

5th September 2016

Healthcare

**AstraZeneca**

Price 4,939p

**Benralizumab has the profile of best-in-class anti-IL-5**

**Fair Value 5400p (+9%)**

**BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	62,471
Avg. 6m daily volume (000)	2 754

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.3%	22.2%	21.2%	7.0%
Healthcare	-3.8%	-1.7%	1.6%	-7.6%
DJ Stoxx 600	4.5%	1.8%	2.8%	-4.2%

	2015	2016e	2017e	2018e
P/E	15.4x	17.6x	16.9x	16.8x
Div yield (%)	4.3%	4.3%	4.3%	4.3%

#### ANALYSIS

- Full phase III data from the SIROCCO and CALIMA trials were presented at the ERS congress and simultaneously detailed in *The Lancet*. Although it is always risky to compare non head-to-head trials, the results suggest that if Nucala (mepolizumab) is first-in-class and has an almost 2-year lead over benralizumab, the latter may be best-in-class based on reported data.
- What make the differences difficult to assess are certainly the baseline characteristics of the populations included in each trial. That said, the two products are reporting reductions in exacerbations in the same range of about 50%. Where benralizumab might look superior is in improving lung function as change in FEV1 was in the region of 150-160 ml vs 130-140 ml for mepolizumab in the subcutaneous form. Moreover, improvements were seen fairly early in the treatment i.e. at week four and sustained over the treatment period. Lastly, benralizumab injected every eight weeks produced similar results as when it is injected every four weeks (which is the current schedule for Nucala), supporting less-frequent dosing and maybe offering an advantage in terms of pricing.

#### VALUATION

- GSK has a comfortable lead in the anti-IL5 class but is also creating the market, which requires time (numbers reported so far are small). AstraZeneca is likely to join and compete at the end of 2017 (in the US) with a slightly better drug. Will it be enough? We have so far placed the two drugs in the same range i.e. with USD1.5bn peak sales each in 2022 ("benra" still with 60% PoS however).

#### NEXT CATALYSTS

- This afternoon: DDR (DNA Damage Response) Analyst Event - Cambridge

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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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