

29th January 2016

Healthcare

Genmab

Price DKK841.00

Daratumumab is becoming an increasingly critical asset for JNJ

Fair Value DKK1170 (+39%)

BUY-Top Picks

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 425.0
Market Cap (DKKm)	49,890
Avg. 6m daily volume (000)	344.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.0%	26.1%	30.1%	-8.3%
Healthcare	-7.7%	-9.3%	-13.2%	-8.5%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Amgen and JNJ have published their full year results. We note that **JNJ's Velcade (bortezomib) lost substantial ground during Q4 (-14% y-o-y on an organic basis)** mainly because of the advent of second-generation proteasome inhibitors such as Amgen's Kyprolis (carfilzomib) and Takeda's Ninlaro (ixazomib); the first one being a more potent and safer approach, while the second one offers a patient-friendlier route of administration (oral vs intravenous and subcutaneous). Going forward, we think the loss of market share could be accentuated by the entry of generics as of this year.
- On the other hand, **Amgen's Kyprolis grew by 63% on a y-o-y basis...** and we think the recent label expansion in the US (the FDA has approved the compound for treatment of patients who have received 1-3 prior lines of therapy, and as part of a combination regimen) based on results from the ENDEAVOR study, will support this trend.
- This reinforces our view that **daratumumab (anti-CD38) should quickly become a key asset for JNJ and its Multiple Myeloma franchise** (all the more so since we have identified no other drug candidates within the big pharma's pipeline that would be as promising). We also think the upcoming Phase III results should reinforce its best-in-class status that led us to a peak sales estimate of EUR5.5Bn.

VALUATION

- **BUY reiterated with a FV of DKK1,170**, bearing in mind that our valuation could be lifted further to DKK1,500 if 1) the Phase III studies evaluating dara in less pre-treated patients prove to be positive, 2/ Roche's ocrelizumab receives a fairly broad label for the treatment of relapsing-remitting multiple sclerosis (like Novartis' Gilenya).

NEXT CATALYSTS

- Q2 2016: Phase III results for daratumumab (anti-CD38) for the treatment of relapsing/refractory patients with multiple myeloma who received more than one prior therapy.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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