

3rd June 2016

## Healthcare

### Shire PLC

Price 4,449p

“Shiraxalta” to be born! Our FV is lifted upward to GBp6,500

Fair Value 6500p vs. 5900p (+46%)

BUY

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBP)	26,398
Avg. 6m daily volume (000)	2,389

#### ANALYSIS

- **So Baxalta has been acquired by Shire...** and consequently: 1/ Baxalta shareholders received USD18.0 in cash and the equivalent of 0.45 Shire ordinary shares (or 0.15 ADS) for each BXL share (acquisition price: USD45.6); 2/ Baxalta shares ceased trading on the NASDAQ; 3/ the trading of Shire's new shares should commence as soon as the market opens (and importantly, the stock should be included in the FTSE100); 4/ the total number of ordinary shares in issue will be 906.5m. So based upon the latest closing price, Shire will have a market capitalization of GBP40bn.
- Note that: 1/ Shire already exhibited a pretty strong growth profile on a stand-alone basis; and 2/ we believe **the deal should be accretive on earnings as of 2017e** (around +1% and subsequently +4-6%) and we anticipate value creation by 2018e (knowing that the WACC we retain differ from the company's).

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	14.9%	-6.2%	-5.3%
Healthcare	5.0%	3.3%	-8.1%	-6.0%
DJ Stoxx 600	0.9%	1.0%	-10.4%	-5.9%

  

	2015	2016e	2017e	2018e
P/E	16.5x	18.0x	13.2x	11.1x
Div yield (%)	0.4%	0.3%	0.4%	0.5%

#### VALUATION

- **BUY reiterated with a FV lifted from GBp5,900 to GBp6,500** as we now integrate Baxalta into our estimates (although our figures will be fine-tuned once all the pro-forma figures will be available).
- Apart from the **very attractive valuation** (P/E 2017e: 13x vs 17x for the STOXX Europe 600 Healthcare), **we believe the stock will quickly re-rate** as: 1/ the pressure caused by the merger arbitrage strategies should cease; 2/ the stock may benefit from “technical buys” following its reweighting within the FTSE and the NASDAQ indexes.

#### NEXT CATALYSTS

- **July, 22 2016:** FDA answer regarding the potential approval of lifitegrast as a treatment for dry eye disease.
- **August, 2 2016:** Q2 16 results.

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## Distribution of stock ratings

BUY ratings 55.9%

NEUTRAL ratings 34.3%

SELL ratings 9.8%

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