

Genmab

Price DKK1,233

Q2 2016 results in line expectations and slightly improved financial guidance

Fair Value DKK1600 (+30%)

BUY

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 548.0
Market Cap (DKK)	73,775
Ev (BG Estimates) (DKK)	70,205
Avg. 6m daily volume (000)	470.7
3y EPS CAGR	28.6%

We stick to our BUY rating as well as our FV of DKK1,600 following the publication of Q2 2016 results (which admittedly are broadly in line with estimates), and especially since the company did raise its financial guidance for the full year in light of recent daratumumab's sales trends (including July) and European pricing.

ANALYSIS

- **Q2 2016 results are broadly in line with expectations with a DKK168m net income** (vs BG: DKK170m; consensus: DKK154m). Without entering into too much details, we note that 1/ revenues grew by 104% to DKK354m, notably thanks to daratumumab's commercial ramp-up (with c.USD107m in sales over the period) as well as a milestone payment of DKK200m triggered by its very first commercial sale in Europe; 2/ operating expenses were up by 58% as the company is increasing its R&D investments/accelerating some key programs (e.g. tisotumab vedotin, HuMax-AXL-ADC).

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.6%	24.9%	93.3%	34.4%
Healthcare	0.3%	7.6%	14.8%	-4.5%
DJ Stoxx 600	5.3%	3.4%	11.4%	-5.8%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,042	1,250	2,520
% change		-8.1%	20.0%	101.7%
EBITDA	554	240	226	1,350
EBIT	730.4	240.3	225.9	1,350
% change		-67.1%	-6.0%	
Net income	587.3	275.3	239.3	1,255
% change		-53.1%	-13.1%	

	2015	2016e	2017e	2018e
Operating margin	64.5	23.1	18.1	53.6
Net margin	67.4	26.4	19.1	49.8
ROE	21.9	7.3	6.0	23.9
ROCE	-15,400	142.8	62.1	219.4
Gearing	-100.2	-94.9	-90.4	-89.1

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	4.53	3.94	20.66
% change	-	-53.4%	-13.1%	
P/E	NS	NS	NS	59.7x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	62.0x	67.4x	56.1x	27.4x
EV/EBITDA	126.8x	292.2x	310.5x	51.2x
EV/EBIT	96.2x	292.2x	310.5x	51.2x

Fig. 1: Q2 2016 results vs BG and consensus' estimates

DKKm	Q2 15	Q2 16	BG estimates	Consensus
Revenues (including milestones)	174	354	330	341
Operating expenses	134	212	175	198
Operating income	39	142	155	143
Net result	16	168	170	154

Source : Company Data; Bryan Garnier & Co. ests.

- **The financial guidance for the full year has been slightly revised up**, as the company is now anticipating an operating result in a DKK150-200m range (vs DKK125-175m), and especially higher sales from "dara" this year (USD440-490m vs USD400-450m previously – thus leading to more royalties to Genmab) in light of recent prescription trends, including the month of July (which by the way is said to be to the strongest month since the launch in November...).
- **We already assumed higher figures for "dara" before the publication... And overall, we are still comfortable with our above-consensus estimates.** We still believe that WW revenues should even exceed USD500m thanks to 1/ an increased off-label use in the US following the presentation of POLLUX and CASTOR studies (which is likely not fully discounted in the current guidance in our view); 2/ a quick reallocation of JNJ's marketing efforts from Velcade to dara. Plus, we understand that prices in Germany and Denmark are not too far from the US ones, whereas we assumed (and still assume) a 20-30% discount (and the other analysts probably did too).

Fig. 2: BG estimates vs GEN's revised guidance

DKKm	Previous guidance	Revised guidance	BG estimates
Revenues (including milestones)	925 - 975	975 - 1,025	1,042
Operating expenses	775 - 825	800 - 850	801
Operating income	125 - 175	150 - 200	240
Cash position at year end	3,400 - 3,500	3,550 - 3,650	3,571

Source : Company Data; Bryan Garnier & Co. ests.

VALUATION

- **BUY rating reiterated with a FV of DKK1,600...** Knowing that our valuation could be increased to DKK2,050 in a best-case scenario (see our recent note [here](#) for further details).

NEXT CATALYSTS

- November 10: Capital Markets Day.
- Q4 2016: Dara's label expansion (multiple myeloma, second-line as part of a combination regimen).
- 2016 ASH meeting (December 3-6): Follow-up data from the CASTOR and POLLUX studies + Dara's Phase II data in NHL (non-Hodgkin Lymphomas).



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