

20th October 2016

Healthcare

Roche

Price CHF233.80

Q3 sales slightly below expectations

Fair Value CHF293 (+25%)

BUY

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	279.3 / 232.7
Market Cap (CHFm)	164,259
Avg. 6m daily volume (000)	1 195

ANALYSIS

- Roche has reported sales figures for the third quarter slightly below estimates, reflecting a slowdown in the group's (and mainly its pharma division) sequential quarterly growth since the Q3 performance was modest overall. Q3 sales advanced 3% (including only 2% for Pharma), reflecting a poor performance in Japan (-3%) and a marked slow-down in the US (+1%).
- It will be interesting to hear whether this performance is suggestive of increased competition that could heighten pressure on Rituxan and Avastin as these were the two main products to disappoint over the quarter, notably in the US where they were respectively down by 3% and 9%, representing a marked break in the trend. New options in CLL and solid tumours respectively could have had an impact and if this was the case, then the sequence for upcoming quarters might have to be revisited (Avastin was flat in our model for 2017, rather than declining).
- Moving to new products, Esbriet is still doing well in the US, Alecensa is progressing well too, Tecentriq had a good third quarter (with its bladder indication) whereas Cotellic was still modest despite good results.

VALUATION

- The margin for disappointment is not huge but the performances by Rituxan and Avastin could obviously ask questions and does not come at the right time. Let's simply say that it puts even more pressure (if possible) on APHINITY to post positive results.

NEXT CATALYSTS

- Today 2pm: Conference Call
- [Click here to download document](#)

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	-6.7%	-8.1%	-15.4%
Healthcare	-3.6%	-6.3%	-3.5%	-10.5%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	17.3x	14.8x	14.1x	13.9x
Div yield (%)	3.5%	4.1%	4.3%	4.3%



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Distribution of stock ratings

BUY ratings 72%

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