

14th June 2016

Healthcare

## Shire PLC

Price 4,088p

Two breakthrough therapy designations granted and read-across from Spark Therapeutics

Fair Value 6500p (+59%)

BUY

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBPm)	36,734
Avg. 6m daily volume (000)	2,514

### ANALYSIS

- **Shire has announced the granting of a Breakthrough Therapy Designation to two of its candidates:** 1/ SHP621, an oral formulation of budesonide (an anti-inflammatory corticosteroid) developed as a treatment for eosinophilic esophagitis (EoE), and 2/ SHP625 or maralixibat, for progressive familial intrahepatic cholestasis Type 2.
- **Of course, this does not mean the two compounds are certain to be approved... But it does confirm our positive view on SHP621** (BG peak sales: USD500m). As a reminder, 1/ the underlying active ingredient is known to be an effective drug for EoE; 2/ a previous Phase II showed that Shire's project might be more potent than a nebulized and then swallowed preparation of budesonide (reduced symptoms, higher proportion of responders, etc.), while exhibiting a similar safety profile. On the other hand, we gave no value to SHP625 as it failed to meet the primary endpoint of several mid-stage studies which evaluated it in different liver disorders (including PFIC2, primary biliary cholangitis and Alagille Syndrome).
- In addition, **Spark Therapeutics yesterday published updated results from its ongoing Phase I/II evaluating SPK-9001**, a gene therapy designed to treat patients with haemophilia B and currently developed in collaboration with Pfizer. FIX activity levels (26-41%) have been observed in 4 patients, knowing that 1/ two of them had a history of liver disease; 2/ to date, none of these subjects have received regular infusions of FIX concentrates to prevent bleeding events; 3/ no "sustained" elevation in liver enzyme levels were witnessed. Overall, this is quite encouraging for this potentially game-changing therapeutic class (don't forget that Shire/Baxalta is developing a similar approach)... But we retain a cautious stance as significant obstacles still need to be overcome (potentially pre-existing neutralizing antibodies, delayed cellular immune response diminishing FIX expression, genotoxicity, etc.).

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.1%	8.2%	-4.9%	-13.0%
Healthcare	0.3%	0.0%	-7.0%	-10.6%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

	2015	2016e	2017e	2018e
P/E	15.0x	16.4x	12.0x	10.1x
Div yield (%)	0.4%	0.3%	0.4%	0.6%

### VALUATION

- **BUY reiterated with a FV of GBp6,500.**

### NEXT CATALYSTS

- July, 22 2016: Potential US approval of lifitegrast as a treatment for dry eye disease.

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Mickael Chane Du, mchanedu@bryangarnier.com



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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Munich</b>	<b>New Delhi</b>
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 <b>Geneva</b> rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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