

4th April 2016

Healthcare

## Genmab

Price DKK923.50

Daratumumab's European approval recommended by the CHMP

Fair Value DKK1300 (+41%)

BUY-Top Picks

|                            |               |
|----------------------------|---------------|
| Bloomberg                  | GEN DC        |
| Reuters                    | GEN.CO        |
| 12-month High / Low (DKK)  | 954.0 / 514.0 |
| Market Cap (DKK)           | 55,113        |
| Ev (BG Estimates) (DKK)    | 51,732        |
| Avg. 6m daily volume (000) | 412.9         |
| 3y EPS CAGR                | -12.3%        |

|                | 1 M   | 3 M    | 6 M   | 31/12/15 |
|----------------|-------|--------|-------|----------|
| Absolute perf. | 7.6%  | 0.7%   | 49.2% | 0.7%     |
| Healthcare     | -4.1% | -13.4% | -8.7% | -13.4%   |
| DJ Stoxx 600   | -1.6% | -8.9%  | -3.8% | -8.9%    |

| YEnd Dec. (DKKm) | 2015  | 2016e  | 2017e  | 2018e |
|------------------|-------|--------|--------|-------|
| Sales            | 1,133 | 866.7  | 906.4  | 1,306 |
| % change         |       | -23.5% | 4.6%   | 44.1% |
| EBITDA           | 554   | 50.1   | 2.7    | 351   |
| EBIT             | 730.4 | 50.1   | 2.7    | 351.2 |
| % change         |       | -93.1% | -94.5% |       |
| Net income       | 587.3 | 85.1   | 42.7   | 396.2 |
| % change         |       | -85.5% | -49.8% |       |

|                  | 2015    | 2016e | 2017e | 2018e |
|------------------|---------|-------|-------|-------|
| Operating margin | 64.5    | 5.8   | 0.3   | 26.9  |
| Net margin       | 67.4    | 9.8   | 4.7   | 30.3  |
| ROE              | 21.9    | 2.4   | 1.2   | 9.9   |
| ROCE             | -15,400 | 44.2  | 11.1  | 69.2  |
| Gearing          | -100.2  | -94.6 | -89.4 | -85.8 |

| (DKK)           | 2015  | 2016e   | 2017e    | 2018e  |
|-----------------|-------|---------|----------|--------|
| EPS             | 9.71  | 1.41    | 0.71     | 6.55   |
| % change        | -     | -85.5%  | -49.8%   |        |
| P/E             | 95.1x | NS      | NS       | NS     |
| FCF yield (%)   | 0.3%  | 0.0%    | 0.1%     | NM     |
| Dividends (DKK) | 0.00  | 0.00    | 0.00     | 0.00   |
| Div yield (%)   | NM    | NM      | NM       | NM     |
| EV/Sales        | 45.6x | 59.7x   | 57.2x    | 39.6x  |
| EV/EBITDA       | 93.1x | 1031.6x | 18875.1x | 147.1x |
| EV/EBIT         | 70.7x | 1031.6x | 18875.1x | 147.1x |

The CHMP has issued a positive opinion recommending the grant of a conditional market authorization for Darzalex (daratumumab, an anti-CD38) in the EU, and as a treatment for heavily pre-treated patients with multiple myeloma. While largely expected (don't forget that the compound has already been approved by the FDA back in November 2015 for this very same label), we think the market will positively respond to this news as the timing of an European approval is key for respecting/beating the FY 2016 sales guidance that was given for this very compound (USD250-300m). For now, we stick to our sales estimate of EUR219m for this very year... But we have to admit we're quite conservative. We'll see how dara performed in the US during Q1 16, but 1) we're pretty sure the data presented during the 2015 ASH meeting have had a very positive impact on prescriptions (be it for on-label or off-label use); and 2) we can't rule out that CASTOR and POLLUX will further enhance this trend. BUY reiterated with a FV of DKK1,300.

### ANALYSIS

- **The CHMP (Committee for Medicinal Products for Human Use) has issued a positive opinion recommending the grant of a conditional marketing authorization for Darzalex (daratumumab, an anti-CD38) 1) in the European Union, and 2) as a treatment for heavily pre-treated patients with multiple myeloma.** Consequently, we can say the European Commission should give its green light in coming weeks (and we'd say by mi-may at the earliest based).
- While largely expected (don't forget that the compound has already been approved by the FDA back in November 2015), we think the market will positively respond to this news as (i) **the timing of an European approval is also key for respecting/beating the FY 2016 sales guidance that was given for this very compound (USD250-300m)**, especially since the management said they were expecting it by mid-2016; (ii) we assume JNJ will quickly reallocate a part of its marketing effort to daratumumab as Velcade (for which they currently retain the ex-US rights) is set to lose ground because of an increasing competition from new generation of proteasome inhibitors (Amgen's Kyprolis (carfilzomib), Takeda's Ninlaro (ixazomib)) and the advent of generics.
- **For now, we stick to our sales estimate of EUR219m for this very year... But we have to admit we're quite conservative.** We'll see how dara performed in the US during Q1 16, but 1) we're pretty sure the data presented during the ASH meeting have had a very positive impact on prescriptions (be it for on-label or off-label use); and 2) we can't rule out that CASTOR and POLLUX will further enhance this trend.

### VALUATION

- **BUY reiterated with a FV of DKK1,300.**

### NEXT CATALYSTS

- **Q2 16:** European approval of daratumumab as a monotherapy for the treatment of heavily pre-treated patients with multiple myeloma
- **H1 16:** 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).
- **H2 16:** Read-across analysis for ofatumumab from the (likely) approval of Roche's ocrelizumab for the treatment of relapsing-remitting multiple sclerosis.

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|         |   |
|---------|---|
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## Distribution of stock ratings

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NEUTRAL ratings 29.4%

SELL ratings 6.6%

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