

## Sector View

## Pharmaceuticals

	1 M	3 M	6 M	31/12/15
Healthcare	-5.6%	-9.4%	-7.3%	-15.8%
DJ Stoxx 600	-1.0%	-0.8%	1.2%	-6.8%

\*Stoxx Sector Indices

## Companies covered

Company	Recommendation	Price	Market Cap.
<b>ACTELION</b>	<b>BUY</b>	CHF194	
Last Price		CHF155.1	Market Cap. CHF16,714m
<b>ASTRAZENECA</b>	<b>BUY</b>	5100p	
Last Price		4168p	Market Cap. GBP52,727m
<b>BAYER</b>	<b>NEUTRAL</b>	EUR98	
Last Price		EUR88.34	Market Cap. EUR73,053m
<b>GLAXOSMITHKLINE</b>	<b>BUY</b>	1930p	
Last Price		1505p	Market Cap. GBP73,386m
<b>GRIFOLS</b>	<b>NEUTRAL</b>	EUR20	
Last Price		EUR17.985	Market Cap. EUR11,419m
<b>IPSEN</b>	<b>BUY</b>	EUR72	
Last Price		EUR61.83	Market Cap. EUR5,156m
<b>NOVARTIS</b>	<b>NEUTRAL</b>	CHF81	
Last Price		CHF69.1	Market Cap. CHF181,534m
<b>NOVO NORDISK</b>	<b>NEUTRAL</b>	DKK270	
Last Price		DKK220.7	Market Cap. DKK444,173m
<b>ROCHE HOLDING</b>	<b>BUY</b>	CHF285	
Last Price		CHF222.8	Market Cap. CHF156,531m
<b>SANOFI</b>	<b>NEUTRAL</b>	EUR84	
Last Price		EUR74.17	Market Cap. EUR95,637m
<b>SHIRE PLC</b>	<b>BUY</b>	6800p	
Last Price		4596p	Market Cap. GBP41,525m
<b>SOBI</b>	<b>SELL</b>	SEK90	
Last Price		EUR93.75	Market Cap. EUR25,349m
<b>UCB</b>	<b>NEUTRAL</b>	EUR80	
Last Price		EUR61.5	Market Cap. EUR11,962m

LLY's solanezumab fails in mild dementia due to AD. Negative for MOR, ROG and GFS, but positive for AZN

Lilly's solanezumab (an anti- $\beta$  amyloid monoclonal antibody) failed to bring a statistically significant benefit to patients with mild dementia due to Alzheimer's disease (AD) in a large Phase III study. We believe the street will increasingly question the viability of MOR/ROG's gantenerumab as well as GFS' Albutein; both being tested as treatments for Alzheimer's disease in different Phase III trials... and both targeting  $\beta$  amyloid. On the other hand, the read-across could be positive for AZN's BACE inhibitor as we believe LLY will probably decide to reprioritize it following solanezumab's failure.

## ANALYSIS

- **Another failed anti- $\beta$  amyloid trial.** Lilly's solanezumab (an anti- $\beta$  amyloid monoclonal antibody) failed to bring a benefit in patients with mild dementia due to Alzheimer's disease (AD) in a large Phase III study (EXPEDITION 3). Patients treated with solanezumab did not experience a statistically significant slowing in cognitive decline compared to patients treated with placebo ( $p=0.095$ ), as measured by the ADAS-Cog (Alzheimer's Disease Assessment Scale-Cognitive subscale). And while the study results (including a range of different secondary clinical endpoints) directionally favoured solanezumab, the magnitudes of treatment differences are said to be quite small.
- **Lilly to discontinue solanezumab's development for the whole AD indication?** Admittedly, this development involved a condition related to AD... But we believe the potential impact of this failure could be broader than what the street actually expects, especially since LLY's management clearly stated during its Q3 2016 conference call that they would re-evaluate all the "sola" programs should EXPEDITION 3 be a failure (and that might include the developments in prodromal AD).

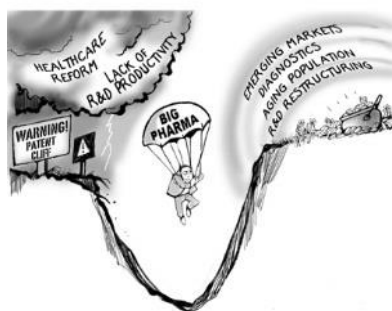
## VALUATION

- **Negative for MOR/ROG, GFS.** As underlined in our reports dealing with Morphosys ("[Back for MORe](#)") and Grifols ("[¡El consenso al borde de un ataque!](#)"), we were/are quite pessimistic about the different options developed in AD, and especially the ones targeting the  $\beta$  amyloid protein... So our base-case scenarios are unchanged. Having said that, we believe the street will increasingly question the viability of MOR/ROG's gantenerumab as well as GFS' Albutein; both being tested as AD treatments in different Phase III trials... and both targeting  $\beta$  amyloid.
- Regarding GFS more specifically, we continue to ask ourselves whether the design of the ongoing AMBAR Phase III study is really satisfactory from a regulatory standpoint (less than 500 patients enrolled whereas millions of people are known to be affected by this highly heterogeneous condition).
- **But potentially positive for AZN.** On the other hand, the read-across could be positive for AZN's BACE inhibitor as we believe LLY will probably decide to reprioritize it following solanezumab's failure.

## NEXT CATALYSTS

- 8th December: Presentation of detailed data from the EXPEDITION 3 trial at the CTAD (Clinical Trials on Alzheimer's disease) meeting.
- H1 2017: Phase III results for Grifols' Albutein in AD (AMBAR study).

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BUY ratings 55.7%

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