

20th June 2016

Healthcare

**Genmab**

Price DKK1,097

The saga goes on! (report to be released)

Fair Value DKK1600 vs. DKK1450 (+46%)

**BUY**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 548.0
Market Cap (DKKm)	65,638
Ev (BG Estimates) (DKKm)	62,022
Avg. 6m daily volume (000)	467.8
3y EPS CAGR	17.3%

We raise our FV from DKK1,450 to DKK1,600 following a roadshow with Jan van de Winkel (CEO), and after increasing our peak sales for daratumumab in multiple myeloma from EUR6.5Bn to EUR8.9Bn. The compound is so potent that we now believe: 1/ it could be used for several years in earlier lines of treatment; 2/ the first Phase III data involving newly diagnosed patients could be available a year earlier (assuming the trial is stopped early due to strong benefits). Plus, we see potential for extension to other malignancies (including solid tumours) as significant free options. BUY reiterated.

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.2%	34.5%	18.5%	19.6%
Healthcare	-1.3%	0.6%	-11.0%	-12.1%
DJ Stoxx 600	-2.7%	-4.4%	-10.7%	-10.9%

**ANALYSIS**

- **Our peak sales estimate for daratumumab in myeloma has risen from EUR6.5Bn to EUR8.9Bn**, following integration of two new elements into our model: 1/ we now assume the compound will be used for several years in early lines of therapy, given the trends in progression-free survival observed in the POLLUX study; 2/ we also consider that Phase III results involving newly diagnosed patients should be published in 2017, a year earlier than previously expected.
- **Numerous free call options to be played by the end of the year.** "Dara" is pretty much seen as a myeloma therapy, but we think the street is overlooking its potential in other indications (particularly in non-Hodgkin lymphomas). At current levels, we believe such expansion in the addressable market is not priced in... And as such, a significant option could be played with an attractive risk-reward.

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%

**VALUATION**

- **BUY rating reiterated with a FV of DKK1,600 (c.+40%) vs DKK1,450 following our adjustments...** But this is clearly not the end of the story: should the different catalysts we have identified prove to be positive ("dara's" label expanded to include second-line patients with myeloma, Phase III results involving first-line patients, favourable label for Roche's ocrelizumab in relapsing multiple sclerosis), our FV could be further increased to DKK2,050 (c.+80%).

	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

**NEXT CATALYSTS**

- **August 2016:** FDA priority review given to daratumumab 1/ as a treatment for patients with myeloma who received at least one prior therapy, and 2/ as part of a combination regimen (bort/dex or len/dex)... which would pave the way for a label expansion by the end of the year.
- **Q4 16:** Phase II results involving daratumumab in Non-Hodgkin Lymphomas.
- **Q4 16:** Presentation of follow-up data from the POLLUX and CASTOR trials during the ASH meeting.
- **Q4 16:** Read-across from the approval of Roche's ocrelizumab (anti-CD20) as a treatment for relapsing-remitting multiple sclerosis (RRMS).

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	5.27	9.54	15.68
% change		-45.8%	81.0%	64.4%
P/E	NS	NS	NS	70.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	54.8x	52.8x	36.7x	27.5x
EV/EBITDA	112.1x	217.5x	114.2x	67.0x
EV/EBIT	85.1x	217.5x	114.2x	67.0x

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BUY ratings 72%

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