AstraZeneca plc (AZN)

$57.01 (As of 08/25/20)

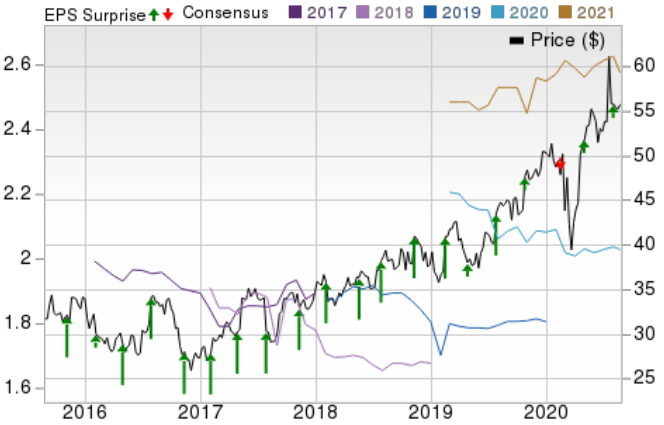
Price Target (6-12 Months): **$60.00**

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:B
	Value: C | Growth: A | Momentum: F	

Summary

AstraZeneca beat Q2 estimates for both earnings and sales. Its products like Nexium, Crestor and Seroquel are facing generic competition, which is hurting sales. The diabetes franchise also faces stiff competition while pricing pressure is hurting sales in the respiratory unit. 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 catalysts lined up for 2020 including data on COVID-19 vaccine candidate, AZD1222. AstraZeneca has also engaged in external acquisitions and strategic collaborations to boost its pipeline while investing in geographic areas of high growth like China. Cost-cutting efforts should drive earnings. Its shares have outperformed the industry this year so far.

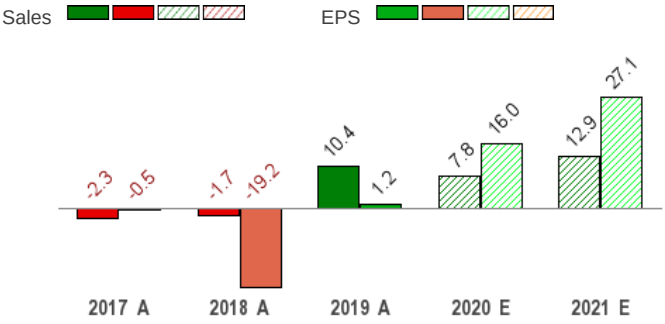
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$64.94 - $36.15**
20 Day Average Volume (sh)	**4,280,897**
Market Cap	**$149.6 B**
YTD Price Change	**14.3%**
Beta	**0.55**
Dividend / Div Yld	**$0.88 / 1.5%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Bottom 25% (190 out of 252)**
Last EPS Surprise	**9.1%**
Last Sales Surprise	**0.4%**
EPS F1 Est- 4 week change	**-0.2%**
Expected Report Date	**10/22/2020**
Earnings ESP	**-2.0%**
P/E TTM	**29.1**
P/E F1	**28.1**
PEG F1	**1.6**
P/S TTM	**5.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					29,653 E
2020	6,354 A	6,275 A	6,657 E	7,024 E	26,274 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					$2.58 E
2020	$0.53 A	$0.48 A	$0.51 E	$0.52 E	$2.03 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 08/25/2020. The reports text is as of 08/26/2020.

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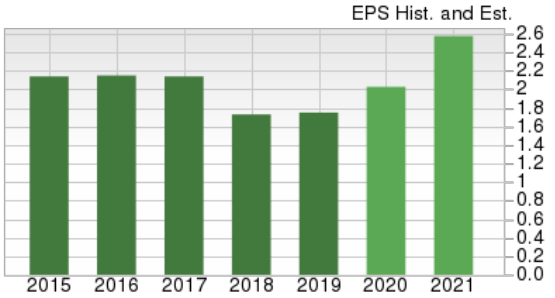
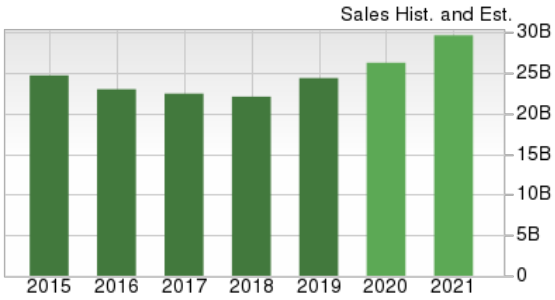
Overview

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:** AstraZeneca's share price has risen 14.3% this year so far against increase of 2.0% 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 from the second half of 2018 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 a profit- sharing deal with Merck for Lynparza and Koselugo (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 through label expansions of existing products and progressing oncology pipeline candidates. 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 driving oncology growth in 2020. AstraZeneca's oncology business is now annualizing at more than $10 billion

  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 is presently approved for unresectable, stage III NSCLC and advanced bladder cancer in second-line settings. The lung cancer indication drove sales significantly in 2018 and 2019. In March 2020, Imfinzi was approved for first-line treatment of extensive-stage small cell lung cancer (ES-SCLC). 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), small cell lung cancer, metastatic urothelial

cancer, head and neck squamous cell carcinoma (HNSCC), cervical cancer, in earlier settings in NSCLC, 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 expanded the drug's eligible patient population and is expected to drive sales.

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, was approved for metastatic castration-resistant prostate cancer (with HRR genetic mutations) in May 2020, which marked the drug's approval for the fourth cancer type. In May, Lynparza was also approved by the FDA in combination with Roche's Avastin as a maintenance treatment for first-line advanced ovarian cancer in women who have an HRD-positive tumor. Lynparza is also being evaluated in combination with Keytruda for NSCLC. 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 2020.

- **Non-Cancer Pipeline Progress:** The company had 17 new molecular entities in pivotal development or under regulatory review at the end of June 2020. 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 non-oncology pipeline candidates include tezepelumab (asthma – phase III), Breztri Aerosphere/PT010 (COPD – under review in the EU, approved in the U.S.), anifrolumab (systemic lupus erythematosus – phase III) and roxadustat (anemia in patients with chronic kidney disease – NDA filed by partner FibroGen in December 2019). Several label expansion studies are also ongoing on Farxiga for heart failure and chronic kidney disease indications and Fasenra for eosinophil-driven diseases (EDDs) beyond severe asthma and skin diseases like atopic dermatitis, chronic, spontaneous urticaria and bullous pemphigoid.

- **Favorable Debt Profile:** AstraZeneca has a favorable debt profile. As of Jun 30, 2020, the company's debt-to-total capital was 58.9%, which decreased from 60.1 as of Mar 31, 2020. A lower ratio indicates smaller financial risk., AstraZeneca has considerable financial resources available. As of Jun 30, 2020, the company had $10.2 billion in financial resources (cash and cash-equivalent balances + liquid fixed income securities + undrawn committed bank facilities) with only $4.1 billion of borrowings due within one year. This implies that it does have sufficient cash to pay its short-term debt in case of insolvency. Meanwhile, its times interest earned ratio stands at 2.9, which means its operating earnings are almost three times the interest expenses of the company. This suggests that the company is capable to meeting its interest obligations from operating earnings. The company's credit rating for long term is BBB+ by Standard and Poor and A3 by Moody's, both implying that the company has adequate capacity to meet its financial commitments.

Reasons To Sell:

AstraZeneca's 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.

- **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.

- **Issues Regarding Diabetes Drugs:** In early Apr 2016, AstraZeneca received a communication from the FDA on proposed label changes related to a potential risk for an increase in heart failure in the SAVOR (Saxagliptin Assessment of Vascular Outcomes Recorded in Patients with Diabetes Mellitus) outcomes study on Onglyza. The post-marketing study was conducted to evaluate cardiovascular (CV) effects of Onglyza when added to type II diabetes therapy in adult diabetics at a risk of a CV disease. Consequently, AstraZeneca updated Onglyza's label. Onglyza sales were adversely impacted due to the label update.

  In addition, the FDA raised concerns regarding DPP-4 inhibitors (including the company's Onglyza and Kombiglyze XR) and warned patients in Aug 2015 of severe and disabling joint pain associated with its use. Moreover, the FDA, along with the European Medicines Agency, has raised concerns regarding SGLT2 inhibitors (including the company's Forxiga/Forxiga) and warned patients of ketoacidosis – a serious condition where the body produces high levels of blood acids called ketones.

Last Earnings Report

Q2 Earnings & Sales Beat

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	0.43%
EPS Surprise	9.09%
Quarterly EPS	0.48
Annual EPS (TTM)	1.96

AstraZeneca's second-quarter 2020 earnings and sales beat the Zacks Consensus Estimate. The company maintained its previously issued revenue and earnings guidance for 2020

Second-quarter 2020 core earnings of 48 cents per American depositary share beat the Zacks Consensus Estimate of 44 cents. Core earnings per share of 96 cents rose 31% year over year at constant exchange rates ("CER") due to higher revenues.

Total revenues were up 8% (11% at CER) to $6.28 billion in the reported quarter, driven by higher product sales. Revenues slightly beat the Zacks Consensus Estimate of $6.25 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 $6.05 billion driven by higher demand for its newer medicines and double-digit growth in Symbicort's sales.

Collaboration revenues were $227 million, compared with $43 million in first-quarter 2020. This included collaboration revenues of $93 million for roxadustat and $22 million for Enhertu.

Among AstraZeneca's various therapeutic areas, Oncology product sales were up 28%. In BioPharmaceuticals, New CVRM product sales were up 13% while Respiratory & Immunology declined 8%. Sales of other medicines declined 2%.

Sales in Detail

In Oncology, Lynparza product revenues rose 52% year over year to $419 million on the back of expanded use in ovarian and breast cancer, especially first-line ovarian cancer. Almost half of the sales growth came from outside U.S. markets, reflecting growth across all regions.

Tagrisso sales crossed the billion-dollar mark for the first time in any single quarter. The drug recorded sales of $1.03 billion, up 35% year over year driven by continued demand growth in the second-line setting and strong uptake in the first-line setting. However, U.S. Tagrisso sales were hurt by some inventory drawdown in the second quarter.

Imfinzi generated sales of $492 million in the quarter, up 48% year over year mainly driven by strong demand in advanced lung cancer patients. The majority of Imfinzi sales came from the United States driven by the lung cancer indication. AstraZeneca is launching Imfinzi for extensive-stage small cell lung cancer in the United States based on data from the CASPIAN study, which can boost sales in the future quarters.

Calquence generated sales of $107 million in the quarter compared with $88 million in the previous quarter, which was majorly driven by the CLL indication, launched toward the end of last year.

Iressa sales were down 38% to $70 million. Sales of older cancer drugs, Faslodex and Casodex declined while Zoladex increased. Arimidex sales were flat. New drug, Koselugo, approved in April 2020, generated sales of $7 million in the quarter.

In CVRM, Brilinta/Brilique sales were $437 million in the reported quarter, up 16% year over year driven by continued patient uptake in acute coronary syndrome and high-risk post-myocardial infarction indications. Sales were hurt by negative COVID stocking impact in the quarter.

Farxiga recorded product sales of $443 million in the quarter, up 23% year over year as strong growth in China and Europe was partially offset by weaker sales in the United States.

Crestor sales declined 6% to $282 million. Bydureon sales declined 17% to $116 million. Onglyza sales rose 3% to $115 million. Seloken sales increased 38% to $218 million. Atacand sales were up 14% to $59 million. However, Byetta sales were down 41% to $15 million.

In Respiratory & Immunology, Symbicort sales were up 15% in the quarter to $653 million due to demand growth following the launch of an authorized generic version of the LABA/LAMA inhaler by AstraZeneca's partner Prasco in the United States.

Pulmicort sales declined 69% to $97 million, reflecting the continued adverse impact of COVID-19 on the medicine's sales in China during the quarter, especially the pediatric nebulization segment.

Fasenra recorded sales of $227 million in the quarter, up 37% year over year driven by higher sales in the United States, Japan and Europe.

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

Breztri, which was launched in Japan and recently in China, recorded sales of $7 million in the quarter. Daliresp/Daxas declined 7% to $53 million in the quarter.

In Other Medicines, Nexium sales declined 1% to $377 million. Synagis fell 5% to $90 million.

Regional Performance

In the United States, product sales were up 10% to $2.09 billion. Sales in European markets grew 15% in the quarter to $1.24 billion. Revenues from Emerging Markets were up 13% to $2.06 billion. In Emerging Markets, sales in China rose 12% to $1.24 billion, while in ex-China markets, sales rose 15% to $813 million. In Established ROW market (comprising Japan, Canada and other markets), sales were up 3% to $890 million.

Profit Discussion

AstraZeneca's core gross margin increased one percentage point (at CER) to 84.3% driven by favorable product mix and manufacturing efficiencies. Core selling, general and administrative (SG&A) expenses rose 3% to $2.18 billion due to investment in launches of cancer medicines and expansion in China.

Core research and development (R&D) expenses rose 9% to $1.38 billion. Core operating profit rose 31% to $1.79 billion in the quarter. Core operating margin rose four percentage points to 28.6% in the quarter.

2020 Outlook

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

However, AstraZeneca stated that the uncertainty from the impact of COVID-19 remains and performance between quarters may vary.

Recent News

Begins Coronavirus Antibody Combo Phase I Study – Aug 25

AstraZeneca announced the initiation of phase I study on AZD7442, a monoclonal-antibody combination for the prevention and treatment of COVID-19. AZD7442 is a combination of two monoclonal antibodies, AZD8895 and AZD1061, which were derived from convalescent patients with SARS-CoV-2 infection, which AstraZeneca licensed from Vanderbilt University, in the United States in June 2020.

The phase I study (NCT04507256) will include 48 healthy participants in the UK aged 18 to 55 years and will evaluate the safety, tolerability and pharmacokinetics of AZD744. Data from the study is expected later this year. If the data is positive, AstraZeneca will progress AZD7442 into larger late-stage phase II and phase III studies.

AstraZeneca has secured funding support from the Defense Advanced Research Projects Agency, part of the U.S. Department of Defense and BARDA for the phase I study and for manufacturing AZD7442.

Imfinzi Gets Approval in Japan for SCLC – Aug 21

AstraZeneca announced that the Japanese regulatory body granted approval to Imfinzi for the treatment of patients with extensive-stage small cell lung cancer in combination with etoposide plus a choice of platinum chemotherapy (either carboplatin or cisplatin). The approval was based on data from the phase III CASPIAN study.

FDA Gives Priority Review to 4-Week Dosing Regimen of Imfinzi – Aug 18

AstraZeneca announced that the FDA has granted priority review to a supplemental biologics license application (sBLA) seeking approval of a new four-week, fixed-dose regimen of Imfinzi in the approved indications. Imfinzi is presently approved to treat stage III non-small cell lung cancer (NSCLC) after chemoradiation therapy and previously treated advanced bladder cancer and can be administered as a weight-based dosing of 10mg/kg every two weeks. If approved, the four-week, fixed-dose regimen (1500 mg) would reduce the patients' medical visits by half. The FDA's decision is expected during the fourth quarter of 2020.

AstraZeneca to Supply 400M COVID-19 Vaccine Doses to European Commission – Aug 14

AstraZeneca announced that it has concluded an agreement with the European Commission (EC) for supplying up to 400 million doses of its COVID-19 vaccine, AZD1222, which it is developing with the Oxford University.

Earlier in June, AstraZeneca signed a contract with Europe's Inclusive Vaccines Alliance (IVA), a group formed by Germany, France, Italy and the Netherlands to supply 400 million doses of its potential coronavirus vaccine to a few European countries. The latest deal builds upon this pact and will enable all EU member states to access the vaccine at zero profit during the pandemic. The company expects to make the vaccine available, upon potential approval, and administer the first dose by the end of 2020.

FDA's Fast Track Tag for a Lung Cancer Indication – Jul 30

AstraZeneca announced that the FDA granted Breakthrough Therapy Designation (BTD) to Tagrisso for the adjuvant treatment of patients with stage IB-IIIA EGFR-mutated lung cancer.

Detailed Results from Phase IIb Study on Nirsevimab – Jul 30

raZeneca and Sanofi presented detailed results from a phase IIb study evaluating their extended half-life RSV monoclonal antibody (mAb), nirsevimab as a passive immunization to help prevent RSV in healthy premature infants. The results were also published in New England Journal of Medicine

The data showed that nirsevimab reduced respiratory syncytial virus infections requiring medical care, mainly bronchiolitis and pneumonia and hospitalizations in the above patient population.

Farxiga DAPA-CKD Study Meets Endpoints – Jul 28

AstraZeneca announced that Farxiga met all primary and secondary endpoints in a phase III DAPA-CKD evaluating the drug in patients with chronic kidney disease with and without type-2 diabetes. Farxiga significantly reduced the worsening of renal function or risk of death in the study.

CHMP Nod to Imfinzi for SCLC – Jul 27

AstraZeneca announced that that Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has given a positive opinion recommending 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.

CHMP Nod for Calquence for CLL — Jul 27

AstraZeneca announced that Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has given a positive opinion recommending approval of Calquence for a new indication, chronic lymphocytic leukemia (CLL). Calquence was approved for the CLL indication in the United States in November 2019. The approval for the CLL indication was based on two phase III studies, namely ELEVATE-TN and ASCEND.

New Cancer Deal with Daiichi Sankyo – Jul 27

AstraZeneca announced its second big cancer deal with Japan's Daiichi Sankyo. This time, it is acquiring joint global (except Japan)

development/commercialization rights to the Daiichi's antibody drug conjugate (ADC) DS-1062 which could be a potential medicine for lung, breast and multiple other cancers that commonly express TROP2, a transmembrane glycoprotein . For the deal, AstraZeneca will pay Daiichi an upfront amount (in staged payments) of $1 billion and up to $1 billion in regulatory milestone payments and up to $4 billion for sales-related milestones. The companies will equally share development costs and profits.

In April 2019, AstraZeneca acquired joint development and commercialization rights to the first ADC, trastuzumab deruxtecan from Daiichi. 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.

Valuation

AstraZeneca's shares are up 14.3% in the year-to-date and 27.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 2.0% while those in the sector are down 0.2% in the year-to-date period. Over the past year, the Zacks sub-industry is up 15.1% while the sector is up 9.5%.

The S&P 500 Index is up 6.5% in the year-to-date period and 19.9% in the past year.

The stock is currently trading at 23.9X forward 12-month earnings per share, which compares to 14.96X for the Zacks sub-industry, 22.1X for the Zacks sector and 23.04X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 27.92X and as low as 11.1X, with a 5-year median of 19.58X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $60 price target reflects 25.2X 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	23.9	14.96	22.1	23.04
	5-Year High	27.92	16.62	23.21	23.04
	5-Year Low	11.1	13.61	15.89	15.25
	5-Year Median	19.58	15.32	18.97	17.58
P/S F12M	Current	5.25	4.78	2.79	3.76
	5-Year High	5.6	4.85	3.42	3.76
	5-Year Low	2.99	3.88	2.23	2.53
	5-Year Median	3.95	4.4	2.89	3.05
P/B TTM	Current	10.95	5.47	3.82	4.64
	5-Year High	11.88	7.37	5.07	4.64
	5-Year Low	3.82	3.69	2.94	2.83
	5-Year Median	5.84	5.26	4.29	3.76

As of 8/25/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (190 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Amgen Inc. **(AMGN)**	Neutral	3
Bristol Myers Squibb Company **(BMY)**	Neutral	3
GlaxoSmithKline plc **(GSK)**	Neutral	3
JohnsonJohnson **(JNJ)**	Neutral	3
MerckCo., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	3

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	AZN	X Industry	S&P 500	NVS	PFE	RHHBY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	B	A
Market Cap	149.62 B	153.06 B	23.77 B	197.86 B	213.44 B	299.96 B
# of Analysts	5	2	14	5	4	4
Dividend Yield	1.54%	2.29%	1.65%	2.32%	3.96%	1.64%
Value Score	C	-	-	B	B	C
Cash/Price	0.04	0.05	0.07	0.03	0.11	0.04
EV/EBITDA	23.60	14.47	13.35	13.94	10.18	13.65
PEG Ratio	1.55	2.07	3.03	1.85	3.10	2.91
Price/Book (P/B)	10.95	5.20	3.17	3.67	3.30	8.31
Price/Cash Flow (P/CF)	18.00	11.88	12.81	10.95	9.35	13.71
P/E (F1)	28.08	14.93	21.72	15.12	13.28	16.33
Price/Sales (P/S)	5.82	4.34	2.47	4.10	4.34	NA
Earnings Yield	3.56%	6.70%	4.45%	6.62%	7.52%	6.12%
Debt/Equity	1.14	0.78	0.75	0.48	0.78	0.35
Cash Flow ($/share)	3.17	4.22	6.93	7.90	4.11	3.20
Growth Score	A	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	-2.71%	7.34%	10.41%	2.64%	7.38%	NA
Proj. EPS Growth (F1/F0)	15.89%	7.54%	-4.92%	9.12%	-1.95%	5.61%
Curr. Cash Flow Growth	2.12%	2.90%	5.20%	4.27%	-6.57%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	-0.86%	7.37%	8.50%	7.11%	2.54%	9.89%
Current Ratio	0.82	1.24	1.33	0.81	1.42	1.30
Debt/Capital	53.34%	43.67%	44.20%	32.25%	43.90%	26.10%
Net Margin	8.36%	19.20%	10.25%	14.96%	28.80%	NA
Return on Equity	37.72%	31.21%	14.66%	24.14%	25.11%	NA
Sales/Assets	0.43	0.43	0.51	0.40	0.29	NA
Proj. Sales Growth (F1/F0)	7.75%	5.05%	-1.45%	5.28%	-10.17%	8.33%
Momentum Score	F	-	-	D	C	C
Daily Price Chg	0.44%	0.01%	-0.03%	0.08%	-1.11%	-0.32%
1 Week Price Chg	0.94%	0.89%	-1.45%	2.07%	2.15%	3.13%
4 Week Price Chg	1.23%	-1.37%	3.76%	2.90%	-1.56%	-1.53%
12 Week Price Chg	4.18%	1.01%	5.99%	-0.01%	6.22%	0.00%
52 Week Price Chg	27.03%	14.57%	4.07%	-3.27%	11.85%	27.10%
20 Day Average Volume	4,280,897	2,201,006	1,880,903	1,673,888	21,777,036	907,695
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.20%	0.95%	1.03%	0.78%	0.52%	2.19%
(F1) EPS Est 12 week change	0.70%	1.53%	3.40%	1.45%	1.25%	3.17%
(Q1) EPS Est Mthly Chg	-2.86%	0.00%	0.00%	0.00%	-4.15%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

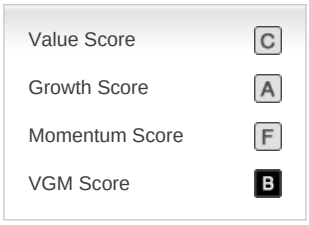
Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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.



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.

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