

AstraZeneca

Price 4,326p

FDA lifts partial hold on H&N trials with durvalumab

Fair Value 5100p (+18%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	54,719
Avg. 6m daily volume (000)	2 843

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.7%	-14.5%	11.1%	-6.3%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	12.7x	12.8x	16.3x	16.4x
Div yield (%)	5.2%	5.2%	5.2%	5.2%

ANALYSIS

- AstraZeneca has announced today that the FDA has lifted the partial clinical hold put on patient recruitment in head and neck squamous cell carcinoma (H&N) trials involving durvalumab in monotherapy or in combination with tremelimumab. Late last month, EAGLE and KESTREL phase III trials saw patient recruitment suspended after the report by AstraZeneca to the FDA of a higher-than-expected incidence of bleeding events. Although patients with H&N cancer are more likely to have bleeds, this may have been drug-related, hence the decision to stop including new patients.
- After careful consideration, the agency has lifted the partial clinical hold, suggesting that no correlation between extra bleedings and the drug can be established. As a consequence, AstraZeneca mentioned that it has already re-opened KESTREL to recruitment whereas EAGLE will soon be re-opened too.
- This is good news for AstraZeneca's PD-L1 franchise because head & neck was the second most important indication for durvalumab-based treatments after lung cancer and a setback would have caused a meaningful sales cut (probably by about one-fifth).

VALUATION

- Considering the weight of oncology in AstraZeneca's future sales, as well as its influence on the profit margin and profit growth, everything has to work well to support an investment case that is heavily dependent on the pipeline.

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Distribution of stock ratings

BUY ratings 72%

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