

28th July 2016

Healthcare

AstraZeneca

Price 4,690p

First read-out of Q2 suggest in-line numbers

Fair Value 5370p (+14%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,690 / 3,774
Market Cap (GBPm)	59,310
Avg. 6m daily volume (000)	2 863

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.7%	17.4%	4.9%	1.6%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	14.4x	17.0x	16.1x	15.9x
Div yield (%)	4.6%	4.6%	4.6%	4.6%

ANALYSIS

- We see no major beat or miss to CS numbers in what AstraZeneca released earlier this morning. Sales and earnings were both very much in line with expectations.
- Sales-wise, Nexium was slightly above and Crestor slightly below estimates but we would note more importantly for the future the good performance of Faslodex, Farxiga, Brilinta, Tagrisso and Lynparza, all significant growth drivers for the years to come in their respective franchises.
- Moving to earnings, they are marginally above estimates as Flumist write-downs were lower than initially expected as some inventories were reoriented in other geographies ex-US, whereas in the low part of the P&L we note that tax rate is 1% lower than expected (at 17%) while minority interests also impact EPS more positively. USD89m generic Crestor royalties were booked in other income. Overall core EPS came out at USD0.83 when CS was expecting USD0.82.

VALUATION

- This is all what we can expect from quarters in 2016 i.e. to show resilience in the context of generic erosion for Nexium and Crestor and in the preparation phase for the delivery of new drugs that will be growth drivers in the future. From that perspective, AstraZeneca confirms refiling of saxa-dapa in the US (done) and of ZS-9 (to come in H2).
- FY guidance is unchanged.

NEXT CATALYSTS

- Today 1pm: Conference Call

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