

30th May 2016

Healthcare

Shire PLC

Price 4,289p

Shire and Baxalta's shareholders approve the deal

Fair Value 5900p (+38%)

BUY

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBPm)	25,448
Avg. 6m daily volume (000)	2,073

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.8%	10.1%	-8.1%	-8.7%
Healthcare	3.2%	5.0%	-7.2%	-5.6%
DJ Stoxx 600	0.4%	5.5%	-8.9%	-4.4%

	2015	2016e	2017e	2018e
P/E	16.1x	14.8x	13.1x	11.4x
Div yield (%)	0.4%	0.4%	0.5%	0.5%

ANALYSIS

- The verdict has been given: **the merger between Shire and Baxalta has been accepted by shareholders from both companies** (knowing that respectively 93.8% and 98.9% of the votes cast voted in favour of the adoption). So as promised, 1/ BXLTL shareholders will receive USD18.00 in cash along with 0.45 SHP ordinary shares for each BXLTL share; 2/ **the transaction should be completed on or around 3rd June 2016**.
- As a reminder, we believe this merger will enhance Shire's already-exceptional growth profile. And our calculations suggest that the transaction should be earning accretive as of 2017e (+1% and then +4-6% in the following years).

VALUATION

- BUY reiterated with a FV of GBp5,900...** all the more so 1/ once the deal is completed (and preferably once the pro-forma accounts are available), we will certainly raise this figure; 2/ at current levels, the stock is trading below an exaggeratedly-pessimistic scenario (BXLTL + SHP along with (i) a complete decline of the Haemophilia franchise by 2022, i.e. 5 years after the arrival of Roche's emicizumab, (ii) operational synergies potentially reaching only half the level communicated by Shire (USD250m); 3/ the payment of USD5.0bn linked to the loss of Baxalta's tax-free status.

NEXT CATALYSTS

- 3rd June 2016: Completion of the transaction.

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Distribution of stock ratings

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