

Genmab

Price DKK1,067

Q3 above estimates and FY guidance further improved... Dara did it again! FV revised up

Fair Value DKK1650 vs. DKK1600 (+55%)

BUY

Genmab has (once again) published much better than expected results and lifted its FY guidance as it now expects daratumumab to generate USD500-550m in sales. And because "dara" will go beyond this USD500m threshold, GEN is set to receive a USD25m (DKK170m) milestone payment that we and the CS did not anticipate. GEN is of these rare must-haves within the biotech field in our view, that's why we stick to our BUY recommendation... Especially in light of the catalysts we foresee in the very near term (CMD next week, R&D Day in December, dara's label expansion to 2L MM in Q1 17, etc.). Our FV is revised up to DKK1,650.

	GEN DC
Bloomberg	GEN.CO
Reuters	1,266 / 638.0
12-month High / Low (DKK)	64,286
Market Cap (DKK)	60,546
Ev (BG Estimates) (DKK)	366.1
Avg. 6m daily volume (000)	25.2%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.6%	-10.9%	10.8%	16.3%
Healthcare	-7.6%	-12.8%	-6.4%	-16.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,256	1,502	2,503
% change		10.8%	19.6%	66.6%
EBITDA	554	420	431	1,277
EBIT	730.4	419.5	430.5	1,277
% change		-42.6%	2.6%	
Net income	587.3	444.5	423.5	1,190
% change		-24.3%	-4.7%	

	2015	2016e	2017e	2018e
Operating margin	64.5	33.4	28.7	51.0
Net margin	67.4	35.4	28.2	47.5
ROE	21.9	11.3	9.7	21.5
ROCE	-15,400	230.5	109.9	207.9
Gearing	-100.2	-95.1	-91.2	-89.7

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	7.21	6.78	19.05
% change		-25.8%	-5.9%	
P/E	NS	NS	NS	56.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	53.7x	48.2x	40.2x	23.7x
EV/EBITDA	109.7x	144.3x	140.1x	46.5x
EV/EBIT	83.2x	144.3x	140.1x	46.5x



ANALYSIS

- GEN's Q3 net profit was way above estimates** (DKK189m vs BG: DKK96m, CS: DKK116m), 1/ once again thanks to daratumumab and its USD163m of sales over the quarter (vs BG: USD135m), but also 2/ due to better than expected control of the cost structure (OPEX: DKK178m vs CS: DKK217m).
- FY guidance (once again) improved.** Given dara's strong performance in Q3 along with the recent trends in terms of prescriptions, GEN now believes that the compound should generate between USD500 and USD550m this year. And because the USD500m threshold will be exceeded, a USD25m (DKK170m) milestone is to be triggered (which we and the consensus did not include in our forecasts before the publication). Admittedly, our sales estimates for "dara" are already at the high end of the new guidance, but note that the rest of the consensus was closer to USD500m on average.

(in DKKm)	Q3 16	BG	CS	Published vs CS
Revenues	367	303	326	12%
Royalties from Darzalex	163	120	110	48%
Operating income	187	86	107	75%
Net income	189	96	116	63%

	Consensus	New guidance	Former guidance
GEN Revenues (DKKm)	1,090	1,200-1,250	975-1,025
Darzalex JNJ's sales (USDm)	c.500	500-550	450-500
Darzalex royalties to GEN (DKKm)	420	400-450	350-400
Operating income (DKKm)	264	375-425	150-200
Cash position at year end (DKKm)	c.3,600	3,650-3,750	3,550-3,650

- Tisotumab vedotin (ADC anti-TF) 's data to be presented at the Capital Market Day.** The product is so far quite ignored by the consensus, and probably due to the lack of clinical data... But nothing is set in stone, and this upcoming presentation might lead to some upward revision depending on the magnitude of the response rates generated in solid tumours (for our part, "tiso" accounts for c.DKK100 within our FV). Note by the way that GEN will either fully develop this compound, or co-develop/commercialise with Seattle Genetics depending on the latter's decision to opt-in or not.
- And much more to come...** Obviously, the focus won't be restricted to "tiso", and many other candidates. We expect management to present some of the novel indications (e.g. NK B-cell lymphoma) in which dara will be developed, whether as a single-agent or as part of a combination (and we still believe ibrutinib/dara would make sense due to their respective immunomodulatory effects). At best, we might have more details on the solid tumour that ROG selected to evaluate its PD-L1 blocker along with dara (lung cancer?), as well as the related rationale.

VALUATION

- We have lifted our FV to DKK1,650 (vs DKK1,600)** following the inclusion of the USD25m milestone payment as well as a higher payment associated with dara's regulatory / commercial successes next year.
- The stock is very likely to react positively this morning, but we see many significant catalysts in the near term for which we are quite optimistic. Tisotumab should be one of them in the very near term... And thereafter we anticipate 1/ some follow-up data from the CASTOR and POLLUX studies at the ASH meeting; 2/ dara's label expansion to the second-line of myeloma early next year. Please see our recent note [here](#) for further details).

NEXT CATALYSTS

- 10th November: Capital Market Day.
- 5th December: R&D Day.

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Analyst :
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Team :
Eric Le Berrigaud
Hugo Solvet

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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