

24th August 2016

Healthcare

**AstraZeneca**

Price 5,062p

Co. continues to divest non-core assets

Fair Value 5400p (+7%)

**BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	64,024
Avg. 6m daily volume (000)	2 770

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	29.8%	22.6%	9.7%
Healthcare	-4.0%	2.3%	4.8%	-7.1%
DJ Stoxx 600	1.0%	2.1%	4.8%	-6.1%

	2015	2016e	2017e	2018e
P/E	15.7x	17.8x	17.2x	17.0x
Div yield (%)	4.2%	4.2%	4.2%	4.2%

#### ANALYSIS

- In the context of its very clear strategic policy of focusing on its key core therapeutic areas, namely oncology, cardio-metabolism (comprising Brilinta and the diabetes franchise) and immune-inflammation (including respiratory), AstraZeneca announced this morning another significant step in the divestment of non-core assets. It has agreed with Pfizer to sell to the US company its portfolio of small molecules in the field of antibiotics. This includes Merrem, Zinforo and Zavicefta and also ATM-AVI and CXL that are still in clinical development.
- Pfizer will pay AstraZeneca USD550m upfront and USD175m conditional upon marketing of all products in all geographies. A series of milestone payments is also included in the agreement for USD250m in commercial and regulatory, USD600m related to sales and double-digit royalties on Zavicefta and ATM-AVI in certain markets.
- The agreement is expected to be completed in Q4 2016. Therefore, Q4 2016 will be impacted accordingly, with "other operating income" reflecting the deal as no meaningful future interest will be kept by AstraZeneca. Antibiotics were highly expected to be part at some point in the policy of externalisation and divestment by the company. To note is that products involved in the deal with Pfizer represented USD250m in annual sales in 2015, mainly on Merrem.

#### VALUATION

- We are adjusting the revenue base of AstraZeneca by USD250m for 2017. In the opposite direction, we were missing elements to reach a similar level of other operating income compared to 2015, as guided by the company. So we now have the origin of the gap but it is unlikely to add a lot to our numbers as we had forecasted USD1.1bn anyway.

#### NEXT CATALYSTS

- 5 September 2016: DNA DDR Analyst Science Event (UK)

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Eric Le Berrigaud, [eleberrigaud@bryangarnier.com](mailto:eleberrigaud@bryangarnier.com)



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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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 resolution (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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