24th May 2016

Healthcare

Genmab

Price DKK1,205

Darzalex (daratumumab) obtains first approval in Europe

Fair Value DKK1450 (+20%) **BUY**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,205 / 548.0
Market Cap (DKK)	72,100
Ev (BG Estimates) (DKK)	68,485
Avg. 6m daily volume (000)	439.8
3y EPS CAGR	17.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	24.2%	51.7%	42.4%	31.3%
Healthcare	-1.9%	2.4%	-10.3%	-9.2%
DJ Stoxx 600	-3.4%	2.7%	-11.5%	-8.0%

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%*

	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

(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	76.5x
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	60.6x	58.3x	40.5x	30.4x
EV/EBITDA	123.8x	240.2x	126.2x	74.2x
EV/EBIT	93.9x	240.2x	126.2x	74.2x

JNJ and Genmab yesterday announced that Darzalex (daratumumab) has been approved by the EC as a treatment for heavily pre-treated patients with multiple myeloma. While this approval was widely expected, its timing was quite important for respecting (and even beating) the FY 2016 sales guidance that was given for this compound. Of course, the US will remain the main driver behind this growth, but we believe JNJ should be able to generate USD50-100m within the old continent. BUY rating reiterated with an unchanged FV of DKK1,450.

ANALYSIS

- JNJ and Genmab yesterday announced that **Darzalex (daratumumab) has been granted a conditional marketing authorisation by the EC as a treatment for heavily pre-treated patients with multiple myeloma** ("double-refractory" to a proteasome inhibitor and an immunomodulatory agent).
- **While the approval was widely expected, its timing was quite important to respect (and even to beat) the FY 2016 sales guidance that was given for this compound**. As a reminder 1/ management's guidance is for sales of USD400-450m; 2/ "dara" generated USD100m solely in the US, and we assume a continuous ramp-up on a quarterly basis. We expect a less aggressive penetration in Europe as for this year, given the more heterogeneous nature of this market along with a lower treatment cost per patient. That said, one should bear in mind that JNJ also markets Velcade (bortezomib) there; and we would not be surprised to see the big pharma quickly reallocating a part of its marketing effort to daratumumab as Velcade is set to lose ground because of increasing competition (see Amgen's Kyprolis and Takeda's Ninlaro) along with the arrival of generics.
- **Just to give a quick basis of comparison, Celgene's pomalidomide (Pomalyst/Imnovid) generated USD60m during its very first year of commercialisation in Europe (2013)**… bearing in mind that the compound 1/ was approved in August as a third-line option in multiple myeloma, and 2/ exhibited far less impressive efficacy data than Genmab's. In all cases, the Q2 results publication will give us a preliminary view of its acceptance.
- **Importantly, JNJ will certainly file an sBLA (supplemental Biologic License application) in coming weeks/months to expand dara's label to second-line patients** thanks to the clinical package accumulated with the CASTOR and POLLUX studies. Assuming a Priority Review is granted, we believe another FDA approval could be obtained by the end of this year… Apart from the fact this is an important step on the road to achieving USD1bn in revenues by 2017e, our FV would then be raised by +DKK100 (all other things being equal).

VALUATION

- **BUY rating reiterated with a FV of DKK,1450**.

NEXT CATALYSTS

- Q2 2016: Details from the CASTOR and POLLUX studies to be presented respectively at the ASCO meeting and the EHA congress.
- Q3 2016: Filing of a supplemental BLA to expand Darzalex's label in myeloma to the second-line + Obtention of a Priority Review from the FDA.

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BUY ratings 56.3% NEUTRAL ratings 34.5% SELL ratings 9.2%

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