

AstraZeneca

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Mixed picture for UK pharma as AstraZeneca 'top pick' at Credit Suisse while GlaxoSmithKline knocked by Barclays downgrade

The UK's blue-chip pharma firms saw divergent fortunes on Thursday as AstraZeneca PLC (LON:AZN) was selected as a 'top pick' by analysts as Credit Suisse while GlaxoSmithKline PLC (LON:GSK) suffered a downgrade from Barclays.

In their note on the pharma sector, Credit Suisse, which also upped AZN's target price to 8,500p from 8,200p, said the firm's "top-line growth and underlying margin potential" made it the top company in its assessments, adding that the company had scored "particularly well" in its replacement power due to its product pipeline, as well as growth from new drug launches and its marketing burden, where an increased focus on oncology meant additional growth did not require significant extra investment on top of existing brands.

GSK was less lucky, with Barclays downgrading the firm to 'underweight from 'neutral' in its own sector note, however its target price was retained at 1,650p.

US election possible risk over drug pricing

Looking at the sector in general, both banks highlighted that the upcoming US elections in November could prove a risk for the pharma industry, particularly with the issue of drug prices in the US proving a hot button issue, particularly in the Democratic primaries.

"In a US presidential election year, we expect political rhetoric on drug pricing to remain high", Credit Suisse said, although they added that the chances of meaningful legislation making through the US Congress this year was low as Democrats will be "unlikely to endorse bipartisan efforts for changes that would give President Trump a 'victory' to leverage on the election campaign".

However, the bank cautioned that lowering drug prices was still a key priority among US voters and the issue could become more prominent depending on which candidate secures the Democratic presidential nomination.

Barclays, meanwhile, said they had a "more benign" view of the risks of US drug prices falling.

"Although rhetoric about pricing reform and penalising drug price increases may increase as the US presidential election campaign begins, bipartisan support to pass any reform measure through the Senate and House of Representatives remains an elusive hurdle to overcome in today's polarised US political environment", the bank said.

Shares in AstraZeneca were 1.1% lower at 7,750p in early afternoon trading on Thursday, while GSK shares were down 1.9% to 1,801.4p.

Price: 6910

Market Cap: £90.71 billion

1 Year Share Price Graph



Share Information

Code: AZN

Listing: LSE

52 week High Low
8227.88 5626

Sector: Pharma & Biotech

Website: www.astrazeneca.com

Company Synopsis:

AstraZeneca is one of the world's leading pharmaceutical companies, with a broad range of medicines designed to fight disease. AstraZeneca has over 67,000 employees and operates in over 100 countries with growing presence in important emerging markets.

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