

9th June 2016

Healthcare

GlaxoSmithKline

Price 1,462p

Sirukumab at EULAR: positive but not impressive results

Fair Value 1740p vs. 1700p (+19%)

BUY

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,510 / 1,238
Market Cap (GBPm)	71,226
Avg. 6m daily volume (000)	8 366

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	6.3%	10.5%	6.5%
Healthcare	8.6%	5.3%	-5.4%	-5.8%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

	2015	2016e	2017e	2018e
P/E	19.3x	16.4x	15.5x	14.2x
Div yield (%)	6.8%	5.5%	5.5%	6.0%

ANALYSIS

- The first detailed results of the SIRROUND-D phase III study were presented yesterday at the EULAR 2016 congress in London and although the trial met its primary and secondary endpoints as previously announced, we do not see them as outstanding. We hoped they would be strong enough to make sirukumab different from the other members of the IL-6 class considering that it is third to market. The rate of ACR20 at week 16 was 54.8% and 53.5% with doses of 50 mg every two weeks and 100 mg every four weeks respectively, which is not impressive in absolute terms compared to previously disclosed data with Actemra or sarilumab. Same with placebo-restated numbers.
- We have tried to get hold of other results like ACR50 or DAS28 but unsuccessfully so far. As such, we are left with mixed data considering that bi-monthly to monthly subcutaneous formulations do not make the product very different from others either.
- Moving to the safety side, we are not sure how to interpret the higher incidence of serious side effects in the sirukumab group compared to placebo (9.8-11% vs 6.8% in the run-in phase) and also the 11 deaths reported over the course of the study, although well balanced across the various groups (but with all patients receiving sirukumab after week 18 by study design).

VALUATION

- Not only will several anti-IL-6 compete within the RA market, including well established Actemra, but they will have to compete against JAK inhibitors too. In this context, we do not see sirukumab particularly well positioned to be highly successful and we simply see it as a marginal drug. In non-adjusted terms, we believe it can achieve USD450m at peak in 2022 (filing in Q3 2016) thus translating into less than GBP200m once the 60% PoS is applied.

NEXT CATALYSTS

- 27th July 2016: Q2 results

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