

18th July 2016

Healthcare

**AstraZeneca**

Price 4,502p

**Tagrisso confirms in 2L EGFR T790m NSCLC**

**Fair Value 5370p (+19%)**

**BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,628 / 3,774
Market Cap (GBPm)	56,933
Avg. 6m daily volume (000)	2 879

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.1%	8.6%	6.4%	-2.5%
Healthcare	8.6%	4.9%	5.1%	-4.3%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

	2015	2016e	2017e	2018e
P/E	14.0x	16.4x	15.6x	15.4x
Div yield (%)	4.7%	4.7%	4.7%	4.7%

#### ANALYSIS

- AstraZeneca announced earlier today that the AURA3 phase III trial met its primary endpoint demonstrating improved PFS compared to standard platinum-based doublet chemotherapy in second-line EGFR T790m NSCLC after progression with first-line EGFR Tki therapy like Iressa or Tarceva. This is already an approved indication for Tagrisso in most markets including the US, Europe, Japan (where the incidence of T790 mutations is high like in all Asia) or Canada, based on phase II data. AURA3 (400 patients) is a confirmatory study for Tagrisso that will give even more confidence in the drug but that is not really adding to previously disclosed data, although it will give OS data at a later stage.
- Obviously, from now on, what can really make Tagrisso a greater opportunity for AstraZeneca is if it proves superior to existing products in first-line treatment and this is what the FLAURA phase III trial is trying to assess as we speak. 720 patients have been recruited and last patient entered the study at the beginning of 2016. Unlike AURA trials, FLAURA is not testing patients for T790 mutation as inclusion criteria and will therefore compete in the overall first-line EGFRm NSCLC market at the 80 mg dose vs either Tarceva 150 mg or Iressa 500 mg. Primary endpoint is PFS. Results are expected sometimes in 2017.

#### VALUATION

- AURA3 is not impacting our numbers at all. We had already taken the 2L EGFR T790m NSCLC opportunity fully and even part of the 1L setting as we carry peak sales of USD1.5bn for Tagrisso in 2022. However, should FLAURA be positive and Tagrisso might reach USD2.5-3bn in our view.

#### NEXT CATALYSTS

- 28 July 2016 : First-half results - [Click here to download document](#)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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