

24th May 2016

Healthcare

**Roche**

Price CHF247.90

**Sandoz starts the clock for rituximab's biosimilar in Europe**

Fair Value CHF293 (+18%)

**BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	174,165
Avg. 6m daily volume (000)	1 468

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.6%	-2.5%	-8.8%	-10.3%
Healthcare	-1.9%	2.4%	-10.3%	-9.2%
DJ Stoxx 600	-3.4%	2.7%	-11.5%	-8.0%

  

	2015	2016e	2017e	2018e
P/E	18.4x	17.0x	15.8x	15.5x
Div yield (%)	3.3%	3.5%	3.8%	3.9%

#### ANALYSIS

- Sandoz announced earlier this morning that its submission of the biosimilar rituximab's dossier has been accepted by the EMA. Sandoz is seeking approval for its product in all indications covered by MabThera's prescribing information in hemato-oncology as well as in rheumatoid arthritis.
- Rituxan/MabThera is Roche's biggest drug and achieved CHF7bn in sales in 2015, 26% of which in Europe (CHF1.8bn), up 1% (+5% in Q1 2016).
- After several delays, it looks like this time is the right one and Europe could therefore see the first rituximab biosimilar on the market by the end of 2017. The dossier submitted by Sandoz included data on more than 800 patients.

#### VALUATION

- We have already factored in biosimilar competition for MabThera in Europe as of 2017 although it is difficult to predict how it will play out. Swing factors include the number of players (Sandoz should not discount its drug too much, but this will depend on competition), loyalty to the brand, subcutaneous form sustainability and other defence strategies, timing of pricing in southern Europe etc... All in all, we expect the erosion to be somewhat gradual although this is a nice opportunity for payers to save money and reallocate the savings to other newer products.
- So we stick to our forecasts i.e. a 10% decline in 2017 and 20% per annum thereafter.

#### NEXT CATALYSTS

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

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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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