12 Shire – Richard Parkes, BUY, close 3875p, 5000p tgt, 29% upside

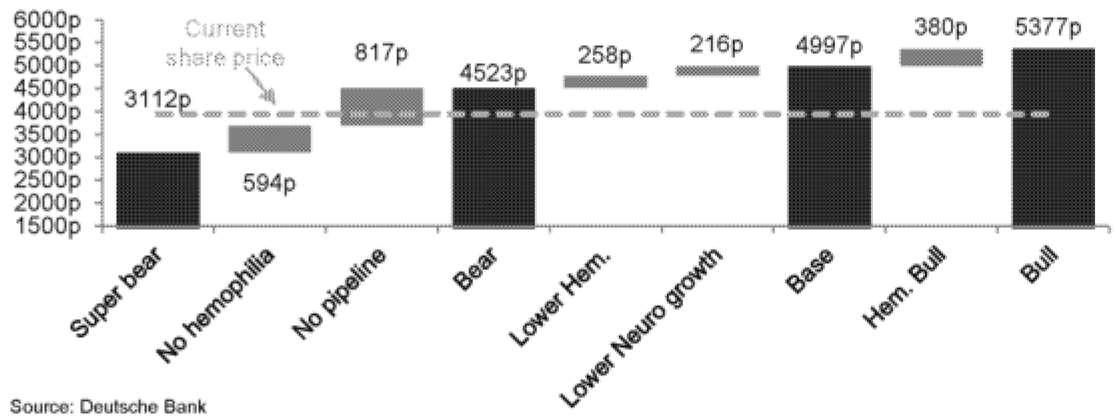
- **We expect new long-term targets to help rebuild investor confidence.** We expect these targets to reassure that Shire can continue to grow despite headwinds to haemophilia. Between this, execution on **deleveraging** and completion of the **Neuroscience Review** (at end-17), the share price should recover.
- **Synergies and deleveraging should offset headwinds in '18, delivering revenue growth.** Growth of Immunology and from recent launches should drive top-line growth.
- **More long-term safety data needed before Shire could be displaced in haemophilia** (24% of sales). Hemlibra is a competitive threat to Shire, but a majority of patients will need more evidence on safety given safety issues observed in its inhibitors trials.
- **Expert feedback suggests Shire will emerge as dominant in HAE** with Lanadelumab (launch expected in 2H18).
- **Shares are *far* too cheap at just 8x 19E PE and 9x EV/EBITDA.** Shire is the cheapest stock in our coverage after '17 underperformance, driven by earnings downgrades.
- **Consensus has overlooked new pipeline opportunities.** We see positive surprise potential on these programmes, particularly if clinical data supports attractive pricing for SHP621 (est. 150k patients in the US alone, many of whom have few effective treatments).

Related DB Research:

Shire: Headline HAVEN 3 data incrementally better than anticipated (Parkes)

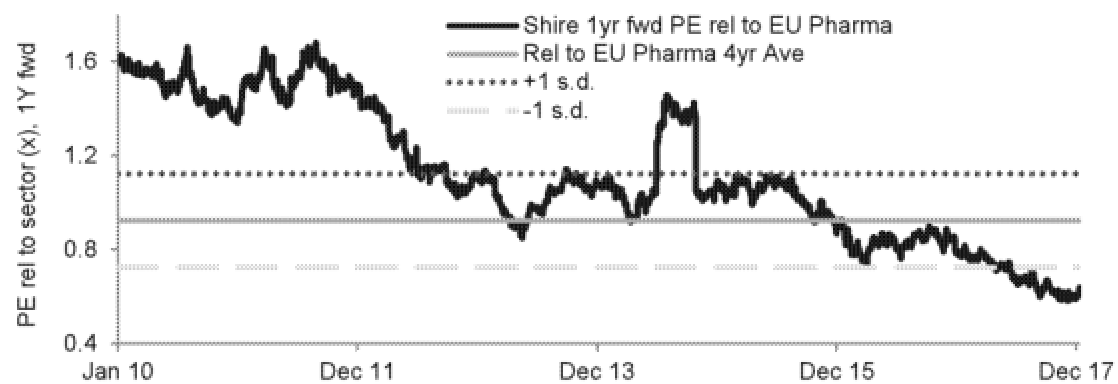
Pharma: 2018 Outlook: Fundamentals solid but fewer debates than in prior years (Parkes)

Bull/bear case: blue sky yields almost 45% upside



Source: Deutsche Bank

Shares are now very cheap on 1yr PE vs. EU Pharma



Source: Deutsche Bank