

AstraZeneca

Two charts ahead of May CMD. Best GARP and High single sales CAGR to end-decade

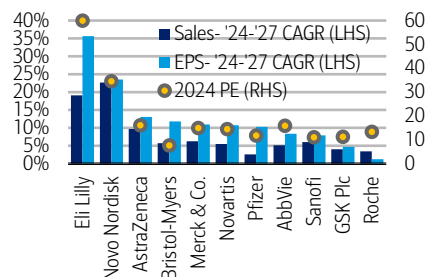
Maintain Rating: BUY | PO: 14,500 GBp | Price: 10,094 GBp

2 charts: Best GARP, High sd sales CAGR guide possible

Shares have rallied c8% from post FY results lows and we believe can continue into a May CMD which we expect to underpin solid mid-term prospects. Two charts below underpin our Buy rating, with detailed deep dive ([see our year ahead](#)) and summary thesis ([see bull bear debate](#)). 1) Chart 1 shows AZN as the most attractive GARP stock, in our view. Valuation attractive relative to growth, with c14.5x 25E P/E for 9% sales and 13% EPS CAGR's 25-28E; 2) Chart 2 underpins our positive expectations into the May CMD, with expectation for a high single digit sales CAGR to the end of decade. A key investor question is durability of growth, with Farxiga, Brillinta, Soliris and Lynparza patent cliffs, and cons 25-29E sales CAGR slowing to c4%. We have higher pipeline forecasts, driving 25-29E sales CAGR of c7.5%, and FY30 sales 15% ahead of cons; 3) Importantly, we believe PII/PIII newsflow to end-25 will help investor mid-term debate. 24E catalyst path is still reasonable, Eccogene (GLP1) data at ACC, HELIOS-B data mid-year as Eplontersen readthrough, Enhertu DB-06, PARP1 deal, Imfinzi EMERALD-2, and ASCO (TL-01 OS possible, potential TLO2/04, PD-1/CTLA4 updates). Busy FY25 catalyst path coming into debate ([detailed overleaf](#)) including Dato 1L lung, 3 Enhertu reads (DB09, DB11, DB05), Camizestrant SERENA-6, Eplontersen, Truqap prostate, Baxdrostat & Tozorakimab.

Exhibit 1: Pharma Sales/EPS 2024-27 CAGR

Global pharma EPS CAGR rank vs valuation

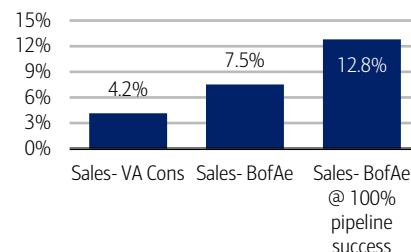


Source: BofA Global Research Estimates

BofA GLOBAL RESEARCH

Exhibit 2: AZN Sales 2025-2029 CAGR

CMD allows high SD sales CAGR guide



Source: VA Consensus, BofA Global Research

BofA GLOBAL RESEARCH

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted)	6.66	7.26	8.00	9.13	10.5
EPS Change (YoY)	25.8%	9.0%	10.2%	14.2%	14.7%
Dividend / Share	2.90	2.90	3.05	3.20	3.36
ADR EPS (Adjusted - US\$)	3.33	3.63	4.00	4.57	5.24
ADR Dividend / Share (US\$)	1.45	1.45	1.52	1.60	1.68
Valuation (Dec)					
P/E	18.2x	17.7x	15.9x	13.9x	12.1x
Dividend Yield	2.28%	2.28%	2.40%	2.52%	2.64%
EV / EBITDA*	15.1x	15.0x	11.5x	10.4x	9.32x
Free Cash Flow Yield*	4.46%	4.71%	5.58%	6.43%	7.97%

* For full definitions of *IQmethod*™ measures, see page 5.

20 February 2024

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Stock Data

Price (Common / ADR)	10,094 GBp / 64.27 USD
Price Objective	14,500 GBp / 88.00 USD
Date Established	5-Dec-2022 / 5-Dec-2022
Investment Opinion	A-1-7 / B-1-7
52-Week Range	9,461 GBp-12,390 GBp
Market Value (mn)	156,476 GBP
Shares Outstanding (mn)	1,550.2 / 3,100.4
Average Daily Value (mn)	194.00 USD
Free Float	100.0%
BofA Ticker / Exchange	AZNCF / LSE
BofA Ticker / Exchange	AZN / NYS
Bloomberg / Reuters	AZN LN / AZN.L
ROE (2024E)	29.6%
Net Dbt to Eqty (Dec-2023A)	54.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Refer to important disclosures on page 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 20 February 2024 12:30AM EST

iQprofileSM AstraZeneca

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	44,351	45,811	51,169	55,474	60,456
EBITDA Adjusted	14,350	14,498	18,912	20,763	23,269
Depreciation & Amortization	(5,326)	(4,256)	(4,574)	(4,411)	(4,537)
EBIT Adjusted	9,024	10,242	14,339	16,351	18,731
Net Interest & Other Income	(1,251)	(1,282)	(1,095)	(816)	(589)
Tax Expense / Benefit	792	(938)	(2,795)	(3,330)	(3,852)
Net Income (Adjusted)	10,308	11,241	12,389	14,145	16,231
Average Fully Diluted Shares Outstanding	1,560	1,562	1,562	1,562	1,562

Key Cash Flow Statement Data					
Net Income (Reported)	3,288	5,955	9,855	11,574	14,290
Depreciation & Amortization	5,326	4,256	4,574	4,411	4,537
Change in Working Capital	3,757	300	(459)	(188)	(229)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(2,503)	121	(430)	(382)	107
Cash Flow from Operations	9,868	10,632	13,540	15,416	18,705
Capital Expenditure	(1,091)	(1,361)	(2,558)	(2,774)	(3,023)
(Acquisition) / Disposal of Investments	226	50.0	(88.4)	(97.6)	(107)
Other CFI	(2,155)	(3,040)	(325)	0	0
Cash Flow from Investing	(3,020)	(4,351)	(2,972)	(2,871)	(3,129)
Share Issue / (Repurchase)	29.0	33.0	0	0	0
Cost of Dividends Paid	(4,364)	(4,481)	(4,492)	(4,716)	(4,951)
Increase (decrease) debt	(1,515)	(785)	(4,500)	(2,000)	(2,200)
Other CFF	(973)	(1,334)	0	0	0
Cash Flow from Financing	(6,823)	(6,567)	(8,992)	(6,716)	(7,151)
Total Cash Flow (CFO + CFI + CFF)	25.0	(286)	1,576	5,829	8,424
FX and other changes to cash	(119)	(128)	0	0	0
Change in Cash	(94.0)	(414)	1,576	5,829	8,424
Change in Net Debt	(1,421)	(371)	(6,076)	(7,829)	(10,624)
Net Debt	21,787	21,416	15,340	7,511	(3,113)

Key Balance Sheet Data					
Property, Plant & Equipment	8,507	9,402	10,864	12,710	14,681
Goodwill	19,820	20,048	20,048	20,048	20,048
Other Intangibles	39,307	38,089	34,937	31,453	27,968
Other Non-Current Assets	6,256	8,526	8,526	8,526	8,526
Trade Receivables	10,521	12,126	13,544	14,684	16,003
Cash & Equivalents	6,492	6,078	7,654	13,483	21,907
Other Current Assets	5,580	6,850	7,566	8,083	8,681
Total Assets	96,483	101,119	103,139	108,987	117,813
Long-Term Debt	22,965	22,365	17,865	15,865	13,665
Other Non-Current Liabilities	10,167	9,046	8,528	8,048	8,048
Short-Term Debt	5,314	5,129	5,129	5,129	5,129
Other Current Liabilities	20,979	25,413	27,088	28,557	30,244
Total Liabilities	59,425	61,953	58,610	57,599	57,086
Total Equity	37,058	39,166	44,529	51,387	60,726
Total Equity & Liabilities	96,483	101,119	103,139	108,986	117,813

Business Performance*					
Return On Capital Employed	10.2%	11.7%	14.7%	16.2%	17.6%
Return On Equity	27.0%	29.5%	29.6%	29.5%	29.0%
Operating Margin	8.47%	17.9%	26.9%	28.3%	31.0%
Free Cash Flow (MM)	8,777	9,271	10,981	12,642	15,682

Quality of Earnings*					
Cash Realization Ratio	0.96x	0.95x	1.09x	1.09x	1.15x
Asset Replacement Ratio	1.28x	1.65x	2.33x	2.99x	2.87x
Tax Rate	NM	13.6%	22.1%	22.3%	21.2%
Net Debt/Equity	58.8%	54.7%	34.5%	14.6%	-5.13%
Interest Cover	9.71x	9.18x	12.6x	18.6x	26.9x

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Pharmaceuticals

Company Description

AstraZeneca is a UK-listed biopharmaceutical company focused on three main disease areas: Oncology, BioPharmaceuticals and Rare Disease. AstraZeneca has a robust, industry leading pipeline across areas including oncology, cardiovascular, renal & metabolism, respiratory & immunology, vaccines & immune therapies, and rare diseases

Investment Rationale

We believe a robust pipeline progression positions AZN's pipeline as best-in-class, potentially allowing premium long-term growth. We expect multiple product launches and PIII catalysts to drive meaningful sales growth at AZN.

Stock Data

Shares / ADR	0.50
Price to Book Value	4.5x

Quarterly Earnings Estimates

	2023	2024
Q1	1.92A	1.87E
Q2	2.15A	1.99E
Q3	1.73A	2.05E
Q4	1.45A	2.09E

Busy FY25 catalyst path coming into debate

Specifically: a) Dato 1L NSCLC (AVANZAR) data; b) Three Enhertu reads with DB-11 (neoadjuvant HER2+ve), DB-09 (1L HER2+ve mBC) and DB-05 (post-neoadjuvant HER2+ve); c) Camizestrant SERENA-6 in 1L ESR1m Breast cancer; d) Eplontersen ATTR-cardiomyopathy; e) First Truqap data in prostate (CAPitello-281); f) Baxdrostat in uncontrolled hypertension; g) Tozorakimab (IL-33) acute respiratory failure.

Exhibit 3: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AZNCF	AZN LN	AstraZeneca	10418p	A-1-7
AZN	AZN US	AstraZeneca	US\$ 64.27	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Glossary

PII/PIII = Phase 2/3

GLP1 = Glucagon like peptide 1

ACC = American College of Cardiology

DB = Destiny-Breast

PARP1 = Poly [ADP-ribose] polymerase 1

ASCO = American Society of Clinical Oncology

TL-01 = TROPION-Lung01

OS = Overall Survival

PD-1 = Programmed Death Ligand 1

NSCLC = Non-small cell lung cancer

DB = DESTINY-Breast

HER2 = Human epidermal growth factor receptor 2

mBC = metastatic Breast Cancer

1L = 1st Line

ATTR = Transthyretin

IL33 = Interleukin 33

Cons = consensus

Price objective basis & risk

AstraZeneca (AZNCF / AZN)

Our PO of GBP145 (US\$88) is based on c19x FY25E PE, ahead of our target sector multiple of c16x due to potential for premium growth (11% 25-28E EPS CAGR vs sector c7%) and significant pipeline optionality.

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE

Upside risks to our PO are better-than-expected EPS momentum driven by better execution on product launches and pipeline success.

Downside risks to our PO are pipeline failure, risk of litigation, adverse currency moves, greater margin pressure driving EPS miss and a failure to inflect key product launches.

Analyst Certification

I, Sachin Jain, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Pharma & Biotech Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AstraZeneca	AZN	AZN US	Sachin Jain, CFA
	AstraZeneca	AZNCF	AZN LN	Sachin Jain, CFA
	Genmab	GNMSF	GMAB DC	Sachin Jain, CFA
	Genmab	GMAB	GMAB US	Sachin Jain, CFA
	Grifols S.A.	GIFLF	GRF SM	Graham Parry
	Grifols S.A. - B	GRFS	GRFS US	Graham Parry
	Grifols S.A. - B	GIFO	GRF/P SM	Graham Parry
	Lonza AG	LZAGF	LONN SW	Charlie Haywood
	Lonza AG	LZAGY	LZAGY US	Charlie Haywood
	Merck KGaA	MKGAF	MRK GY	Sachin Jain, CFA
	Merck KGaA	MKKGY	MKKGY US	Sachin Jain, CFA
	Novartis	NVSEF	NOVN SW	Graham Parry
	Novartis	NVS	NVS US	Graham Parry
	Novo Nordisk	NONOF	NOVOB DC	Sachin Jain, CFA
	Novo Nordisk	NVO	NVO US	Sachin Jain, CFA
	Sandoz Group AG	SDZXF	SDZ SW	Graham Parry
	Sandoz Group AG	SDZNY	SDZNY US	Graham Parry
	Sanofi	SNYNF	SAN FP	Graham Parry
	Sanofi	SNY	SNY US	Graham Parry
	Sartorius AG	SUVPF	SRT3 GY	Charlie Haywood
NEUTRAL				
	H. Lundbeck A/S	HLUKF	HLUNB DC	Sachin Jain, CFA
	Ipser	IPSEF	IPN FP	Sachin Jain, CFA
	Roche Holdings	RHHBF	ROG SW	Sachin Jain, CFA
	Roche Holdings	RHHBY	RHHBY US	Sachin Jain, CFA
UNDERPERFORM				
	Bayer	BAYZF	BAYN GY	Sachin Jain, CFA
	Bayer	BAYRY	BAYRY US	Sachin Jain, CFA
	GSK Plc	GSK	GSK US	Graham Parry
	GSK Plc	GLAXF	GSK LN	Graham Parry

EMEA - Pharma & Biotech Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Orion	ORINF	ORNBV FH	Graham Parry
	UCB	UCBJF	UCB BB	Graham Parry
	UCB	UCBJY	UCBJY US	Graham Parry
RVW				
	Idorsia	IDRSF	IDIA SW	Sachin Jain, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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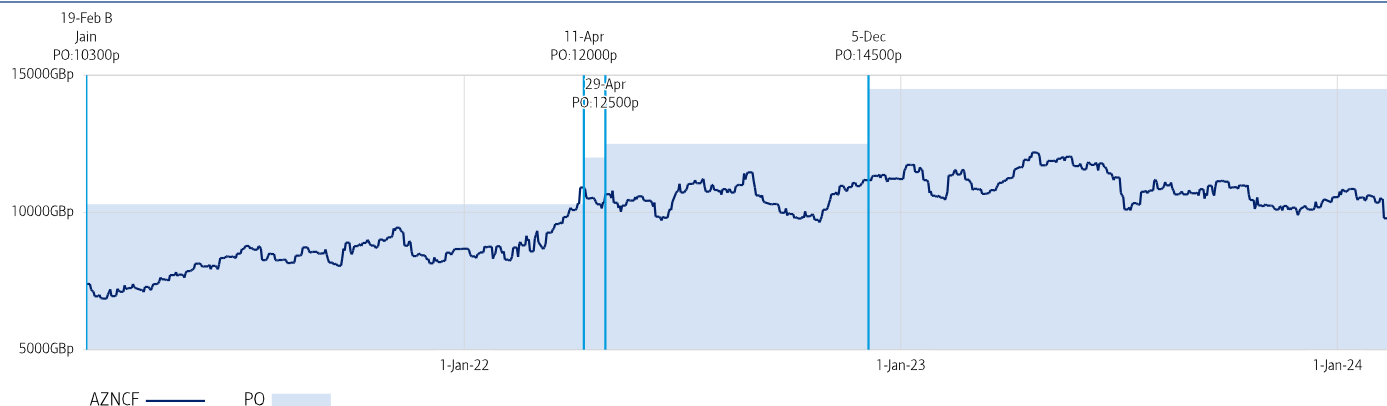
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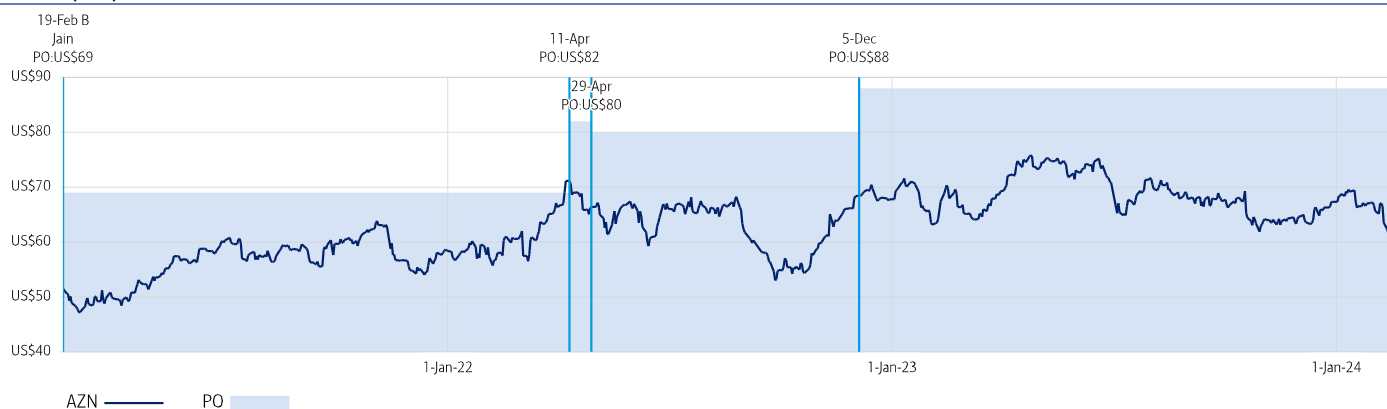
AstraZeneca (AZNCF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

AstraZeneca (AZN) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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