

19th May 2016

Healthcare

**Genmab**

Price DKK1,016

Classical mythology with CASTOR... and now POLLUX

Fair Value DKK1450 vs. DKK1350 (+43%)

**BUY**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,016 / 548.0
Market Cap (DKK)	60,633
Ev (BG Estimates) (DKK)	57,017
Avg. 6m daily volume (000)	434.1
3y EPS CAGR	17.5%

Genmab has announced that the POLLUX study met its primary endpoint of improving PFS (HR: 0.37, p<0.0001)... and that the top-line results: 1/ are far above our expectations; 2/ confirm dara's best-in-class status as a treatment for multiple myeloma. Along with increasing our PoS for the second-line setting of this disease, we have raised our sales estimates for the second-line treatment of multiple myeloma by 5% (implying now a 35-45% market share for dara within this very setting, depending on the geographic area) to take into account these outstanding preliminary results. BUY reiterated with a FV of DKK 1,450 vs DKK1,350.

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	36.1%	22.9%	10.7%
Healthcare	-2.4%	1.2%	-11.3%	-10.3%
DJ Stoxx 600	-1.9%	2.6%	-11.0%	-7.7%

### ANALYSIS

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,175	1,680	2,213
% change		3.7%	43.0%	31.7%
EBITDA	554	285	539	908
EBIT	730.4	285.1	539.5	907.9
% change		-61.0%	89.2%	68.3%
Net income	587.3	320.1	579.5	952.9
% change		-45.5%	81.0%	64.4%

• **Yesterday, Genmab announced that the POLLUX study** (the Phase III evaluating daratumumab in combination with Celgene's Revlimid and dexamethasone in patients with myeloma who received at least one prior therapy) **met its primary endpoint of an improvement of progression free survival (median not reached within the active arm vs 18.4 months for the control; HR: 0.37, p<0.0001)**. As seen with CASTOR, an IDMC (Independent Data Monitoring Committee) recommended stopping the trial early due to a strong benefit...

• Of course, we only have the top-line results... but: 1/ they are far above our expectations (and we assume those of the consensus); and 2/ they confirm dara's best-in-class status (remember that even Amgen's Kyprolis and BMS' Efficacy exhibited an HR of 0.69 and 0.70 respectively). Safety-wise, "dara" once again exhibited a very clean profile (consistent with what was seen with GEN503).

• **We have raised our sales estimates for the second-line treatment of multiple myeloma by 5%** (implying now a 35-45% market share for dara within this very setting, depending on the geographic area) to take into account these outstanding preliminary results... So our peak sales for this compound now amounts to EUR6.5Bn vs EUR6.2Bn (meaning that we remain below consensus average).

• **Now that data from two Phase III involving second-line patients have been accumulated, we understand JNJ will engage in a dialogue with the regulators.** Depending on: 1/ the timing of the filling (June? July?); and 2/ whether or not Genmab and JNJ will receive a Priority from the FDA, we cannot rule out a possible label extension by the end of this year. Should that be the case, the current FY guidance would (once again) be raised... and notably because Genmab would then receive a significant milestone payment (USD50-100m, in our view).

	2015	2016e	2017e	2018e
Operating margin	64.5	24.3	32.1	41.0
Net margin	67.4	27.2	34.5	43.1
ROE	21.9	8.4	13.2	17.8
ROCE	-15,400	166.0	150.4	166.5
Gearing	-100.2	-95.0	-91.2	-89.3

### VALUATION

• **We have raised our FV from DKK1,350 to DKK1,450** after having raised: 1/ our probability of success (PoS) for the second-line treatment of myeloma (80% vs 70%); and 2/ our sales estimates for daratumumab.

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	5.29	9.58	15.76
% change	-	-45.5%	81.0%	64.4%
P/E	NS	NS	NS	64.5x
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	50.4x	48.5x	33.7x	25.2x
EV/EBITDA	103.1x	200.0x	105.0x	61.5x
EV/EBIT	78.2x	200.0x	105.0x	61.5x



### NEXT CATALYSTS

- **June 5, 2015:** Detailed presentation of data from the CASTOR study during the 2016 ASCO meeting.
- **H2 2016:** Potential label expansion of daratumumab to the second-line setting as a treatment for myeloma.
- **H2 2016:** Phase II results of daratumumab as a treatment for non-hodgkin lymphomas.

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