20th January 2016

Healthcare

Genmab

Price DKK801.50

Ofatumumab approved for the maintenance therapy of patients with CLL

Fair Value DKK1170 (+46%) **BUY-Top Picks**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 402.8
Market Cap (DKK)	47,547
Ev (BG Estimates) (DKK)	44,381
Avg. 6m daily volume (000)	342.2
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.5%	27.6%	17.3%	-12.6%
Healthcare	-7.0%	-5.9%	-16.4%	-8.8%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

YEnd Dec. (DKKm)	2014	2015e	2016e	2017e
Sales	850.4	779.3	684.9	458.3
% change		*-8.4%*	*-12.1%*	*-33.1%*
EBITDA	265	149	8.0	-264.3
EBIT	265.2	323.9	8.0	-264.3
% change		*22.2%*	*-97.5%*	
Net income	301.3	188.9	43.0	-224.3
% change		*-37.3%*	*-77.2%*	

	2014	2015e	2016e	2017e
Operating margin	31.2	41.6	1.2	-57.7
Net margin	35.4	46.7	6.3	-48.9
ROE	14.8	12.1	1.4	-8.0
ROCE	-67.0	4,018	20.7	-56.0
Gearing	-130.9	-105.6	-99.0	-92.1

(DKK)	2014	2015e	2016e	2017e
EPS	5.20	3.14	0.71	-3.72
% change	-	*-39.7%*	*-77.2%*	
P/E	NS	NS	NS	NS
FCF yield (%)	NM	0.4%	0.0%	0.1%
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	52.8x	56.9x	65.0x	98.1x
EV/EBITDA	169.3x	298.0x	5535.3x	NS
EV/EBIT	169.3x	137.0x	5535.3x	NS

Ofatumumab has received approval from the FDA for the maintenance treatment of patients with Chronic Lymphocytic Leukemia (CLL). While this is good news that should be well received by the market, we don't see it as transforming because of the recent changes in the therapeutic landscape for CLL. That said, we see strong potential for value creation in Multiple Sclerosis (MS)… and we think the street will fully realise this once Roche's ocrelizumab is approved in both PPMS (the primary progressive form) and RRMS (the relapsing-remitting one). BUY reiterated with a FV of DKK1,170.

ANALYSIS

- **Ofatumumab has been approved by the US FDA for the treatment of patients with Chronic Lymphocytic Leukemia (CLL) who are in complete or partial response after at least 2 lines of therapy**. The decision was based on Phase III results showing that ofatumumab significantly improved median progression-free survival vs observation (29.4 vs 15.2 months, HR: 0.50 at a median follow-up of 19.1 months, p<0.0001). As a reminder, the compound 1/ is commercialised by Novartis (BUY – FV CHF109) and 2/ was already approved to treat untreated and refractory patients with CLL.
- **While this is good news, we don't see it as transforming for Genmab**. The therapeutic landscape for CLL has evolved with 1/ the arrival of AbbVie/JNJ's ibrutinib (BTK inhibitor), which by the way significantly improved median PFS vs ofatumumab in R/R patients with CLL (HR: 0.1); 2/ Roche's venetoclax (BCL2 inhibitor) which could be approved by the end of Q2 2016 and has also exhibited quite deep responses; 3/ the development of novel combinations (ex: ibrutinib/venetoclax or ibrutinib/nivolumab). Against this backdrop, we don't see how Genmab's ofatumumab will be able to grab a significant share of the CLL pie… so we make no changes to our sales estimates.
- **We think the value lies in multiple sclerosis**. Anti-CD20 antibodies came under the spotlight with the recent Phase III results of Roche's ocrelizumab in both primary progressive (PPMS) and relapsing-remitting multiple sclerosis (RRMS) – See our initiation report here for more details. The FDA is very likely to give it a priority review, thus leaving the door open to a potential approval by the end of Q2 2016. We think the street will then realize how interesting ofatumumab could be outside the oncology business.

VALUATION

- **BUY reiterated with a FV of DKK1,170**, knowing that our valuation could be further increased to DKK1,500 if 1/ the Phase III studies evaluating daratumumab in less pre-treated patients prove to be positive; 2/ Roche's ocrelizumab receives a fairly broad label for the treatment of RRMS (like Novartis' Gilenya).

NEXT CATALYSTS

- Q2 2016: Phase III results for daratumumab (anti-CD38) for the treatment of R/R patients with multiple myeloma (second-line and more).
- Q2 or Q3 2016: Read-acros from the approval of Roche's ocrelizumab (another anti-CD20) for the treatment of multiple sclerosis.
- 2016: Collaboration agreement between JNJ and another big pharma to evaluate daratumumab in combination with a PD-1/PD-L1 checkpoint blocker.

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BUY ratings 57.9% NEUTRAL ratings 33.1% SELL ratings 9%

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