

26th October 2016

Healthcare

AstraZeneca

Price 4,812p

SOLO-2 reports positive headline data

Fair Value 5220p (+8%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	60,866
Avg. 6m daily volume (000)	2 718

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	3.4%	17.8%	4.2%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	13.7x	14.7x	14.9x	15.3x
Div yield (%)	4.8%	4.8%	4.8%	4.8%

ANALYSIS

- In a very short press release this morning, AstraZeneca announced that SOLO-2 phase III trial achieved its primary endpoint and significantly improved PFS in women with maintenance therapy for advanced BRCA-mutated ovarian cancer. Full data will be presented in an upcoming medical congress.
- Lynparza was administered as a monotherapy at a twice-daily of 300 mg in patients that had completed two or more lines of previous platinum-based chemotherapy where the disease has come back. AstraZeneca interestingly mentions that the median PFS in the Lynparza arm exceeded that observed in the study 19 phase II trial which was 11.2 months. Although both germline and somatic BRCAm status were allowed at enrolment, germline BRCAm looks in majority. In those, Tesaro's PARP inhibitor showed median PFS improvement from 5.5 months to 21 months (HR=0.27) i.e. high bar now for new comers in the field (NOVA trial presented at ESMO). It could prove difficult to compare apples to apples between the two drugs across the studies. SOLO-1 looks even closer to NOVA and is expected to report results in Q1 2017. Together with SOLO-2, it should form the base of a new filing for Lynparza in ovarian cancer.

VALUATION

- SOLO-1 and 2 are anticipated positive by the Street already and Lynparza will only a major drug for AstraZeneca if it succeeds in demonstrating that it progresses in earlier lines of treatment in ovarian cancer and if it also does well in breast cancer. However, competition is fierce in the field with Tesaro's and Medivation's PARP inhibitors more particularly to watch.

NEXT CATALYSTS

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