

4th October 2016

Healthcare

AstraZeneca

Price 5,041p

Brilinta fails in PAD, Toprol-XL US rights sold

Fair Value 5220p vs 5400p (+4%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	63,770
Avg. 6m daily volume (000)	2 694

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	12.0%	28.2%	9.2%
Healthcare	-1.7%	-4.3%	4.9%	-9.1%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	15.2x	16.8x	16.7x	16.7x
Div yield (%)	4.3%	4.3%	4.3%	4.3%

ANALYSIS

- Two pieces of news for AstraZeneca this morning of which the most significant is the announcement of the failure of the phase III trial EUCLID to reach its primary endpoint. It was evaluating Brilinta 90 mg bid in patients with symptomatic PAD (peripheral arterial disease) to prevent atherothrombotic events in comparison with clopidogrel 75 mg od. The primary endpoint was the time to the first occurrence of an event.
- Unlike SOCRATES (post-stroke) where expectations were low because the risk of failure was perceived as high, we had hopes about EUCLID which explains also why we've been consistently above consensus on this specific drug. Now as AstraZeneca suggests, it looks like Brilinta works better in acute settings than in chronic settings, which is unfortunate from a market perspective.

VALUATION

- EUCLID is removing the most significant opportunity of extension of indication for Brilinta as only THEMIS (in diabetics) can offer an upside to the existing label still. We are cutting our estimates from USD3.1bn to USD1.9bn as a first move until further investigations. AstraZeneca recognizes also that it won't be a USD3.5bn drug as it was hoping when sharing some 2023 targets. CS had around USD2bn and so will not cut estimates as much as we do. Our FV is cut by GBP180 to GBP5,220.
- Besides this news, AstraZeneca also announces that it has reached an agreement with Aralez to sell US rights for Toprol-XL (and its authorised generic) in the US for USD175 upfront, USD48m in future milestones and mid-teen royalties on sales.

NEXT CATALYSTS

- 10 November 2016: Q3 results

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Eric Le Berrigaud, eleberrigaud@bryangarnier.com



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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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