

**Morphosys**

Price EUR39.37

**Q3 in line and FY guidance confirmed. Current share levels offer an attractive opportunity****Fair Value EUR64 (+63%)****BUY**

Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,045
Avg. 6m daily volume (000)	106.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	2.5%	-8.8%	-31.7%
Healthcare	-7.9%	-12.6%	-5.9%	-16.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

	2015	2016e	2017e	2018e
P/E	69.0x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

**ANALYSIS**

- **MOR's Q3 2016 results in line with our expectations.** Q3 2016 EBIT amounted to -EUR13.1m (vs BG: -EUR12.3m), hence a total of -EUR32.3m over the first nine months. Group revenues increased by 10% to EUR12.4m (vs BG: 12.0m, most of it stemming from the discovery platform); while OPEX grew by +12% to EUR25.6m. Unsurprisingly, R&D costs were the main driver behind this surge, as the company has since started new trials to evaluate the potential of MOR208 in DLBCL (one being a Phase III involving a combination with lenalidomide; while the other one is a Phase II/III in combo with bendamustine vs rituximab/bendamustine).
- **FY guidance reiterated.** Importantly, management has confirmed its target of FY EBIT between -EUR58m and -EUR68m; thus implying a loss ranging from -EUR26m and -EUR36m in Q4 (don't forget that R&D expenses tend to be much higher in the very last quarter). And as such, we leave our figures unchanged (BG FY EBIT: -EUR67m).

**VALUATION**

- **We stick to our BUY recommendation with a EUR64 FV.** Two key positive events have significantly de-risked our base-case scenario since our initiation (strong Phase III data for guselkumab in plaque psoriasis, BAY presenting anatumab ravtansine as a multibillion blockbuster during its R&D Day). And yet, the stock's performance is far from satisfying.
- **Current share levels offer an attractive risk-reward opportunity in our view,** especially since we anticipate quite dense newsflow by year end (another Phase III implying guselkumab in plaque psoriasis + JNJ asking for an FDA regulatory approval).

**NEXT CATALYSTS**

- Conference call at 2.00pm CET.
- Q4 2016: Results from the VOYAGE2 study (Phase III evaluating guselkumab in plaque psoriasis) + Filing for FDA approval.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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