

## Sector View

## Pharmaceuticals

	1 M	3 M	6 M	31/12/15
Healthcare	3.3%	-4.4%	-1.9%	-11.1%
DJ Stoxx 600	6.0%	5.3%	6.0%	-1.4%

\*Stoxx Sector Indices

## Companies covered

Company	Rating	Value
<b>ACTELION</b>	<b>BUY</b>	<b>CHF194</b>
Last Price	CHF215	Market Cap. CHF23,169m
<b>ASTRAZENECA</b>	<b>BUY</b>	<b>5100p</b>
Last Price	4312.5p	Market Cap. GBP54,555m
<b>BAYER</b>	<b>NEUTRAL</b>	<b>EUR98</b>
Last Price	EUR98.7	Market Cap. EUR81,620m
<b>GLAXOSMITHKLINE</b>	<b>BUY</b>	<b>1930p</b>
Last Price	1528p	Market Cap. GBP75,025m
<b>GRIFOLS</b>	<b>NEUTRAL</b>	<b>EUR21</b>
Last Price	EUR18.46	Market Cap. EUR11,789m
<b>IPSEN</b>	<b>BUY</b>	<b>EUR72</b>
Last Price	EUR68.17	Market Cap. EUR5,684m
<b>NOVARTIS</b>	<b>NEUTRAL</b>	<b>CHF81</b>
Last Price	CHF73.7	Market Cap. CHF193,618m
<b>NOVO NORDISK</b>	<b>NEUTRAL</b>	<b>DKK270</b>
Last Price	DKK253.5	Market Cap. DKK510,185m
<b>ROCHE HOLDING</b>	<b>BUY</b>	<b>CHF285</b>
Last Price	CHF233.2	Market Cap. CHF163,838m
<b>SANOFI</b>	<b>NEUTRAL</b>	<b>EUR83</b>
Last Price	EUR75.2	Market Cap. EUR97,072m
<b>SHIRE PLC</b>	<b>BUY</b>	<b>6800p</b>
Last Price	4558p	Market Cap. GBP41,205m
<b>SOBI</b>	<b>SELL</b>	<b>SEK90</b>
Last Price	SEK104.8	Market Cap. SEK28,337m
<b>UCB</b>	<b>NEUTRAL</b>	<b>EUR80</b>
Last Price	EUR60.15	Market Cap. EUR11,700m

## ACE910's Phase III results are positive as expected, but more detail needed

As expected, ROG's Phase III evaluating ACE910 as a prophylaxis in haemophilia A with inhibitors met its primary endpoint (reduction in the number of bleeds over time); and so far, no additional thromboembolic events or thrombotic microangiopathies (TMA) have been reported... Having said that, we lack detailed data and especially when it comes to the reasons behind these TMAs. Consequently, we make no changes to our ratings/fair values on ROG, SHP, GFS, NOVO and SOBI.

## ANALYSIS

- **ROG's ACE910: successful first Phase III.** As we expected, ROG's Phase III study evaluating ACE910/Emicizumab in Haemophilia A with inhibitors met its primary endpoint (statistically significant reduction in the number of bleeds over time in people treated with ACE910 prophylaxis compared to those receiving no prophylactic treatment) along with different key secondary ones. Safety-wise, the compound was generally well-tolerated and no additional thromboembolic events or thrombotic microangiopathies (TMA) have been reported.
- **But more detail needed to fully appreciate its potential.** Unfortunately, we lack details about 1/ the exact reduction in the number of bleeding events (knowing that the Phase I showed an impressive decrease in median ABR compared to baseline, irrespectively of the inhibitor status – see Fig. below for further details); 2/ the mechanistic reasons behind the two TMA. The latter point is of essence in our view (is it related to the monoclonal antibody nature of the compound and a complement hyperactivation, for example?); 3/ the eventual incidence of neutralizing/non-neutralizing antibodies against ACE910.

## ACE910's Efficacy profile in a small Phase I – Haemophilia A with and without inhibitors

Treatment Arm	Bleeding events	Median ABR	Median ABR	Median ABR
		Baseline	12 week follow-up	LT follow-up
0.3 mg/kg emicizumab (n=6)	All bleeds	32.5	4.4	1.4
	Joint bleeds	27.4	4.3	1.1
1 mg/kg emicizumab (n=6)	All bleeds	18.3	0	0.2
	Joint bleeds	15.2	0	0.2
3 mg/kg emicizumab (n=6)	All bleeds	15.2	0	0
	Joint bleeds	9.1	0	0

- **We do not expect substantial stock reactions this morning.** This is obviously good news for ROG as ACE910 is one of these key growth drivers/lines of defence against biosimilars' advent in the next few years... but the stock is very unlikely to strongly outperform before the readout of APHINITY. On the other hand, we lack materials to draw firm conclusions regarding its potential impact on the different companies exposed to the inhibitor segment (and especially on SHP).

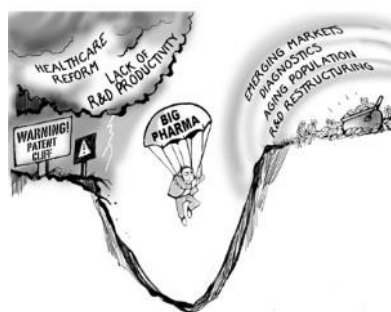
## VALUATION

- We stick to our respective ratings/fair values on ROG, SHP, NOVO, GFS and SOBI pending more details from this Phase III.
- As a reminder, 1/ we see a peak sales of c.USD1.5Bn for ACE910 in the inhibitor segment (vs USD0.6Bn when it comes to the non-inhibitor one, given our uncertainties on its LT safety profile); 2/ we expect a steep decline in both SHP's Feiba and NOVO's NovoSeven sales from 2018.

## NEXT CATALYSTS

- 2017: presentation of detailed data at a scientific congress.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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