

## Sector View

## Pharmaceuticals

	1 M	3 M	6 M	31/12/15
Healthcare	7.7%	4.9%	-5.1%	-6.5%
DJ Stoxx 600	3.2%	0.2%	-7.6%	-6.4%

\*Stoxx Sector Indices

## Companies covered

Company	Recommendation	Price	Market Cap.
<b>ACTELION</b>	<b>BUY</b>	<b>CHF173</b>	
Last Price	CHF164,8	Market Cap.	CHF18,808m
<b>ASTRAZENECA</b>	<b>BUY</b>	<b>5100p</b>	
Last Price	4067,5p	Market Cap.	GBP51,437m
<b>BAYER</b>	<b>NEUTRAL</b>	<b>U.R.</b>	
Last Price	EUR89,18	Market Cap.	EUR73,747m
<b>GLAXOSMITHKLINE</b>	<b>BUY</b>	<b>1700p</b>	
Last Price	1470,5p	Market Cap.	GBP71,640m
<b>IPSEN</b>	<b>BUY</b>	<b>EUR63</b>	
Last Price	EUR56,97	Market Cap.	EUR4,743m
<b>NOVARTIS</b>	<b>NEUTRAL</b>	<b>CHF89</b>	
Last Price	CHF79,05	Market Cap.	CHF207,673m
<b>NOVO NORDISK</b>	<b>NEUTRAL</b>	<b>DKK400</b>	
Last Price	DKK373,6	Market Cap.	DKK751,894m
<b>ROCHE HOLDING</b>	<b>BUY</b>	<b>CHF293</b>	
Last Price	CHF258,6	Market Cap.	CHF181,683m
<b>SANOFI</b>	<b>NEUTRAL</b>	<b>EUR83</b>	
Last Price	EUR72,4	Market Cap.	EUR93,167m
<b>SHIRE PLC</b>	<b>BUY</b>	<b>6500p</b>	
Last Price	4407p	Market Cap.	GBP39,600m
<b>UCB</b>	<b>NEUTRAL</b>	<b>EUR80</b>	
Last Price	EUR66,78	Market Cap.	EUR12,989m

## ASCO part II: The lung cancer market to split itself in smaller parts

Presentations during the week end at ASCO were largely dominated by immuno-oncology as we tried to illustrate it in our small note yesterday morning. Although a few more came yesterday, companies made headlines on data obtained in various subsets of the lung cancer market with small molecules. It confirms that this one will divide up in small parts as an increasing number of biomarkers show relevance in this setting. We illustrate it today with three different clinical results. From a financial standpoint, it is uncertain whether it will translate into big opportunities for companies.

## ANALYSIS

- A series of three almost concomitant clinical trial results came out yesterday that illustrate how the lung cancer market is currently restructuring itself. This should not prevent big commercial opportunities to arise and reach blockbuster status, including new standards of care in first and second lines with combinations of IO/IO or IO/chemo drugs. But it is not the end of targeted therapies as more and more biomarkers look actionable and help split the market in plenty of smaller segments that will be addressed differently. For some time we had EGFR-positive lung cancers and more recently ALK-positive lung cancers with more or less significant market sizes in the end (Xalkori in 2015 achieved only USD488m in sales in ALK-positive cancers).
- The first piece of interesting results to be presented yesterday was that showing very promising data for a dual ALK/ROS1 tyrosine kinase inhibitor in a phase I/II trial with 54 patients previously treated with several ALK TKIs. ORR was 46% and median PFS was 11.4 months. The treatment was also able to reduce the size of brain metastases in many patients. Main side effects were cholesterol elevations and peripheral oedemas. A larger phase II with 240 patients will now begin. We miss some details about the study including which ALK TKIs were used before starting the investigational drug because it is known that Xalkori (Pfizer's drug) is not crossing the brain-blood barrier, unlike Zykadia and Cotellix. The incremental value of the drug will therefore have to be determined with closer look. That said, in ROS1-positive patients and in patients with both ALK+ and ROS1+ tumours, the drug looks interesting. Whether it can be a meaningful drug for Pfizer remains unclear at this stage however.
- The other two presentations are different in that they refer to existing products that have successfully explored new territories in sub-segments of the lung cancer market. First is Novartis' combination of Mekinist and Tafinlar that are currently approved for BRAF V600E-mutation positive melanoma and that has been tested in BRAF V600E-mutation positive lung cancer with encouraging results. Out of the 57 patients tested in phase II, 63% had a clinical response with median duration of 9.0 months and PFS of 9.7 months while having performed already a first line of chemotherapy. It is estimated that only 1-2% of NSCLC patients have BRAF V600E mutation i.e. less than half the number with ALK mutation, but this may represent a few hundreds of millions more for the combination that should be a blockbuster in melanoma alone.
- The second product in the same category although with different angle (not a new biomarker this time) is Tagrisso from AstraZeneca that received approval already for NSCLC with EGFR T790M mutation. What has been shown in an updated presentation of a phase I trial with the drug is that the drug works equally well when the disease spreads and shows CNS lesions. When patients have what is called leptomeningeal disease secondary to their lung cancer, they usually receive heavy treatments like intrathecal chemotherapy or whole-brain radiations. At least similar results were obtained with Tagrisso without need for concomitant heavy treatments.

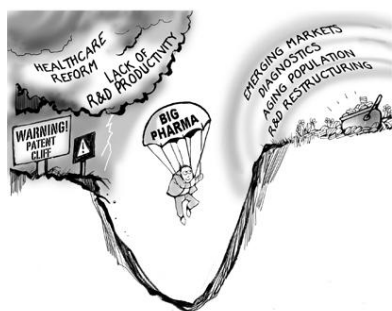
## VALUATION

- No change to our forecasts as a result of the above-mentioned clinical results.

## NEXT CATALYSTS

- Today is last day for ASCO 2016 meeting

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