

15th June 2016

## Healthcare

### Shire PLC

Price 4,009p

In-licensing agreement with Pfizer to expand its gastrointestinal portfolio

Fair Value 6500p (+62%)

BUY

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBP)	36,024
Avg. 6m daily volume (000)	2,525

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.0%	4.7%	-2.0%	-14.7%
Healthcare	-1.7%	-3.0%	-7.3%	-12.4%
DJ Stoxx 600	-4.2%	-7.0%	-8.3%	-12.4%

	2015	2016e	2017e	2018e
P/E	14.5x	15.9x	11.6x	9.8x
Div yield (%)	0.4%	0.3%	0.4%	0.6%

#### ANALYSIS

- **Yesterday, Shire announced the inking of a licensing agreement with Pfizer to get global rights to all indications for PF-00547659**, a Phase III-ready anti-MAdCAM whose primary indications are 1/ Crohn's disease (CD), and 2/ moderate-to-severe ulcerative colitis (UC)... Unfortunately, terms of the deal were not disclosed.
- **Obviously, the commercial synergies with Shire's Lialda and Pentasa (2016e sales: USD1.0Bn) are pretty strong**; these two compounds being indicated for the induction and maintenance of remission of mild-to-moderate UC... **That said, the competitive landscape is increasingly crowded to our eyes.** Admittedly, PF-00547659 looks at least as potent as Takeda's vedolizumab as an induction therapy, and may benefit from a user-friendlier route administration (SC vs IV). But we also believe oral JAK inhibitors (like Galapagos' filgotinib and Pfizer's tofacitinib) should be strong competitors due to their convenience and promising efficacy profile (see Sandborn et al, NEJM 2012).

#### VALUATION

- **BUY reiterated with a FV of GBp6,500**, knowing that 1/ we have not integrated yet this novel compound in our estimates; 2/ we believe this is not a game-changing deal (peak sales < USD400m in a first approach?).
- At current levels, the stock trades with a 30% discount compared to the STOXX 600 Europe Healthcare, whereas the stock is set to yield a higher-than-peers 2015-2020 EPS growth.

#### NEXT CATALYSTS

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

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### Distribution of stock ratings

BUY ratings 55.8%

NEUTRAL ratings 34.7%

SELL ratings 9.5%

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