AstraZeneca plc (AZN)

$50.03 (As of 04/17/20)

Price Target (6-12 Months): **$53.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 10/23/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: D | Momentum: D	

Summary

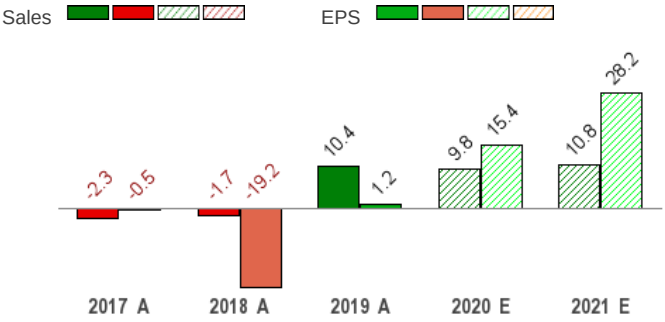
AstraZeneca's core products like Nexium, Crestor and Seroquel are facing generic competition, which is hurting sales. Its diabetes franchise also faces stiff competition while pricing pressure is hurting sales in the respiratory unit. Also, the coronavirus outbreak may hurt its profits in 2020. Nonetheless, AstraZeneca's newer drugs, mainly cancer medicines, Lynparza, Tagrisso and Imfinzi, should keep driving revenues in 2020. Its pipeline is strong with abundance of pipeline catalysts lined up for 2020. Several launches are underway across each of the therapeutic areas, Oncology, CV metabolism and Respiratory. Shares have outperformed the industry this year so far. The company has a mixed record of earnings surprises in the recent quarters. Estimates have declined slightly ahead of Q1 earnings release.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$51.55 - $36.15**
20 Day Average Volume (sh)	**5,567,569**
Market Cap	**$131.3 B**
YTD Price Change	**0.3%**
Beta	**0.44**
Dividend / Div Yld	**$1.86 / 3.7%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 21% (52 out of 253)**
Last EPS Surprise	**-15.1%**
Last Sales Surprise	**-0.7%**
EPS F1 Est- 4 week change	**0.9%**
Expected Report Date	**04/24/2020**
Earnings ESP	**0.0%**
P/E TTM	**28.3**
P/E F1	**24.8**
PEG F1	**1.4**
P/S TTM	**5.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					29,660 E
2020	5,879 E	6,484 E	7,006 E	7,544 E	26,777 E
2019	5,491 A	5,823 A	6,406 A	6,664 A	24,384 A

EPS Estimates

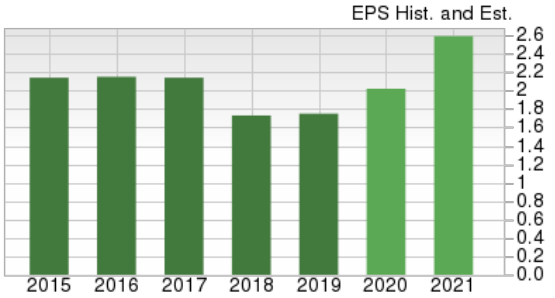
	Q1	Q2	Q3	Q4	Annual*
2021					$2.59 E
2020	$0.47 E	$0.48 E	$0.54 E	$0.55 E	$2.02 E
2019	$0.45 A	$0.37 A	$0.50 A	$0.45 A	$1.75 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/17/2020. The reports text is as of 04/20/2020.

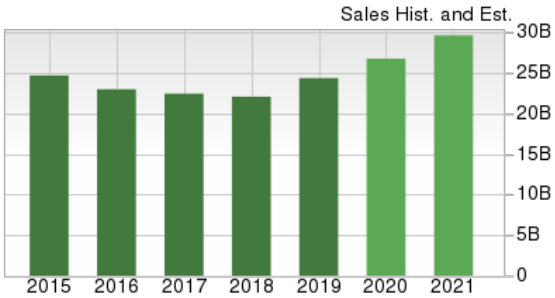
Overview

AstraZeneca plc, headquartered in London, UK, is one of the largest biopharmaceutical companies in the world. AstraZeneca was formed on Apr 6, 1999, through the merger of Sweden's Astra AB and UK's Zeneca Group plc. AstraZeneca's business can be broken down into separate lines based on therapeutic classes. These include metabolic diseases, cardiovascular, respiratory, oncology, neuroscience, infection and other.



In order to bolster its respiratory portfolio, AstraZeneca acquired rights to Allergan's branded respiratory business in the U.S. and Canada in Mar 2015. The company also acquired Takeda's core respiratory business in May 2016.

In Jun 2007, AstraZeneca acquired biotechnology company MedImmune for $15.6 billion, which strengthened its product portfolio. In Aug 2011, AstraZeneca sold its Astra Tech business to DENTSPLY for about $1.8 billion in cash. In a bid to add late-stage candidates to its pipeline, AstraZeneca entered into a number of deals (Almirall's respiratory franchise, Bristol-Myers' diabetes portfolio, Pearl Therapeutics and Omthera Pharmaceuticals) and struck agreements with companies such as FibroGen, Inc. In Dec 2015, AstraZeneca acquired biotech company, ZS Pharma, for about $2.7 billion to boost its cardiovascular and metabolic disease pipeline.



In 2019, total sales rose 13% (CER) to $24.4 billion. Its top-selling medicines are Tagrisso (14% of total product sales), Symbicort (11%), Brilinta (7%), Farxiga (7%), Nexium (6%) and Imfinzi (6%).

Reasons To Buy:

> AstraZeneca has a strong diversified portfolio, an expanding presence in emerging markets, ongoing cost-cutting initiatives and a robust pipeline.

- **Shares Outperforming Industry:** Though AstraZeneca's share price has only risen 0.3% this year so far, it has outperformed the decline of 1.3% for the industry.

- **Strong Diversified Portfolio; New Drugs Supporting Sales:** AstraZeneca has a strong product portfolio. Newer drugs like Brilinta (cardiovascular), Lynparza (ovarian cancer), Farxiga/Forxiga (type II diabetes) and Tagrisso (lung cancer) are driving top-line growth, with AstraZeneca launching them in more markets and in an increased number of indications. Tagrisso became AstraZeneca's biggest medicine in 2019. Brilinta and Farxiga achieved blockbuster status in 2017, exceeding $1 billion in sales. Imfinzi and Lynparza also achieved blockbuster status in 2019. This means five of its newer medicines (Tagrisso, Brilinta, Farxiga, Imfinzi and Lynparza) now have blockbuster status. AstraZeneca is looking for further label expansions for all these drugs.

  AstraZeneca returned to product sales growth in the second half of 2018 with the momentum continuing in 2019 on the back of its newer drugs. Patent expirations had been hurting its product sales growth since 2010. Sales of AstraZeneca's newer medicines rose 81% in 2018 and 62% in 2019 as almost every new product it has launched in the recent years has done well. The company is confident of seeing sustained growth for several years driven by sales growth of its new medicines, Tagrisso, Imfinzi, Lynparza, Farxiga and Fasenra.

- **Emerging Markets - A Focus Area:** AstraZeneca, which operates in multiple countries across the globe, is focusing on emerging markets. Emerging markets represents its largest market by product sales and accounted for 33% of its total product sales in 2018 and 35% in 2019. Revenues from emerging markets climbed 8% in 2017, 12% in 2018 and 24% in 2019, supported by strong growth in China. Emerging markets represent significant commercial opportunity, given factors like pricing pressure in the EU and intensifying generic competition affecting sales in large pharmaceutical markets. In late 2015, AstraZeneca struck a deal with WuXi AppTec, an operating subsidiary of China-based WuXi PharmaTech Inc., to develop innovative biologics targeting therapeutics areas such as respiratory, inflammation and autoimmunity among others. The company is looking to make additional investments in China. In fact, in Emerging Markets, countries outside China are also starting to contribute more, with sales in ex-China markets rising 12% in 2019. AstraZeneca's operations in emerging markets should place it well, going forward.

- **Cost Cutting Initiatives and Divestures:** AstraZeneca has consistently made significant efforts to restructure and reshape its business to improve its long-term competitiveness. AstraZeneca is working to reduce the impact of genericization on its key products by trimming its cost structure to drive operational efficiency. Its latest restructuring efforts include centralization of global R&D footprint into three strategic centers, transformation of the IT organization, closure of a number of manufacturing facilities and other activities to simplify and streamline the organization. These restructuring initiatives are expected to be completed in 2022 and generate annualized benefits of $1.2 billion. Streamlining of operations and focus on R&D will benefit the company in the long run. AstraZeneca expects to generate operating margin in excess of 30% from 2021.

  In 2018, AstraZeneca divested several non-core products as it streamlines its portfolio to focus on its core areas of Oncology, Cardiovascular, Renal & Metabolism and Respiratory.

- **Acquisitions & Deals to Boost Growth:** AstraZeneca is working on bolstering its pipeline and is looking at suitable acquisitions and deals. In order to strengthen its respiratory portfolio, AstraZeneca acquired rights to Allergan's branded respiratory business in the U.S. and Canada in Mar 2015. AstraZeneca had also acquired Almirall's respiratory franchise in Oct 2014. In May 2016, AstraZeneca acquired Takeda's core respiratory business, thereby gaining global rights to Daliresp/Daxas.

  In February 2014, AstraZeneca boosted its diabetes portfolio by acquiring Bristol-Myers' global diabetes business for an upfront payment of $2.7 billion and capitalized on its strong presence in emerging markets to promote its diabetes franchise.

  In December 2015, AstraZeneca acquired biotech company, ZS Pharma, for about $2.7 billion, to boost its cardiovascular and metabolic disease pipeline. In Feb 2016, AstraZeneca also acquired a majority equity stake in privately owned biotech company, Acerta Pharma, to boost its oncology pipeline.

  Meanwhile, the June 2012 acquisition of Ardea added Zurampic to AstraZeneca's gout portfolio. The Pearl Therapeutics takeover added Bevespi to AstraZeneca's respiratory portfolio. Other acquisitions include Omthera and AlphaCore, both boosting the company's cardiovascular pipeline.

  In addition to acquisitions, the company is pursuing co-development deals with companies like Innate Pharma, FibroGen, Moderna and Daiichi Sankyo to boost its pipeline. AstraZeneca also has profit sharing deal with Merck for Lynparza and pipeline candidate selumetinib. We believe that the company will continue to pursue such accretive deals and acquisitions.

- **Focus on Oncology:** AstraZeneca is working on strengthening its oncology product portfolio and has several candidates in its pipeline. It has launched six cancer medicines since 2013. Oncology sales now comprise around 37% of total product sales for AstraZeneca and rose 50% in 2018 and 47% in 2019. The strong oncology performance was driven by new medicines such as Tagrisso, Lynparza and Imfinzi. These coupled with newly approved Calquence in leukemia and Enhertu in breast cancer are expected to drive oncology growth in 2020.

  The immuno-oncology therapeutic area is presently attracting a lot of interest and represents huge commercial potential. An interesting candidate in the company's immuno-oncology pipeline is Imfinzi (durvalumab).

  Imfinzi was launched in the United States for the first indication — second line advanced bladder cancer — in May 2017. Imfinzi was approved and immediately launched for the second indication in the United States — early stage lung cancer (NSCLC) — in February 2018, which drove sales significantly in 2018 and 2019. Imfinzi is also being evaluated for multiple cancers, either alone or in combination with other regimens, including phase III trials in combination with tremelimumab in hepatocellular carcinoma (HCC, liver cancer), in earlier settings in NSCLC, small cell lung cancer, metastatic urothelial cancer and head and neck squamous cell carcinoma (HNSCC) among others. In

November 2017, another cancer drug Calquence (acalabrutinib) gained FDA approval for previously treated mantle cell lymphoma (MCL), the first for AstraZeneca for a type of blood cancer. In November 2019, Calquence was approved by the FDA for the larger chronic lymphocytic leukemia indication (in frontline as well as relapsed/recurrent disease setting), which has significantly expand the drug eligible patient population and is expected to drive sales in 2020.

Koselugo (selumetinib) for the treatment of pediatric patients with neurofibromatosis type 1 (NF1) related plexiform neurofibromas (PN), a rare and debilitating genetic condition, was approved by the FDA in April 2020. An important oncology candidate in AstraZeneca's pipeline is savolitinib (NSCLC - phase III). In April 2019, AstraZeneca acquired joint development and commercialization rights to an innovative antibody drug conjugate (ADC), trastuzumab deruxtecan from Japan's Daiichi Sankyo. Trastuzumab deruxtecan was approved by the FDA in third-line HER2-positive metastatic breast cancer in December 2019 and immediately launched under the brand name of Enhertu.

Lynparza, presently approved in three tumor types, ovarian, breast and pancreatic, is also under priority review in the United States for metastatic castration-resistant prostate cancer (with HRR genetic mutations). Lynparza is also in different studies for earlier-line settings for ovarian cancer and breast cancer. It is under priority review in the United States for first-line advanced ovarian cancer (maintenance therapy) in combination with Avastin. Tagrisso is also being evaluated in earlier-line settings for lung cancer. Enhertu is being evaluated in late-stage studies for third-line gastric cancer for which regulatory applications are expected to be filed in the first half of 2020.

▲ **Pipeline Progress:** The company had 17 new molecular entities in pivotal development or under regulatory review at the end of December 2019. Its R&D focus is on three main therapy areas — Oncology; Cardiovascular, Renal and Metabolism; and Respiratory. AstraZeneca has been making significant progress with its non-oncology pipeline as well.

Promising pipeline candidates include tezepelumab (asthma – phase III), Breztri Aerosphere/PT010 (COPD – under review in the EU and U.S.), anifrolumab (systemic lupus erythematosus – phase III) and roxadustat (anemia in patients with chronic kidney disease – NDA filing by partner FibroGen in December 2019). Several label expansion studies are also ongoing on Farxiga for heart failure indications.

Reasons To Sell:

AstraZeneca core products are facing generic competition. The diabetes franchise also faces stiff competition while pricing pressure hurts sales of the respiratory franchise.

- **Generics Eroding Revenues:** AstraZeneca's core products like Nexium, Seroquel XR and Crestor are facing generic competition, which are hurting earnings growth. Atacand, Toprol-XL and Merrem are also facing generic competition in the United States. The genericization of key products makes it challenging for the company to drive its top line.

  Sales of products which lost exclusivity declined by more than $13 billion between 2011 and 2018.

- **Intense Competition:** In addition to generic threats, AstraZeneca's products already face intense competition in the market from both large pharma companies as well as small and mid-sized companies. One of AstraZeneca's key focus areas, the diabetes market, is heavily crowded with a number of products present in the market. AstraZeneca's Farxiga/Forxiga belongs to the same class (SGLT2) as Johnson & Johnson's Invokana. Bydureon, a GLP-1 receptor agonist with a once weekly dosing is facing competition from Glaxo's Tanzeum and Lilly's Trulicity. The diabetes franchise is facing increased pricing pressure. Products targeting other areas, such as oncology and respiratory among others, are also facing stiff competition.

  Although AstraZeneca is among the major players in immunotherapy, there are several other companies, big as well as small, looking to develop and bring immunotherapy treatments to market. Rising competition in the immuno-oncology market is a significant concern.

  Loss of market share due to intense competition will severely impact AstraZeneca's top line.

- **Soft Sales of Symbicort:** Sales of another important drug, Symbicort are declining due to challenges in both the United States and Europe. In the United States, Symbicort sales are declining due to significant pricing pressure on the ICS/LABA class from managed care as well as competition from outside the class, especially in COPD. Sales are declining in Europe due to continued pressure from both analogue competitors and branded competitors. Sales of Symbicort, which accounts for 11% of AstraZeneca's product sales, declined 6% in 2017, 9% in 2018 and were flat in 2019.

- **Pipeline Setbacks:** Although AstraZeneca has several candidates in its pipeline in different stages of development, the company has had its share of pipeline setbacks. Pipeline setbacks include the discontinuation of the development of candidates like zibotentan (prostate cancer), TC-5214 (major depressive disorder), sifalimumab (lupus) and selumetinib (uveal melanoma, NSCLC, thyroid cancer).
  ZS-9 received a complete response letter (CRL) from the FDA twice, thus delaying the drug's entry to the market. In Jul 2017, a pivotal phase III study (MYSTIC) on Imfinzi in the 1st line NSCLC patient population failed to meet the primary endpoint of progression-free-survival. The same study failed to meet the second primary endpoint of showing statistical improvement in overall survival in the patients in November 2018. In June 2018, AstraZeneca discontinued two late-stage studies on Alzheimer's disease candidate, lanabecestat as the independent data monitoring committee (IDMC) felt they were unlikely to meet their primary endpoint.

  Given the generic competition being faced by the company, the pipeline needs to deliver.

Last Earnings Report

Q4 Earnings & Sales Miss

Quarter Ending	12/2019
Report Date	**Feb 14, 2020**
Sales Surprise	**-0.73%**
EPS Surprise	**-15.09%**
Quarterly EPS	**0.45**
Annual EPS (TTM)	**1.77**

AstraZeneca missed the Zacks Consensus Estimate for both earnings and sales in the fourth quarter of 2019.

Fourth-quarter 2019 core earnings of 45 cents per American depositary share missed the Zacks Consensus Estimate of 53 cents. Core earnings per share of 89 cents declined 46% year over year at constant exchange rates ("CER") due to lower profits.

Total revenues were up 4% (5% at CER) to $6.66 billion in the reported quarter, driven by higher product sales. Revenues, however, missed the Zacks Consensus Estimate of $6.71 billion.

All growth rates mentioned below are on a year-over-year basis and at CER.

Product Sales Rise

Product sales rose 9% at CER to $6.25 billion. Collaboration revenues (formerly Externalization revenues) were $414 million, down 36% year over year.

Among AstraZeneca's various therapeutic areas, Oncology was up 29%, New Cardiovascular, Renal and Metabolism was up 7%, BioPharmaceuticals was up 11%, and Respiratory rose 14%. However, other medicines declined 16%.

Newer Products

Among the newer medicines, Lynparza sales rose 69% year over year and 7.3% sequentially to $351 million on the back of expanded use in ovarian and breast cancer.

Tagrisso recorded sales of $884 million, up 49% year over year driven by continued underlying demand growth and strong uptake in the first-line setting. However, sales increased only 2% sequentially in the U.S. market due to a negative impact of U.S gross to net adjustment. Moreover, in the quarter, Tagrisso sales in Japan were hurt by mandated price reductions that took effect from Nov 1, 2019.

Imfinzi generated sales of $424 million in the quarter, up 62% year over year mainly driven by strong demand in lung cancer patients. Like the previous quarters, the vast majority of Imfinzi's sales came from the United States and the lung cancer indication.

Calquence, which was launched in the United States in October 2017, generated sales of $56 million in the fourth quarter compared with $44 million in the previous quarter. AstraZeneca launched Calquence for the CLL indication toward the end of the year and said that the launch was off to a positive start.

Brilinta/Brilique sales were $428 million in the reported quarter, up 15% year over year driven by continued patient uptake in acute coronary syndrome and high-risk post-myocardial infarction indications.

Farxiga recorded sales of $419 million in the quarter, up 7% year over year driven by growth in emerging markets and Europe. U.S. sales declined 18% due to increased competition and formulary plan changes for competitors' drugs. However, U.S. sales improved 12% sequentially due to inclusion of data from the DECLARE CVOT outcomes study on the drug's label. Sales in Europe were up 23%. Emerging market sales increased 42%.

Fasenra recorded sales of $206 million in the quarter, up 65% year over year. AstraZeneca said Fasenra enjoys leadership position among novel biologic asthma medicines in the United States, the top five European countries and Japan.

Bevespi, a LAMA/LABA in a pressurized metered dose inhaler, recorded sales of $12 million in the quarter, compared with $10 million recorded in the previous quarter, amid slower-than-anticipated growth in LAMA/LABA class.

Breztri, which was approved in Japan in June 2019, recorded sales of $1 million in the third quarter.

Among other medicines, Bydureon sales were up 1% to $139 million. Seloken sales increased 20% to $190 million. However, Iressa sales were down 28% to $80 million. Onglyza sales declined 10% to $131 million and Byetta sales were down 15% to $27 million.

Older Products

Crestor sales declined 15% to $296 million. U.S. and Europe sales were weak as multiple generic versions of the drug entered the market.

Symbicort sales were up 13% in the quarter to $712 million due to higher sales in emerging markets, Japan and the United States. U.S. sales rose 18% in the quarter due to favorable comparisons from the year-ago quarter, which was hurt by one-off unfavorable adjustment. However, U.S. sales continue to be hurt by pricing pressure and the impact of managed-market rebate.

Pulmicort sales rose 7% to $413 million as higher sales in the emerging markets made up for weaker performance in U.S.

Nexium recorded sales of $353 million, down 10% due to lower sales in the United States. Sales of other legacy drugs including Zoladex, Arimidex, Atacand and Daliresp/Daxas grew in the quarter while sales of others like Faslodex, Casodex, and Synagis declined.

Regional Performance

In the United States, product sales were up 1% to $2.1 billion. Sales in European markets grew 4% in the fourth quarter to $1.18 billion. Revenues from Emerging Markets were up 20% to $2.1 billion, primarily on the back of strong growth in China (up 28% to $1.19 billion). In Emerging Markets, sales rose 11% in ex-China markets. In Established ROW market (comprising Japan, Canada and other markets), sales were up 13% to $918 million.

Profit Discussion

AstraZeneca's core gross margin declined two percentage points (at CER) to 77.5%. Core selling, general and administrative (SG&A) expenses rose 9% to $2.63 billion.

In the quarter, core research and development (R&D) expenses rose 4% to $1.5 billion. Core operating profit declined 33% to $1.55 billion in the quarter. Core operating margin decreased 12 percentage points to 23.2% in the quarter.

2020 Outlook

AstraZeneca issued its guidance for total revenues and core EPS for 2020. The company expects total revenues to grow in a high single-digit to a low double-digit range. The company expects core EPS guidance to increase by a mid- to high-teens percentage. Currency changes are expected to have a neutral impact on sales a low single-digit adverse impact on core EPS in 2020.

The company stated that the guidance takes into account the unfavorable impact of the recent coronavirus outbreak and expects it to last for a few months. It plans to provide an updated guidance on its first-quarter 2020 earnings call, after gaining an insight on the actual impact of the coronavirus outbreak.

Adjusted tax rate is expected to be in the range of 18%-22%.

Recent News

To Begin Coronavirus Study on Calquence – Apr 14

AstraZeneca announced that it will initiate a study (CALAVI) to evaluate the effect of Calquence on the exaggerated immune response (cytokine storm) of patients hospitalized with COVID-19 infection. The goal of the study is to demonstrate that adding Calquence to best supportive care reduces the need to place patients on ventilators and reduces mortality rates. Early clinical data from studies on Calquence, a BTK inhibitor, demonstrated that the protein BTK regulates inflammation and thus it appears that Calquence may reduce the severity of COVID-19-induced respiratory distress. This is the basis for initiating the CALAVI clinical study. The study will soon open for enrolment of patients in the United States as well as several European countries.

Calquence is approved to treat previously treated mantle cell lymphoma (MCL) and chronic lymphocytic leukemia indication (in frontline as well as relapsed/recurrent disease setting).

Koselugo Gets FDA Nod for Rare Genetic Disorder – Apr 13

AstraZeneca and partner Merck announced that the FDA has approved their MEK 1/2 inhibitor Koselugo (selumetinib) for the treatment of pediatric patients with neurofibromatosis type 1 (NF1) related plexiform neurofibromas (PN), a rare and debilitating genetic condition. Following the nod, Koselugo became the first FDA approved medicine to address this rare and debilitating genetic condition. The approval was based on positive data from the SPRINT Stratum 1 phase II study, testing Koselugo as an oral monotherapy in pediatric patients aged two years or older with inoperable NF1-related PN. A marketing authorization application seeking approval of Koselugo for the same indication has already been submitted in Europe.

IDMC Recommends Early Unblinding of Tagrisso Study – Apr 10

An Independent Data Monitoring Committee (IDMC) recommended earlier than expected unblinding on AstraZeneca's phase III ADAURA label expansion study on its successful EGFR inhibitor, Tagrisso. The study, which tested Tagrisso for adjuvant treatment of early-stage EGFR-mutated non-small cell lung cancer (NSCLC), showed statistically significant and clinically meaningful benefit in this patient population. Tagrisso is presently marketed for first-line EGFR mutated advanced NSCLC. The study will continue to assess the secondary endpoint of overall survival

CHMP Nod for Lokelma – Mar 31

The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended approving AstraZeneca's hyperkalemia drug, Lokelma to treat patients on stable hemodialysis. The recommendation was based on data from phase IIIb DIALIZE study

Data from Phase IV Study on Brilinta– Mar 30

AstraZeneca announced data from two subgroup analyses of the phase IV independent TWILIGHT study on Brilinta. The data showed that Brilinta as a monotherapy reduced the risk of clinically relevant bleeding over 12 months compared to aspirin plus Brilinta in high-risk coronary patients. In one subgroup, which included patients with diabetes undergoing percutaneous coronary intervention (PCI), Brilinta monotherapy reduced bleeding complications with no increased risk of ischaemic events. Similarly, in the other subgroup, which included patients who had successfully undergone a complex PCI, similar results were observed. Overall, the data showed that in high-risk patients, withdrawing aspirin and continuing treatment with Brilinta alone can reduce bleeding complications while still maintaining a similar effect on ischaemic events.

FDA Approves Imfinzi for Aggressive Lung Cancer Indication – Mar 30

AstraZeneca announced that the FDA has granted approval to Imfinzi for the first-line treatment of extensive-stage small cell lung cancer —the most aggressive type of lung cancer —based on CASPIAN study data. The drug has been approved to treat this lung cancer patient population in combination with standard-of-care (SoC) chemotherapies, etoposide plus either carboplatin or cisplatin. Regulatory filings are also under review in Europe and Japan. Imfinzi is presently marketed for second-line advanced bladder cancer and unresectable, stage III non-small cell lung cancer (NSCLC)

IDMC Recommends DAPA-CKD Study on Farxiga to be Stopped Early – Mar 30

AstraZeneca announced that on the recommendation from an independent Data Monitoring Committee (DMC), AstraZeneca said that a phase III DAPA-CKD outcomes study on its SGLT2 inhibitor, Farxiga will be stopped early. The phase III DAPA-CKD study is being conducted to see the effect of Farxiga on renal outcomes and cardiovascular (CV) mortality in patients with chronic kidney disease with or without type II diabetes. The DMC's recommendation was based on Farxiga's overwhelming efficacy in the above patient population. DAPA-CKD is part of AstraZeneca's DapaCare clinical program to explore the CV and renal profile of Farxiga in type II diabetes patients. An sNDA seeking approval of Farxiga to reduce the risk of CV death or the worsening of heart failure (HF) in patients with reduced ejection fraction, with and without type-II diabetes is under priority review. The sNDA was based on positive results from the DAPA-HF study on Farxiga.

New Data from DAPA-HF Study on Farxiga – Mar 28

AstraZeneca announced new data from a sub-analysis of phase III DAPA-HF outcomes study on Farxiga. The data showed that Farxiga reduced the incidence of the primary composite endpoint of heart failure (HF) worsening or cardiovascular (CV) death compared to placebo, in patients with heart failure with reduced ejection fraction (HFrEF), irrespective of their background therapy.

Lokelma Gets Approval in Japan – Mar 25

AstraZeneca announced that Japanese regulatory authority has granted marketing approval to Lokelma for the treatment of patients with hyperkalemia in Japan. Following the nod, Lokelma becomes the first innovative non-resin potassium binder to be approved in Japan. Lokelma is already marketed across the United States, Canada, Hong Kong, China, Russia and in the EU for the treatment of hyperkalemia.

Valuation

AstraZeneca's shares are up 0.3% in the year-to-date and 29.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 1.3% and 4%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 14% and 4.1%, respectively.

The S&P 500 Index is down 10.9% in the year-to-date period and 1.7% in the past year.

The stock is currently trading at 22.7X forward 12-month earnings per share, which compares to 14.86X for the Zacks sub-industry, 21.37X for the Zacks sector and 19.53X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.48X and as low as 11.42X, with a 5-year median of 18.33X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $53 price target reflects 24.0 X forward 12-month earnings per share.

The table below shows summary valuation data for AZN.

Valuation Multiples - AZN

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.7	14.86	21.37	19.53
	5-Year High	24.48	18.12	21.37	19.53
	5-Year Low	11.42	13.04	15.81	15.19
	5-Year Median	18.33	15.38	18.81	17.45
P/S F12M	Current	4.76	4.64	2.71	3.2
	5-Year High	5	4.83	3.84	3.44
	5-Year Low	3.01	3.92	2.25	2.54
	5-Year Median	3.86	4.39	2.96	3.01
P/B TTM	Current	9	5.28	3.7	3.8
	5-Year High	9.69	7.19	5.04	4.54
	5-Year Low	3.82	3.8	3.01	2.9
	5-Year Median	5.52	5.21	4.29	3.64

As of 4/17/2020

Industry Analysis **Zacks Industry Rank:** Top 21% (52 out of 253)

Top Peers

Amgen Inc. **(AMGN)**	Neutral
Bristol-Myers Squibb Company **(BMY)**	Neutral
GlaxoSmithKline plc **(GSK)**	Neutral
Johnson & Johnson **(JNJ)**	Neutral
Merck & Co., Inc. **(MRK)**	Neutral
Novartis AG **(NVS)**	Neutral
Pfizer Inc. **(PFE)**	Neutral
Roche Holding AG **(RHHBY)**	Neutral

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	AZN Neutral	X Industry	S&P 500	NVS Neutral	PFE Neutral	RHHBY Neutral
VGM Score	D	-	-	B	D	A
Market Cap	131.30 B	136.81 B	19.60 B	204.63 B	204.76 B	291.95 B
# of Analysts	5	3	14	5	5	4
Dividend Yield	3.72%	2.50%	2.17%	2.25%	4.12%	1.69%
Value Score	C	-	-	B	B	B
Cash/Price	0.05	0.06	0.06	0.06	0.05	0.04
EV/EBITDA	20.95	13.28	11.73	13.82	9.75	13.28
PEG Ratio	1.36	1.94	2.19	1.84	3.08	2.73
Price/Book (P/B)	8.99	4.18	2.67	3.68	3.22	8.09
Price/Cash Flow (P/CF)	15.80	11.44	10.55	11.44	8.98	13.34
P/E (F1)	24.77	14.76	18.18	15.64	13.68	16.21
Price/Sales (P/S)	5.38	4.42	2.08	4.31	3.96	NA
Earnings Yield	4.04%	6.78%	5.38%	6.39%	7.32%	6.17%
Debt/Equity	1.11	0.57	0.70	0.40	0.57	0.35
Cash Flow ($/share)	3.17	4.33	7.01	7.80	4.11	3.20
Growth Score	D	-	-	C	F	A
Hist. EPS Growth (3-5 yrs)	-2.79%	8.34%	10.92%	0.76%	8.48%	NA
Proj. EPS Growth (F1/F0)	15.43%	8.17%	-3.36%	8.97%	-8.54%	3.54%
Curr. Cash Flow Growth	2.12%	4.27%	5.93%	4.27%	-6.57%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	-0.86%	7.62%	8.55%	7.11%	2.54%	9.89%
Current Ratio	0.86	1.26	1.24	1.04	0.88	1.30
Debt/Capital	52.63%	39.95%	42.78%	28.42%	36.17%	26.10%
Net Margin	5.38%	22.35%	11.64%	24.73%	31.44%	NA
Return on Equity	32.24%	32.05%	16.74%	23.39%	27.01%	NA
Sales/Assets	0.40	0.49	0.54	0.39	0.32	NA
Proj. Sales Growth (F1/F0)	9.81%	5.72%	-0.14%	6.11%	-12.32%	8.53%
Momentum Score	D	-	-	A	C	B
Daily Price Chg	1.83%	2.00%	4.04%	2.00%	2.87%	2.01%
1 Week Price Chg	1.59%	5.20%	16.01%	1.45%	5.20%	-3.33%
4 Week Price Chg	24.67%	18.43%	18.93%	18.17%	21.33%	9.45%
12 Week Price Chg	-0.34%	-5.76%	-19.39%	-5.93%	-9.33%	0.57%
52 Week Price Chg	28.94%	14.03%	-11.34%	16.86%	-6.27%	30.41%
20 Day Average Volume	5,567,569	4,775,906	3,220,598	2,350,709	29,657,468	2,760,435
(F1) EPS Est 1 week change	0.79%	0.00%	0.00%	0.00%	-3.64%	0.00%
(F1) EPS Est 4 week change	0.89%	-0.77%	-7.09%	-0.59%	-3.56%	-0.84%
(F1) EPS Est 12 week change	-1.93%	0.03%	-9.32%	0.63%	2.98%	0.09%
(Q1) EPS Est Mthly Chg	-4.00%	-3.55%	-10.68%	-2.08%	-5.11%	NA

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	D
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.