Roche

Ocrelizumab shows potentially best in class efficacy for MS, could be paradigm-shifting

Equities

Switzerland
Pharmaceuticals

12-month rating	**Buy**
12m price target	**CHF325.00**
Price	**CHF263.40**

RIC: ROG.VX **BBG:** ROG VX

Trading data and key metrics

52-wk range	CHF294.60-241.70
Market cap.	CHF222bn/US$240bn
Shares o/s	688m (GENS)
Free float	98%
Avg. daily volume ('000)	1,524
Avg. daily value (m)	CHF413.2
Common s/h equity (12/15E)	CHF20.4bn
P/BV (12/15E)	10.9x
Net debt / EBITDA (12/15E)	0.5x

EPS (UBS, diluted) (CHF)

	UBS	Cons.
12/15E	13.86	14.30
12/16E	15.96	15.55
12/17E	17.14	16.78

All primary endpoints met in Rebif H2H comparison

This morning, Roche announced that ocrelizumab (for RRMS, relapsing remitting multiple sclerosis) had met the primary endpoint in both p3 studies (OPERA I & II), showing superior reduction of ARR (annual relapse rate), superior reduction of disability progression (EDSS), as well as significant reduction of MRI lesions in a Head-to-Head comparison vs Rebif. No details have been provided, though **the consistent beat of Rebif on all metrics points to best-in-class efficacy**, as this has not been achieved by any other MS therapy (see fig 1&2). Importantly, according to the press release, potentially best-in-class efficacy was achieved at comparable safety to Rebif. (We had been concerned that superior efficacy may come at the expense of more adverse events such as infections, malignancies). Such a superior risk/ benefit profile, combined with a convenient (twice yearly) administration, could potentially represent a paradigm change of the treatment of MS.

Market potential could exceed CHF3 bn

Ocrelizumab for RRMS is currently reflected only in our pipeline model with peak sales of CHF1.5 bn, potentially worth CHF6.7/sh (our CHF325 PT includes CHF4.4 for ocrelizumab reflecting a 65% probability). However, with best risk benefit profile, and convenient administration, ocrelizumab could be paradigm-shifting and generate peak sales > CHF3 bn which could be worth >CHF14/share (>5% of the current share price).

Next steps – Details at ECTRIMS (Oct 7-10, Barcelona)

Roche will present the data at a medical conference later this year (ECTRIMs, October 7-10, where **an ARR >55% vs Rebif should rubber-stamp best-in class profile**), and submit the package to regulatory authorities in early 2016, implying earliest launch in 2017. We also expect the data from the pivotal study in primary progressive MS (ONTARIO) in coming months; see our expectations for ONTARIO inside this note.

Valuation: Buy, PT CHF325

Our PT is based on SoTP NPV analysis, and implies a 2016E P/E multiple of 20.4x. We estimate best in class efficacy for ocrelizumab could add >10CHF to our price target, all else remaining equal.

Alexandra Hauber
Analyst
alexandra.hauber@ubs.com
+41-44-239 7931

Mark Belsey
Analyst
mark.belsey@ubs.com
+44-20-7568 8843

David Evans
Analyst
david-b.evans@ubs.com
+44-20-7568 6240

Highlights (CHFm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	45,499	46,780	47,462	48,230	51,183	53,458	54,693	54,882
EBIT (UBS)	17,160	17,904	17,636	17,677	19,755	21,136	21,999	21,562
Net earnings (UBS)	11,531	12,316	12,329	11,961	13,770	14,788	15,400	15,157
EPS (UBS, diluted) (CHF)	13.49	14.27	14.29	13.86	15.96	17.14	17.84	17.56
DPS (CHF)	7.35	7.80	8.00	8.20	8.40	8.60	8.80	9.00
Net (debt) / cash	(10,599)	(6,708)	(14,011)	(11,316)	(5,799)	432	7,537	14,427

Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	37.7	38.3	37.2	36.7	38.6	39.5	40.2	39.3
ROIC (EBIT) %	49.8	53.3	45.7	41.0	46.0	48.3	49.9	49.0
EV/EBITDA (core) x	8.1	10.6	11.2	11.8	10.5	9.6	9.0	8.8
P/E (UBS, diluted) x	12.5	16.2	18.7	19.0	16.5	15.4	14.8	15.0
Equity FCF (UBS) yield %	8.7	6.5	5.5	5.8	6.5	6.9	7.4	7.5
Net dividend yield %	4.4	3.4	3.0	3.1	3.2	3.3	3.3	3.4

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of CHF263.40 on 29 Jun 2015 21:39 BST

Figure 1: Ocrelizumab vs MS drugs with active comparator/PBO at 2 years

	OPERA-I	OPERA-II	Lemtrada	Lemtrada	Tysabri	Tysabri
			Lemtrada - study 1	Lemtrada - study 2	Tysabri - MS1	Tysabri+Avonex - MS2
Comparator	**Interferon**	**Interferon**	**Interferon**	**Interferon**	**Placebo**	**PBO+Avonex**
Annualized relapse rate (relative reduction)	Stat-signif redn	Stat-signif redn	49%*	55%*	67%*	56%*
Proportion of patients with disability progression at Yr 2 (relative risk reduction)	Stat-signif redn	Stat-signif redn	42%*	30% (NS)	42%* (see below)	24%* (see below)
No. lesions in brain	Stat-signif redn	Stat-signif redn			0 lesions: 57% vs 15% PBO (see below)	0 lesions: 67% vs. 30% PBO (see below)
Percentage change in T2 lesion volume from baseline			NS	NS		
Safety (including black-box warnings)	Similar safety to beta-interferon		**Black-box warning** for autoimmune conditions, infusion reactions, malignancies; requires REMS		**Black box warning for PML,** meaning Tysabri only available through restricted distribution program	

Source: company-reported data, UBS analysis; Note: *: statistically significant; Tysabri uses "Percentage with sustained increase in disability" for this metric; Tysabri also looks at "New or newly enlarging T2-hyperintense lesions" for percentage change in the no. lesions metric

Figure 2: Ocrelizumab vs MS drugs with active comparator/PBO at 2 years

	OPERA-I	OPERA-II	Gilenya	Gilenya	Tecfidera	Tecfidera
			Study 1 (1yr)	Study 2 (2yr)	Study 1	Study 2
Comparator	**Interferon**	**Interferon**	**Interferon**	**Placebo**	**Placebo**	**Placebo**
Annualized relapse rate (relative reduction)	Stat-signif redn	Stat-signif redn	52%*	55%*	53%*	44%*
Proportion of patients with disability progression at Yr 2 (relative risk reduction)	Stat-signif redn	Stat-signif redn	29% (NS)	30%*	38%*	21%
No. lesions in brain	Stat-signif redn	Stat-signif redn	38% redn in T2 v IFN; 60% redn T1	74% redn (T2); 82% redn (T1)	85% redn (T2); 73%-90% redn (T1)	71% redn (T2); 57%-74% redn (T1)
Percentage change in T2 lesion volume from baseline						
Safety (including black-box warnings)	Similar safety to beta-interferon		Decreased heart rate; infections; macular edema; pulmonary function; liver enzymes		Lymphopenia, flushing; GI events (generally tolerable)	

Source: company-reported data, UBS analysis; Note: *: statistically significant;

Background on Ocrelizumab in Multiple Sclerosis

Ocrelizumab is an anti-CD20 antibody in Phase III development for multiple sclerosis, in three trials (see figure 3). The OPERA 1&2 trials are in the more common relapsing-remitting multiple sclerosis (RRMS, c. 85% of cases), and the ORATARIO trial is in the more difficult primary-progressive form (PPMS, c15% of cases); MS begins as a relapsing-remitting disease. The majority of RRMS patients eventually go on to develop a secondary progressive form of MS in later disease periods.

Figure 3: Phase III development of Ocrelizumab in multiple sclerosis

Trial	Indication	No. pts	Duration	Arms	Primary Endpoint	Expect data
OPERA1 NCT01247324	RRMS	821	96 weeks	- Ocrelizumab (IV, 600mg, 6 monthly) - Interferon b-1a (Rebif)	Annualized relapse rate at 96 weeks versus Rebif	2015
OPERA2 NCT01412333	RRMS	835	96 weeks	- Ocrelizumab (IV, 600mg, 6 monthly) - Interferon b-1a (Rebif)	Annualized relapse rate at 96 weeks versus Rebif	2015
ORATARIO NCT01194570	PPMS	740	120 weeks	- Ocrelizumab (IV, 600mg, 6 monthly) - Placebo	Sustained disability progression versus placebo by Expanded Disability Status Scale (EDSS)	2015

Source: Company data, clinicaltrials.gov, UBS

Ocrelizumab in RRMS – aiming for best-in-class efficacy

Phase 2 results for ocrelizumab in RRMS provide some indication what to expect in terms of the ARR in the OPEARA I & II studies.

In Phase II[1], 220 pts with were randomized to one of four arms: placebo, Rebif, low-dose IV ocrelizumab (600 mg), or high-dose ocrelizumab (2000 mg). The ARR after 24 weeks suggest potentially best-in-class efficacy:

- ARR reductions vs placebo were **79% and 73%**, for high and low doses;
- ARR reductions vs Rebif were **63% and 52%,** for high and low doses.

Adverse events and serious adverse events were similar in all groups. One patient in the high-dose ocrelizumab group died from infection and resulting complications.

Data from ocrelizumab RA trials also suggest manageable safety, with no imbalance in serious infections (in a dose similar to that in the Phase III MS trials). To date, no case of PML has been reported for ocrelizumab (and the Rituxan PML incidence is around 1 in 100,000 pts).

Ocrelizumab in PPMS – insight from Rituxan

Clinical development of drugs to treat PPMS is notoriously difficult, with no drugs showing efficacy in late-stage clinical trials despite having solid RRMS data.

However, there is some suggestion that ocrelizumab might have a greater chance than others (although still slim), through read-across from the failed Phase II/III Rituxan PPMS trial, OLYMPUS.

In the OLYMPUS, 439 pts, between 18 and 65 years old, and expanded disability status scale (EDSS) between 2.0 and 6.5, were randomized (2:1) to receive Rituxan or placebo to week 96. The primary efficacy endpoint was the time-to-confirmed disease progression (CDP), defined by a sustained increase in baseline EDSS.

The trial failed to meet the primary endpoint, although 96-week rates of CDP trended to benefit with Rituxan (38.5% placebo, 30.2% Rituxan; p = 0.144). However, a pre-specified subgroup analysis showed that patients who were < 51 years of age (hazard ratio, 0.52; p = 0.01) or participants who had MRI Gd+ lesions at baseline (hazard ratio, 0.41; p = 0.007) were less likely to have CDP.[2]

These results may be reflected in the ocrelizumab ORATARIO Phase III. ORATARIO is using younger patients between 18 and 55 years, and is recruiting patients with more severe disease at baseline, with an EDSS between 3.0 and 6.5 points.

[1] Lancet 2011;378(9805):1779-87
[2] Ann Neurol 2009;66:460 – 471

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Income statement (CHFm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	**45,499**	**46,780**	**47,462**	**48,230**	*1.6*	**51,183**	*6.1*	**53,458**	**54,693**	**54,882**
Gross profit	34,055	34,888	35,121	35,610	*1.4*	38,227	*7.3*	40,110	41,325	41,610
EBITDA (UBS)	**20,755**	**20,461**	**22,218**	**20,930**	*-5.8*	**23,182**	*10.8*	**24,747**	**25,802**	**25,562**
Depreciation & amortisation	(3,595)	(2,557)	(4,582)	(3,253)	*-29.0*	(3,426)	*5.3*	(3,611)	(3,803)	(4,000)
EBIT (UBS)	**17,160**	**17,904**	**17,636**	**17,677**	*0.2*	**19,755**	*11.8*	**21,136**	**21,999**	**21,562**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(1,966)	(1,699)	(1,116)	(1,536)	*-37.6*	(1,008)	*34.4*	(920)	(864)	(708)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**15,194**	**16,205**	**16,520**	**16,141**	*-2.3*	**18,747**	*16.1*	**20,216**	**21,135**	**20,854**
Tax	(3,429)	(3,679)	(3,987)	(3,966)	*0.5*	(4,748)	*-19.7*	(5,183)	(5,473)	(5,416)
Profit after tax	**11,765**	**12,526**	**12,533**	**12,175**	*-2.9*	**13,999**	*15.0*	**15,034**	**15,662**	**15,438**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(234)	(210)	(204)	(214)	*-5.0*	(229)	*-7.0*	(245)	(262)	(281)
Extraordinary items	(1)	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**11,530**	**12,316**	**12,329**	**11,961**	*-3.0*	**13,770**	*15.1*	**14,788**	**15,400**	**15,157**
Net earnings (UBS)	**11,531**	**12,316**	**12,329**	**11,961**	*-3.0*	**13,770**	*15.1*	**14,788**	**15,400**	**15,157**
Tax rate (%)	22.6	22.7	24.1	24.6	*1.8*	25.3	*3.1*	25.6	25.9	26.0

Per share (CHF)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	13.49	14.27	14.29	13.86	*-3.0*	15.96	*15.1*	17.14	17.84	17.56
EPS (local GAAP, diluted)	13.48	14.27	14.29	13.86	*-3.0*	15.96	*15.1*	17.14	17.84	17.56
EPS (UBS, basic)	13.60	14.52	14.54	14.10	*-3.0*	16.24	*15.1*	17.44	18.16	17.87
Net DPS (CHF)	7.35	7.80	8.00	8.20	*2.5*	8.40	*2.4*	8.60	8.80	9.00
Cash EPS (UBS, diluted)[1]	17.69	17.23	19.60	17.63	*-10.0*	19.93	*13.0*	21.32	22.25	22.20
Book value per share	16.83	22.37	23.10	24.08	*4.3*	31.25	*29.8*	38.75	46.71	53.93
Average shares (diluted)	855.00	863.00	863.00	863.00	*0.0*	863.00	*0.0*	863.00	863.00	863.00

Balance sheet (CHFm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Tangible fixed assets	15,402	15,760	17,195	18,540	*7.8*	19,936	*7.5*	21,334	22,667	23,867
Intangible fixed assets	11,694	11,089	22,830	21,638	*-5.2*	20,445	*-5.5*	19,253	18,060	16,868
Investments	24	12	0	0	-	0	-	0	0	0
Other assets	6,317	6,142	4,502	4,552	*1.1*	4,605	*1.2*	4,661	4,720	4,782
Total fixed assets	**33,437**	**33,003**	**44,527**	**44,730**	*0.5*	**44,986**	*0.6*	**45,248**	**45,447**	**45,517**
Net working capital	**3,901**	**3,689**	**2,670**	**1,095**	*-59.0*	**1,899**	*73.5*	**2,286**	**2,270**	**1,987**
Cash	13,991	11,935	11,703	12,016	*2.7*	15,334	*27.6*	18,952	24,409	27,215
Short term debt	(6,730)	(2,220)	(6,367)	(6,367)	*0.0*	(6,367)	*0.0*	(6,367)	(6,367)	(6,367)
Long term debt	(17,860)	(16,423)	(19,347)	(16,965)	*12.3*	(14,765)	*13.0*	(12,152)	(10,505)	(6,421)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(10,599)**	**(6,708)**	**(14,011)**	**(11,316)**	*19.2*	**(5,799)**	*48.8*	**432**	**7,537**	**14,427**
Other debt-deemed liabilities	(7,231)	(6,062)	(8,994)	(9,444)	*-5.0*	(9,916)	*-5.0*	(10,412)	(10,932)	(11,479)
Provisions & non-debt deemed liabs	(2,758)	(2,681)	(2,634)	(2,672)	*-1.4*	(2,698)	*-1.0*	(2,720)	(2,736)	(2,747)
Total equity	**16,750**	**21,241**	**21,558**	**22,393**	*3.9*	**28,473**	*27.2*	**34,834**	**41,585**	**47,705**
Minority interests	(2,236)	(1,947)	(1,972)	(1,972)	*0.0*	(1,972)	*0.0*	(1,972)	(1,972)	(1,972)
Common s/h equity	**14,514**	**19,294**	**19,586**	**20,421**	*4.3*	**26,501**	*29.8*	**32,862**	**39,613**	**45,733**
Operating invested capital	**33,878**	**33,363**	**43,872**	**42,427**	*-3.3*	**43,426**	*2.4*	**44,014**	**44,140**	**43,875**
Total capital employed	**33,902**	**33,375**	**43,872**	**42,427**	*-3.3*	**43,426**	*2.4*	**44,014**	**44,140**	**43,875**

Cash flow (CHFm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EBIT (UBS)	17,160	17,904	17,636	17,677	*0.2*	19,755	*11.8*	21,136	21,999	21,562
Depreciation & amortisation	3,595	2,557	4,582	3,253	*-29.0*	3,426	*5.3*	3,611	3,803	4,000
Net change in working capital	(523)	(209)	(258)	(300)	*-16.3*	(200)	*33.3*	(403)	(19)	210
Net interest	(1,966)	(1,699)	(1,116)	(1,536)	*-37.6*	(1,008)	*34.4*	(920)	(864)	(708)
Tax paid	(3,329)	(3,341)	(2,982)	(3,280)	*-10.0*	(3,965)	*-20.9*	(4,345)	(4,603)	(4,560)
Other operating	68	560	(1,932)	(83)	*95.7*	(462)	*NM*	(442)	(490)	(637)
Operating cash flow	**15,005**	**15,772**	**15,930**	**15,731**	*1.0*	**17,546**	*9.7*	**18,636**	**19,826**	**19,867**
Tangible capital expenditure	(2,064)	(2,386)	(2,902)	(2,894)	*0.3*	(3,071)	*-6.1*	(3,207)	(3,282)	(3,293)
Intangible capital expenditure	(235)	(403)	(368)	0	-	0	-	0	0	0
Equity free cash flow	**12,706**	**12,983**	**12,660**	**12,837**	*1.4*	**14,475**	*12.8*	**15,429**	**16,544**	**16,574**
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Equity dividends paid	(5,888)	(6,362)	(6,718)	(6,904)	*-2.8*	(7,077)	*-2.5*	(7,249)	(7,422)	(7,594)
Share issues / (buybacks)	172	247	(669)	0	-	0	-	0	0	0
Net other cash flows	(4,031)	(989)	(10,522)	(3,238)	*69.2*	(1,881)	*41.9*	(1,949)	(2,018)	(2,090)
Cash flow (inc)/dec in net debt	**2,959**	**5,879**	**(5,249)**	**2,695**	*-*	**5,517**	*104.7*	**6,231**	**7,105**	**6,890**
FX / non cash items	2,008	(1,988)	(2,054)	0	*100.0*	0	*0.0*	0	0	0
Balance sheet (inc)/dec in net debt	**4,967**	**3,891**	**(7,303)**	**2,695**	*-*	**5,517**	*104.7*	**6,231**	**7,105**	**6,890**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Roche (ROG.VX)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	12.5	16.2	18.7	19.0	16.5	15.4	14.8	15.0
P/E (UBS, diluted)	12.5	16.2	18.7	19.0	16.5	15.4	14.8	15.0
P/CEPS	9.4	13.2	13.4	14.7	13.0	12.1	11.6	11.7
Equity FCF (UBS) yield %	8.7	6.5	5.5	5.8	6.5	6.9	7.4	7.5
Net dividend yield (%)	4.4	3.4	3.0	3.1	3.2	3.3	3.3	3.4
P/BV x	10.0	10.3	11.6	10.9	8.4	6.8	5.6	4.9
EV/revenues (core)	3.7	4.6	5.3	5.1	4.7	4.4	4.2	-
EV/EBITDA (core)	8.1	10.6	11.2	11.8	10.5	9.6	9.0	8.8
EV/EBIT (core)	9.8	12.1	14.2	13.9	12.3	11.2	10.5	NM
EV/OpFCF (core)	9.1	12.1	13.0	13.7	12.1	11.1	10.3	10.1
EV/op. invested capital	4.9	6.4	6.5	5.7	5.7	5.4	5.2	5.1

Enterprise value (CHFm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	146,327	199,231	229,773	222,449	222,449	222,449	222,449	222,449
Net debt (cash)	13,083	8,654	10,360	12,663	8,557	2,683	(3,985)	(10,982)
Buy out of minorities	2,092	1,960	1,972	1,972	1,972	1,972	1,972	1,972
Pension provisions/other	6,365	6,647	7,528	9,219	9,680	10,164	10,672	11,206
Total enterprise value	**167,866**	**216,491**	**249,632**	**246,304**	**242,658**	**237,268**	**231,109**	**224,645**
Non core assets	(24)	(12)	0	0	0	0	0	0
Core enterprise value	**167,842**	**216,479**	**249,632**	**246,304**	**242,658**	**237,268**	**231,109**	**224,645**

Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	7.0	2.8	1.5	1.6	6.1	4.4	2.3	0.3
EBITDA (UBS)	17.6	-1.4	8.6	-5.8	10.8	6.8	4.3	-0.9
EBIT (UBS)	13.3	4.3	-1.5	0.2	11.8	7.0	4.1	-2.0
EPS (UBS, diluted)	9.7	5.8	0.1	-3.0	15.1	7.4	4.1	-1.6
Net DPS	8.1	6.1	2.6	2.5	2.4	2.4	2.3	2.3

Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	74.8	74.6	74.0	73.8	74.7	NM	NM	NM
EBITDA margin	45.6	43.7	46.8	43.4	45.3	46.3	47.2	46.6
EBIT margin	37.7	38.3	37.2	36.7	38.6	39.5	40.2	39.3
Net earnings (UBS) margin	25.3	26.3	26.0	24.8	26.9	27.7	28.2	27.6
ROIC (EBIT)	49.8	53.3	45.7	41.0	46.0	48.3	49.9	49.0
ROIC post tax	38.6	41.2	34.6	30.9	34.4	36.0	37.0	36.3
ROE (UBS)	86.7	72.9	63.4	59.8	58.7	49.8	42.5	35.5

Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	0.5	0.3	0.6	0.5	0.3	(.0)	(0.3)	(0.6)
Net debt / total equity %	63.3	31.6	65.0	50.5	20.4	(1.2)	(18.1)	(30.2)
Net debt / (net debt + total equity) %	38.8	24.0	39.4	33.6	16.9	(1.3)	(22.1)	(43.4)
Net debt/EV %	6.3	3.1	5.6	4.6	2.4	(0.2)	(3.3)	(6.4)
Capex / depreciation %	109.1	127.1	151.4	140.5	137.5	132.6	125.7	117.3
Capex / revenue %	4.5	5.1	6.1	6.0	6.0	6.0	6.0	6.0
EBIT / net interest	8.7	10.5	15.8	11.5	19.6	23.0	25.5	30.5
Dividend cover (UBS)	1.9	1.9	1.8	1.7	1.9	2.0	2.1	2.0
Div. payout ratio (UBS) %	54.1	53.7	55.0	58.1	51.7	49.3	48.5	50.4

Revenues by division (CHFm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	45,499	46,780	47,462	48,230	51,183	53,458	54,693	54,882
Total	**45,499**	**46,780**	**47,462**	**48,230**	**51,183**	**53,458**	**54,693**	**54,882**

EBIT (UBS) by division (CHFm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	17,160	17,904	17,636	17,677	19,755	21,136	21,999	21,562
Total	**17,160**	**17,904**	**17,636**	**17,677**	**19,755**	**21,136**	**21,999**	**21,562**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+23.4%
Forecast dividend yield	3.1%
Forecast stock return	+26.5%
Market return assumption	4.1%
Forecast excess return	+22.4%

Statement of Risk

Risks for the pharmaceutical industry include political risks, government oversight of the approval and ongoing manufacturing process, discovery bottleneck and pipeline attrition, competitive developments, patent challenges and product liability.

Company-specific risks relate to the possibility that the pipeline (particularly Avastin) disappoints market expectations or that the profitability of the oncology and virology franchises is lower than we assume. Increasing leverage to Avastin and Herceptin also increases concentration of risks. Our estimates assume Roche and Genentech remain free of manufacturing setbacks.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	**Definition**	**Coverage**[3]	**IB Services**[4]
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS AG: Alexandra Hauber. **UBS Limited:** Mark Belsey; David Evans.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Roche[4, 5, 22]	ROG.VX	Buy	N/A	CHF263.40	29 Jun 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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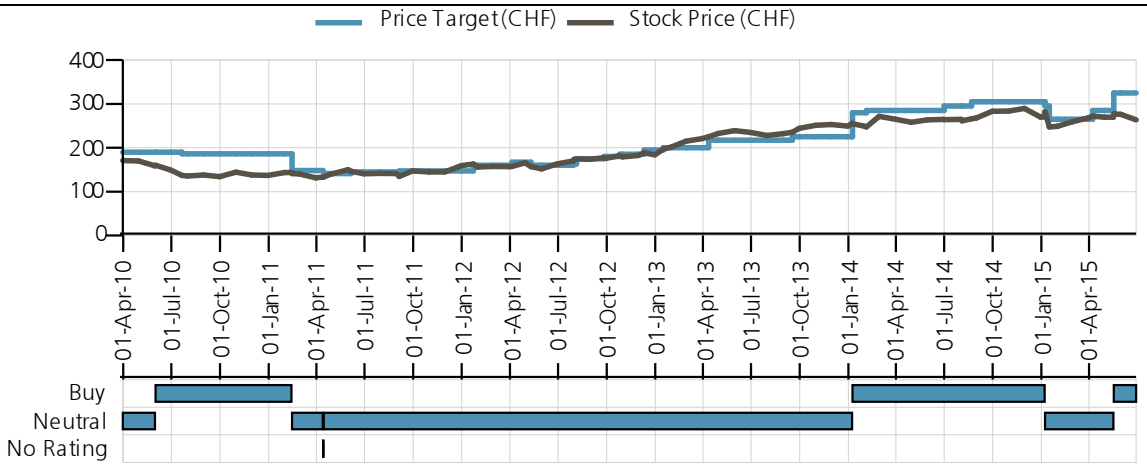
Roche (CHF)



Source: UBS; as of 29 Jun 2015

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