

14th November 2016

Healthcare

Morphosys

Price EUR45.82

Urelumab got very promising data in melanoma. Positive read-across for utomilumab

Fair Value EUR64 (+40%)

BUY

Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,216
Avg. 6m daily volume (000)	110.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.5%	14.4%	4.1%	-20.5%
Healthcare	-3.5%	-8.5%	-2.6%	-13.3%
DJ Stoxx 600	-0.8%	-2.6%	0.8%	-7.7%

	2015	2016e	2017e	2018e
P/E	80.4x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Among the numerous presentations BMS made, the liri/nivo combination obviously caught out attention... But we believe the one involving urelumab (CD137/4-1BB agonist) with nivo in relapsed/refractory patients with advanced melanoma was also one to keep in mind. Firstly because of the responses induced were very similar in PD-L1 negative and positive patients. Secondly because its safety profile was much better than what we anticipated.
- Without going into too much details, we noted that 1/ the objective response rate stood at 50% (23/46, with 5 of them being unconfirmed) in patients with a $\geq 1\%$ PD-L1 expression, while it mounted to 47% in those with a $< 1\%$ level. More surprisingly, the rate of Grade III-IV was 17% (while we thought the mechanism of action would induce a quite toxic profile). That said, the reported ORR in other solid tumours are not so spectacular (5% in NSCLC and HNSCC patients not previously treated with an anti-PD-1/PD-L1).
- These data are likely to put the 4-1BB agonists under the spotlights; and that would include MOR/PFE's utomilumab. Obviously, OS data are needed before drawing more conclusions... But such dataset is already very competitive with PD-1/PD-L1 blockers in combo with anti-CTLA-4. So we believe the street will pay an increasing attention to this therapeutic class in the months (and might even revise up its expectations).

VALUATION

- We stick to our BUY rating with a FV of EUR64 (knowing that so far, we do not include utomilumab in our calculations).

NEXT CATALYSTS

- Q4 16: Guselkumab in plaque psoriasis - Janssen filing for approval.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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