



ANALYST QUICK NOTES

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Immuno-Oncology stocks

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Weekly Stock Lists: Five Immuno-Oncology stocks

- Drugs that target the body's immune system to help fight cancers are among the most promising – and fastest growing – products in the industry. These drugs are known as immunotherapies, and they have helped extend lifespans of patients. The market for these immunotherapies may be as high as \$40 billion, including overseas opportunities in Japan as well as the rapidly industrializing nations of China and India.
- Below are five companies that are among the leaders in this segment of the pharmaceutical industry:
 - Bristol-Myers Squibb (NYSE: BMY; BUY). Bristol has the industry's sales leader, Opdivo. Revenue for the product in 2016 was \$3.8 billion, up more than 300% year over year. Opdivo is currently being used to treat head and neck and renal cell cancers and was recently approved for bladder cancer. The company has experienced trial setbacks in studies of Opdivo for lung cancer, but is still pursuing the indication. We see BMY as a very undervalued stock, as investors have avoided the shares in the wake of the trial setbacks.
 - Merck & Co. Inc. (NYSE: MRK; BUY). Merck's Keytruda is the second-largest selling immuno-oncology product, with \$1.4 billion in sales in 2016. Keytruda has been approved by the FDA as a first-line treatment for metastatic non-small-cell lung cancer. We think Keytruda has substantial opportunities as a treatment for melanoma, head and neck cancer, and other cancers as well. We recently raised our target price to \$80.
 - AstraZeneca (NYSE: AZN; BUY). This company is a step behind the leaders, but has a pipeline product ready for launch. The company's checkpoint inhibitor is durvalumab. AstraZeneca is testing durvalumab for the treatment of numerous cancers, including lung cancer and head and neck cancer, among others. In 1H17, management expects a regulatory decision from the US FDA for durvalumab for bladder cancer. Management expects to submit the drug for regulatory review for lung cancer in 2H17. The AZN shares yield close to 5%.

- Novartis Inc. (NYSE: NVS; BUY). Novartis is a bit farther behind, but has recently taken steps to ramp up its presence in the immuno-oncology field. The company created an I-O team in 2015 and has set up approximately 12 trials in the past 12 months. Novartis is using its strong balance sheet to acquire companies and assets in the space.
 - Incyte Corp. (NASDAQ: INCY; BUY). Incyte, a midcap Pharma company, is positioning itself to take advantage of a second wave of immuno-oncology products. This second wave is likely to feature molecules that are paired with current inhibitors, such as Opdivo and Keytruda. Incyte is building a portfolio of cancer drugs and is testing them as complements to the leaders. Incyte already has distribution and R&D partnerships with Merck & Novartis.
 - For more information on these companies, please see our Analyst Reports on the Argus website.
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