Pharmaceuticals

Analysis and Synthesis - World

January 7, 2020
Pharmaceuticals (WO)  
Closing Price of January 7, 2020

Comparison January 8, 2019 - January 7, 2020

The sector Pharmaceuticals represents approximately 50% of the market capitalization of the group Health Care and approximately 5% of the World market with 161 companies being regularly followed by theScreener.

The sector Pharmaceuticals is currently trading close to its 52 week high and 17% above its 52 week low (bi-weekly closing).

Performance since January 8, 2019: 16.0% vs. 21.7% for the group Health Care and 21.4% for the TSC_World.

The current % of stocks over their Medium Term technical trend (MTT) is 52.8%.

Price evaluation rating
In order to assess whether an index is correctly valued, we focus on Peter Lynch's broadly accepted methodology of comparing the projected earnings growth and dividend with the estimated PE ratio. Based on this approach, we feel this sector is currently strongly undervalued. A "Forecasted Growth + Estimated Dividend Yield/ Estimated Price Earnings" ratio higher than 0.9 indicates that the index's price includes a discount to growth of -15.6%.

Earnings revision trend
Compared to seven weeks ago, the analysts have not significantly revised their earnings estimates (changes between +1% and -1% are considered neutral). But the underlying trend has been positive since August 27, 2019 at a price of 112.9.

“Price to Estimated Earnings” (PE) - Evolution over five years
The estimated PE is calculated on the basis of the underlying stocks. While the PE of the sector Pharmaceuticals is 14.0, the PE of the group to which it belongs (Health Care) is markedly higher (16.4); this indicates that the sector is trading lower than its group. Historically speaking, this sector is currently trading around its median of 13.4.

Technical trend
The 40-day Medium Term Technical Trend has been positive since September 20, 2019. The confirmed Technical Reverse point (Tech Reverse - 1.75%) is currently 4% lower.

This positive technical trend is confirmed by the fact that 52.8% percent of stocks are trading above their average. This would indicate that a significant number of stocks in this sector are part of the current market rise.

Comparison January 9, 2015 - January 7, 2020

Performance over 5 years
On a 5 year moving average, the performance of the sector Pharmaceuticals is 20.2%, vs. 50.0% for the group Health Care and 43.7% for the TSC_World. During this period, the high of 128.3 was reached on December 2019 and the low of 96.4 in the month of November 2016.
The volatility is also used as a sensitivity factor. It measures the magnitude of the upward and downward movements of a stock or index. The higher the volatility, the more sensitive a sector is considered to be. As of the last update, the monthly volatility of (6.5%) is lower than the last few years’ average of (11.6%). The low magnitude of short term price fluctuations indicates a lull in the market.

On the other hand, long term volatility 9.9% of the sector is similar to that of the group Health Care (10.2%), reflecting almost identical price variations between the sector and the group to which it belongs.

**Sensitivity factor in declining markets**

The “Bear Market Factor” measures the behavior of a sector in declining markets. In this context, the sector Pharmaceuticals has a tendency to drop in the same proportion as the index TSC_World. The sector shows average sensitive reactions to market corrections.

**Sensitivity factor in rising markets**

The “Bad News Factor” measures a sector’s corrections in a rising market phase. In this configuration, the market slightly sanctions the sector Pharmaceuticals when there is specific pressure in this particular economic activity. When the sector declines in a rising market its average deviation is -1.09%.

**Sensitivity analysis summary**

Generally speaking, the Pharmaceuticals sector shows an average sensitive behaviour with an average Bear Market and a low Bad News factor.

**Checklist (Pharmaceuticals)**

- **Stars**
  - Very strong interest since October 29, 2019.

- **Earnings Rev Trend**
  - Analysts neutral but previously positive (since August 27, 2019)

- **Valuation Rating**
  - Strongly undervalued

- **MT Tech Trend**
  - Market positive since September 20, 2019

- **4wk Rel Perf**
  - vs. TSC_World

- **Sensitivity**
  - The industry has been on the moderate-sensitivity level since November 12, 2019.

- **Bear Mkt Factor**
  - Average sensitivity to market corrections

- **Bad News Factor**
  - Slight market sanction in case of specific pressure

From the beginning of the year, the sector Pharmaceuticals recorded a variation of -0.3%, while the group Health Care evolved by -0.2%. This industry group is made up of 5 sectors, in which the extreme variations were from -0.8% to 0.9%.
**Pharmaceuticals (WO)**

**Closing Price of January 7, 2020**

Automated Report by theScreener.com

Updated twice a week (Monday & Wednesday)


<table>
<thead>
<tr>
<th>Market Value</th>
<th>Perf YTD</th>
<th>Nb of Stocks</th>
<th>Mkt Cap in $bn</th>
<th>Stars</th>
<th>Sensitivity</th>
<th>G/PE Ratio</th>
<th>LT P/E</th>
<th>LT Growth</th>
<th>4wk Perf</th>
<th>% of Stocks in Uptrend</th>
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</thead>
<tbody>
<tr>
<td>Pharmaceuticals (WO)</td>
<td>127.24</td>
<td>-0.3%</td>
<td>161</td>
<td>3,515.18</td>
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<td>1.07</td>
<td>14.0</td>
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The performance of the 20 largest stocks of the sector is presented below.

**Performance since**

**12 months performance**

The analysis and details of the above stock can be found on page 6

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**Top Stocks 2020**

From the beginning of the year, the performance of the sector was -0.3%; as for the three best stocks, (WUHAN HMWNL.HLTHCR.(GP.) (600079), CHINA ANM.HUSBANDRY IND. (600195) and PHARMA MAR SA (PHM)), their performance was 9.6%, 7.4% and 7.0% respectively.

**Flop Stocks 2020**

AURORA CANNABIS INCO. (ACB), CRONOS GROUP INCO. (CRON) and TILRAY INCO. (TLRY) with -14.3%, -13.2% and -10.5% recorded the three worst performances from the beginning of the year. For the sector Pharmaceuticals, the variation was -0.3%.

Only companies with a market capitalization exceeding $500 million are mentioned.

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**Top Stocks 12 months**

Since 12 months ago, the performance of the sector has been 16.0%; the three best stocks, (PHARMA MAR SA (PHM), SINO BIOPHM.LTD. (1177) and DAIICHI SANKYO CO.LTD. (4568)) recorded a performances of 171.6%, 111.9% and 97.4% respectively.

**Flop Stocks 12 months**

The three worst performances in 12 months were recorded by TILRAY INCO. (TLRY), AMNEAL PHARMACEUTICALS (AMRX) and AURORA CANNABIS INCO. (ACB) with -81.6%, -66.2% and -64.2%. As for the sector Pharmaceuticals, it recorded a variation of 16.0%.
The correlation coefficient permits to identify the stocks whose dependence on the market is the weakest. If this value is very low, less than 0.5, it means that less than 50% of the movements of the stock are explained by market movements. On the contrary, a number close to 1 indicates that the value is very close to the evolutions of the market. In order to present the best selection, only companies with a market capitalization higher than $1bn and showing good earnings growth valuations are listed. Furthermore, the eligible stocks must have a minimum rating of two stars, a neutral to positive valuation, and a low to moderate sensitivity, and a correlation of maximum 0.66. In the case of a tie in the ranking, the stock's correlation in ascending order acts as the deciding classification element.

The global rating (Global Evaluation) is a multi-criteria approach that identifies the stocks with the best valuations. This assessment is the compilation of fundamental (PE, growth, earnings revisions, dividend, etc.), technical (moving average, relative performance), and sensitivity (behaviour in declining markets and sensitivity to bad news) factors. In order to present the best selection, only companies with a market capitalization greater than $1bn and showing good earnings growth valuations, are listed. Furthermore, the eligible stocks must have a minimum rating of two stars, a neutral to positive valuation, and a low to moderate sensitivity. When the global rankings are identical, the analysts’ 7 week earnings per share revision (7 wk EPS rev) acts as the deciding classification element.
The price to earnings ratio (PE) helps to find undervalued stocks. It is commonly accepted that if the PE of a stock is lower than the PE of its reference market, the stock may have upside potential. In order to present the best selection, only companies with a market capitalization greater than $1bn and showing good earnings growth have been included. Furthermore, the eligible stocks must have a minimum rating of two stars, a neutral to positive valuation, and a low to moderate sensitivity. When the PE ratios are identical, the analysts’ 7 week earnings per share revision (7 wk EPS rev) acts as the deciding classification element.

The 20 top stocks classified by market capitalization

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<tr>
<td>JNJ</td>
<td>JOHNSON &amp; JOHNSON Pharmaceuticals</td>
<td>144.98 USD</td>
<td>-0.6%</td>
<td>381.57 USD</td>
<td>0.91</td>
<td>14.8</td>
<td>10.7%</td>
<td>0.4%</td>
<td>2.7%</td>
<td>9.6%</td>
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<td>ROG</td>
<td>ROCHE HOLDING AG Pharmaceuticals</td>
<td>316.15 CHF</td>
<td>0.7%</td>
<td>279.75 USD</td>
<td>0.85</td>
<td>14.3</td>
<td>9.1%</td>
<td>1.0%</td>
<td>3.1%</td>
<td>13.2%</td>
<td>⭐⭐⭐⭐⭐</td>
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<tr>
<td>NOVN</td>
<td>NOVARTIS AG Pharmaceuticals</td>
<td>92.34 CHF</td>
<td>0.5%</td>
<td>240.14 USD</td>
<td>1.03</td>
<td>15.0</td>
<td>12.1%</td>
<td>-1.4%</td>
<td>3.3%</td>
<td>7.0%</td>
<td>⭐⭐⭐⭐</td>
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<td>MRK</td>
<td>MERCK &amp; COMPANY INC. Pharmaceuticals</td>
<td>89.20 USD</td>
<td>-1.9%</td>
<td>227.10 USD</td>
<td>1.03</td>
<td>12.4</td>
<td>10.2%</td>
<td>-2.5%</td>
<td>2.7%</td>
<td>14.3%</td>
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<td>PFE</td>
<td>PFIZER INC. Pharmaceuticals</td>
<td>38.75 USD</td>
<td>-1.1%</td>
<td>214.45 USD</td>
<td>0.86</td>
<td>12.6</td>
<td>7.0%</td>
<td>-1.7%</td>
<td>3.8%</td>
<td>7.5%</td>
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<td>BMY</td>
<td>BRISTOL MYERS SQUIBB CO. Pharmaceuticals</td>
<td>63.93 USD</td>
<td>-0.4%</td>
<td>149.86 USD</td>
<td>2.54</td>
<td>7.6</td>
<td>16.5%</td>
<td>3.7%</td>
<td>2.9%</td>
<td>16.6%</td>
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<td>NOVOB</td>
<td>NOVO NORDISK A/S Pharmaceuticals</td>
<td>381.70 DKK</td>
<td>-1.3%</td>
<td>136.55 DKK</td>
<td>1.01</td>
<td>18.2</td>
<td>16.0%</td>
<td>-3.1%</td>
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<td>AZN</td>
<td>ASTRAZENECA PLC. Pharmaceuticals</td>
<td>7,645.00 GBP</td>
<td>0.5%</td>
<td>131.62 GBP</td>
<td>1.24</td>
<td>18.6</td>
<td>20.3%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>23.0%</td>
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<td>ABBV</td>
<td>ABBVIE INC. Pharmaceuticals</td>
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<td>LLY</td>
<td>ELI LILLY &amp; CO. Pharmaceuticals</td>
<td>132.51 USD</td>
<td>0.8%</td>
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<td>0.95</td>
<td>16.5</td>
<td>13.6%</td>
<td>7.9%</td>
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<td>SAN</td>
<td>SANOFI Pharmaceuticals</td>
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<td>1.6%</td>
<td>127.10 EUR</td>
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<td>12.1</td>
<td>10.1%</td>
<td>6.4%</td>
<td>3.6%</td>
<td>12.7%</td>
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<td>13.6</td>
<td>7.7%</td>
<td>-0.6%</td>
<td>4.6%</td>
<td>17.9%</td>
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<td>CSL</td>
<td>CSL LTD. Pharmaceuticals</td>
<td>283.42 AUD</td>
<td>2.8%</td>
<td>88.35 AUD</td>
<td>0.76</td>
<td>31.0</td>
<td>22.2%</td>
<td>-0.9%</td>
<td>1.3%</td>
<td>14.8%</td>
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<td>BAY</td>
<td>BAYER AG Pharmaceuticals</td>
<td>72.04 EUR</td>
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<td>78.85 EUR</td>
<td>1.65</td>
<td>9.1</td>
<td>10.9%</td>
<td>1.5%</td>
<td>4.1%</td>
<td>18.0%</td>
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<td>ZTS</td>
<td>ZOETIS INC. Pharmaceuticals</td>
<td>133.58 USD</td>
<td>0.9%</td>
<td>63.62 USD</td>
<td>0.72</td>
<td>29.3</td>
<td>20.5%</td>
<td>6.8%</td>
<td>0.5%</td>
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<td>AGN</td>
<td>ALLERGAN PLC. Pharmaceuticals</td>
<td>190.47 USD</td>
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<td>4502</td>
<td>TAKEDA PHARM.CO.LTD. Pharmaceuticals</td>
<td>4,289.00 JPY</td>
<td>-1.0%</td>
<td>62.24 JPY</td>
<td>2.65</td>
<td>17.2</td>
<td>41.7%</td>
<td>-3.1%</td>
<td>3.8%</td>
<td>8.2%</td>
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<td>600276</td>
<td>JIANGSU HENGRIUI MEDICINE Pharmaceuticals</td>
<td>84.87 CNY</td>
<td>-3.0%</td>
<td>54.11 CNY</td>
<td>0.83</td>
<td>43.0</td>
<td>35.5%</td>
<td>-9.2%</td>
<td>0.3%</td>
<td>20.6%</td>
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<td>MRK</td>
<td>MERCK KGAA Pharmaceuticals</td>
<td>109.45 EUR</td>
<td>4.4%</td>
<td>53.02 EUR</td>
<td>1.01</td>
<td>14.7</td>
<td>13.5%</td>
<td>2.3%</td>
<td>1.4%</td>
<td>10.4%</td>
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<td>4519</td>
<td>CHUGAI PHARM.CO.LTD. Pharmaceuticals</td>
<td>10,170.00 JPY</td>
<td>0.9%</td>
<td>52.40 JPY</td>
<td>0.80</td>
<td>23.8</td>
<td>17.3%</td>
<td>2.4%</td>
<td>1.7%</td>
<td>8.4%</td>
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In order to establish our Valuation Rating, we calculate the estimated growth of future earnings. A negative number means that the earnings would have been revised lower.

This is an abbreviation for 7 week Earnings Per Share Revision. This column indicates the last significant revisions have been negative.

The symbol indicates that the last significant revisions have been trending positive.

Therefore, a stock can earn a maximum of four stars. The lowest rating a stock can have is no stars.

Once a stock has earned a star, it will keep it until:

- Earnings Rev Trend becomes negative
- Valuation Rating becomes negative
- MT Trend becomes negative
- 4 week Relative Performance drops below -1% (-1%)

Div
This is the dividend in % for the next 12 months. Even if the same number is shown, the dividend value can appear in one of four colors, depending on the earnings coverage:

- 0%, no dividend
- 1% to 5%, the dividends are covered (between 0% and 40% of earnings)
- 6% to 15%, the dividends represent between 40% and 70% of earnings
- 16% to 75%, the dividends are higher than 70% of earnings, which implies that the dividend coverage is not guaranteed.

Earnings Rev. Trend
The symbol shows that compared with their earnings revisions of seven weeks ago, the analysts have now raised their estimates (7wk EPS Rev; > 1%); the symbol indicates that compared with their earnings revisions of seven weeks ago, the analysts have now lowered their estimates (7wk EPS Rev < -1%).

When the earnings revisions (7wk EPS Rev) fall between +1% and -1%, the trend is considered to be neutral.

The symbol indicates that the last significant revisions have been trending positive.

The symbol indicates that the last significant revisions have been negative.

7wk EPS Rev
This is an abbreviation for 7 week Earnings Per Share Revision. This column indicates the value of these revised earnings. A figure of 2.8 signifies that compared with seven weeks ago, the analysts have now revised and raised their estimates by 2.8%. On the contrary, a negative number means that the earnings would have been revised lower.

G/PE Ratio
In order to establish our Valuation Rating, we calculate the estimated growth of future earnings (LT Growth) plus dividend in %, divided by the estimated future PE ratio (Long Term P/E).

LT PE
This is the relationship between the price (P) and the estimated long-term future earnings.

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