with platinum-based chemotherapy.

VALUATION

- Although it could have been anticipated that atezolizumab would receive accelerated approval especially in bladder cancer where no other immune-oncology drug had been approved so far, we had not factored in sales for the drug in our 2016 estimates. This will obviously be the case and Tecentriq will even contribute over the entire second half of the year.
- This should not make a major difference, but this is likely to change our full sequence of numbers for the drug. This is genuinely good news for Roche, because this drug is iconic and very representative of the future for the group and its oncology franchise. Every month gained before biosimilars rituximab and trastuzumab come to the market is a victory and something that can revive the stock. That said, before APHINITY delivers its verdict, it may prove difficult to reach FV.

NEXT CATALYSTS

- 3-7 June 2016 : ASCO meeting

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Distribution of stock ratings

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