

## Genmab

Price DKK1,245

And it did it again... Dara approved well before planned calendar! New FV of DKK1,900

Fair Value DKK1900 vs. DKK1650 (+53%)

BUY

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 638.0
Market Cap (DKKm)	75,136
Ev (BG Estimates) (DKKm)	71,397
Avg. 6m daily volume (000)	372.4
3y EPS CAGR	54.0%

**And it did it again! Daratumumab has obtained its US label expansion (well before planned calendar) for 1/ patients with myeloma who received at least one prior line of therapy, and 2/ as part of a combination regimen with either CELG's Revlimid or JNJ's Velcade. And as some sales under this new label are likely to happen anytime soon, GEN now expects a USD65m milestone payment (hence the upward revision to its financial guidance). Our FV is raised from DKK1,650 to DKK1,900, as we notably retain both a higher PoS and a lower WACC for "dara" as a 2<sup>nd</sup> line option in MM.**

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	12.3%	10.2%	35.7%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

## ANALYSIS

- **FDA approval c.1 month after the granting of a priority review.** In the end, "dara" has obtained its US label expansion for 1/ patients with myeloma who received at least one prior therapy, and 2/ as part of a combination regimen with either lenalidomide/dexamethasone or bortezomib/dexamethasone. And cherry on the cake, the approval was given well before planned calendar (as the PDUFA date was previously set for 17th February 2017).
- **Financial targets further revised up.** As some sales under this new label are likely to happen anytime soon, GEN now expects a USD65m milestone payment this year. But as this event was obviously not anticipated, guidance has been updated to include it (see table below – and note that the cash position is left unchanged as the payment should be received shortly after year-end).
- **We have lifted our 2016 sales estimates slightly.** Note that the company is also sticking to its target of DKK400-450m of royalties from Janssen associated with the commercialisation of "dara" (implying WW sales of USD500-550m), which could prove to be conservative given 1/ the depth of the 2L myeloma market; 2/ the added therapeutic benefit that dara could bring, whether in terms of safety or efficacy; and 3/ the already very positive feedback from physicians (and we believe the follow-up data to be presented at the upcoming ASH will further sustain this momentum). For our part, we have moved up our 2016 sales estimates for the compound by +USD20m to USD570m, and it goes without saying that we have also made a few changes to our 2017 figures (but nothing very significant).

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,715	2,204	3,497
% change		51.3%	28.5%	58.7%
EBITDA	554	878	1,247	2,445
EBIT	730.4	878.4	1,247	2,445
% change		20.3%	42.0%	96.0%
Net income	587.3	883.4	1,131	2,214
% change		50.4%	28.1%	95.7%

	2015	2016e	2017e	2018e
Operating margin	64.5	51.2	56.6	69.9
Net margin	67.4	51.5	51.3	63.3
ROE	21.9	22.5	20.6	28.7
ROCE	-15,400	458.1	293.6	386.9
Gearing	-100.2	-95.1	-93.0	-92.6

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	14.32	18.12	35.45
% change	-	47.4%	26.5%	95.7%
P/E	NS	86.9x	68.7x	35.1x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	63.2x	41.6x	31.8x	19.4x
EV/EBITDA	129.3x	81.3x	56.1x	27.8x
EV/EBIT	98.1x	81.3x	56.1x	27.8x

Fig.1: GEN – BG estimates vs updated financial guidance

	BG	New guidance	Former guidance
GEN Revenues (DKKm)	1,715	1,650-1,700	1,200-1,250
"Dara" royalties (DKKm)	466	400-450	400-450
Operating expenses (DKKm)	836	800-850	800-850
Operating income (DKKm)	878	825-8753	375-425
Cash position at year end (DKKm)	3,739	3,650-3,750	3,650-3,750

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

## VALUATION

- **We have raised our FV from DKK1,650 to DKK1,900** to take account of both 1/ a higher probability of success (100% vs 80% previously), and a slightly lower WACC (8.0% vs 9.0% - as commercial risks are carried by GEN's partner, i.e. JNJ) for "dara" as a second-line option for myeloma. We also stick to our Buy recommendation, especially since we continue to see pretty dense newsflow in the coming weeks/months.

## NEXT CATALYSTS

- **5th December:** R&D Day/ASH update.
- **H1 2017:** Phase IIb results for daratumumab in NHL (monotherapy) + Phase III as a 1L option in myeloma (in combination with melphalan, bortezomib and dexamethasone).

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