

1st September 2016

Healthcare

Roche

Price CHF239.80

Positive Phase III study for Tecentriq in NSCLC

Fair Value CHF293 (+22%)

BUY

Bloomberg	ROG.VX
Reuters	ROG.VX
12-month High / Low (CHF)	279.3 / 233.2
Market Cap (CHFm)	168,475
Avg. 6m daily volume (000)	1,298

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.1%	-8.1%	-6.7%	-13.2%
Healthcare	-5.6%	-2.6%	2.0%	-8.5%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

	2015	2016e	2017e	2018e
P/E	17.8x	16.3x	15.1x	14.8x
Div yield (%)	3.4%	3.7%	4.0%	4.1%

ANALYSIS

- Roche announces that OAK, a Phase III evaluating Tecentriq (atezolizumab, anti-PD-L1) as a monotherapy in patients 1) with advanced non-small cell lung cancer (NSCLC), 2) whose disease progressed on/after treatment with platinum-based chemo, met its co-primary endpoints (i.e. improvement in overall survival and progression-free survival).
- Obviously, this is good news but we assume this was widely expected given the track-record of the therapeutic class in this very indication. We got no details regarding the degree of improvement, be it in all-comers or depending on the level of expression of PD-L, but let's keep in mind that 1) BMS' Opdivo (nivolumab) improved the median OS by respectively +2.8 and +3.0 months vs docetaxel (HR: 0.73 and 0.59) in non-squamous and squamous platinum-refractory NSCLC; 2) in the POPLAR Phase II study, atezolizumab yielded very similar data in the 2L setting of NSCLC (median OS: 12.6 vs 9.7 months, HR: 0.73).

VALUATION

- BUY reiterated with a FV of CHF293. Now that we know that 1) GOYA unfortunately missed its primary endpoint (see our comment [here](#)), and 2) OAK is positive, all eyes will be on APHINITY which is in our view the most significant cancer-related catalyst (please see our feedback from the BG Oncology Day [here](#) for further details).

NEXT CATALYSTS

- 7-11 October: Data presentation from the GALLIUM study.
- 19th October: Potential approval of Tecentriq in 2L PD-L1+ NSCLC based on the BIRCH Phase II study.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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