

5th April 2016

Healthcare

Genmab

Price DKK925.00

Morphosys sues JNJ and Genmab for patent infringement

Fair Value DKK1225 vs. DKK1300 (+32%)

BUY

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 514.0
Market Cap (DKK)	55,202
Avg. 6m daily volume (000)	413.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.8%	0.0%	48.5%	0.8%
Healthcare	-1.0%	-10.1%	-6.9%	-11.8%
DJ Stoxx 600	-2.1%	-6.2%	-3.8%	-8.6%

	2015	2016e	2017e	2018e
P/E	95.2x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Morphosys issued a press release yesterday to announce it has filed a lawsuit in the US against JNJ/Genmab for patent infringement**, and more precisely the US Patent Number 8,263,746 that 1/ was granted back in December 2012 to provide additional patent protection for Morphosys' MOR202 (another anti-CD38 currently in Phase II) and 2/ covers functional properties of anti-CD38 monoclonal antibodies (and among others which epitopes it can bind to).
- **This news is very surprising** as 1/ the German biotech obtained this patent a few years ago, and at that time, "dara" had already generated some quite encouraging Phase I/II data, while MOR202 was just entering the clinical field; 2/ even Celgene (which used to be Morphosys's partner for the development and commercialisation of MOR202... before dropping it last year) hasn't decided to make a move. In more fundamental terms, daratumumab, isatuximab and MOR202 all target distinct epitopes/parts of CD38, and this is certainly why there are so many differences in their modes of action (see our initiation report for more details).
- It's always very tricky to predict the outcome of a court case, so we'll simply say that whatever the case daratumumab's blockbuster potential will remain. However, in a worst-case, Genmab and JNJ may have to make payments to Morphosys along with royalties. And just to provide a quick basis of comparison, we note that 1/ the level of royalties from US net sales related to the disputant contract and patent claims were "mid-single digit" ones, when Novartis and Juno entered into a settlement agreement last year; and 2/ Juno was also said to be eligible for a low double digit percentage of the royalties Novartis should pay to Penn on global net sales.

VALUATION

- To all intents, note that our FV in a worst-case scenario could be in the range of DKK1,100 and DKK1,200 (the variation depending on whether we reduce our net revenue estimates by 10% WW or solely in the US; while having reduced the level of royalties to Genmab to 10-18% vs 12-20%).
- **To give us a safety margin, we include a 50% risk of that happening so we reduce our FV by DKK75. BUY reiterated.**

NEXT CATALYSTS

- **H1 2016:** Top-line results from the POLLUX study (Phase III evaluating daratumumab in combination with lenalidomide and dexamethasone in R/R patients with myeloma who received at least one prior therapy).

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Distribution of stock ratings

BUY ratings 63.2%

NEUTRAL ratings 30.1%

SELL ratings 6.6%

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