

21st September 2016

Healthcare

**Shire PLC**

Price 5,183p

Going further in capital allocation: pacritinib to be dropped off

Fair Value 6900p (+33%)

BUY-Top Picks

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,183 / 3,480
Market Cap (GBPm)	46,752
Avg. 6m daily volume (000)	2,595

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	31.0%	40.4%	10.3%
Healthcare	0.4%	5.6%	6.9%	-7.2%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

	2015	2016e	2017e	2018e
P/E	17.4x	16.1x	13.3x	11.5x
Div yield (%)	0.3%	0.3%	0.3%	0.5%

#### ANALYSIS

- CTIC has filed an 8k form. Among other factors, we would note that **it has received a notice from SHP to terminate the licensing agreement involving their JAK2 inhibitor for the treatment of blood cancers** (e.g. myelofibrosis). On 19th September, the two companies 1/ entered into a non-binding term sheet with respect to the terms of the termination and the return of the asset, and 2/ signed a letter agreement amending the Licensing agreement.
- In our view, **the consensus probably gave little value to this small molecule** as our risk-adjusted sales for the whole Oncology segment is not so different from the consensus (USD393m vs USD416m), and that we gave no value to it. This is probably due to 1/ the worrying safety profile (some patients having died following cardiac arrests, intracranial bleeding) it exhibited in a Phase III trial (namely PERSIST-2); 2/ the subsequent suspension of the trial by the FDA, followed by a withdrawal of a marketing approval request.
- We consider this positive in terms of capital (re)allocation/cost savings. **SHP is likely to divest/sell other non-core assets with low ROI... and we believe the Biosimilar franchise is one of them** as 1/ the field is increasingly crowded when it comes to TNF- $\alpha$  inhibitors; 2/ other drugs with novel mechanisms of action are likely to get a big part of the pie thanks to their strong clinical packages (anti-IL17 or soon IL23p19 in plaque psoriasis, IL-6 and JAKs in RA).
- **By the way, the street should not see any negative read-across for GLPG's filgotinib** as the latter 1/ has a much deeper affinity to JAK1, and 2/ is rather developed in auto-immune disease (rheumatoid arthritis, Crohn's disease).

#### VALUATION

- BUY reiterated with a FV of GBp6,900.

#### NEXT CATALYSTS

- Q3 2016 results: 28th October.
- Capital Market Day: 10th November.

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## Distribution of stock ratings

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