

Morphosys

Price EUR43.00

We want MORE! (report released today)

Fair Value EUR65 (+51%)

BUY

With LLY's solanezumab's recent failure in Alzheimer's disease, a period of significantly negative news flow is now behind us. The stock has lost c.1% since our initiation of coverage... And yet 1/ the downside has been materially reduced with Guselkumab's recent filing for approval in plaque psoriasis; 2/ we believe the next ASCO Congress might prompt us to (positively) reconsider our estimates for both anetumab ravtansine and utomilumab. BUY reiterated.

ANALYSIS

- **Guselkumab (anti-IL23p19) story significantly de-risked.** The overall potential downside has been substantially reduced in our view thanks to 1/ the presentation of impressive Phase III results in plaque psoriasis, along with promising Phase II data in psoriatic arthritis; 2/ Janssen's recent filing for approval in its primary indication. Furthermore, guselkumab's addressable market could be expanded to novel indications like Crohn's disease and ulcerative colitis in our view.
- **Towards a rich ASCO 2017.** We believe the next ASCO Congress could trigger a further re-rating; especially if positive data were to be published for 1/ anetumab ravtansine (anti-mesothelin ADC) in ex-mesothelioma indications (which we haven't included in our estimates so far); 2/ utomilumab (anti-CD137) in some solid tumours, knowing that BMS has recently presented some quite promising data for urelumab (another CD137 mAb) in combination with nivolumab in melanoma irrespectively of PD-L1 expression. Note also that the first data from the L-MIND (MOR 208 + lenalidomide in R/R patients with DLCL) are likely to be presented.

VALUATION

- **BUY reiterated with a FV of EUR65.** The stock has lost c.1% since our initiation... And yet, the risk-reward is much more attractive now that 1/ the downside has been significantly reduced thanks to the positive news flow related to guselkumab; 2/ there is significant upside potential to our current base-case (c.50%). Note also that our FV could be increased by +EUR6 should 1/ guselkumab be approved for the treatment of plaque psoriasis (+EUR4), and 2/ positive Phase I/II data be published for anetumab in a range of selected solid tumours (+EUR2).

NEXT CATALYSTS

- December 3-6: ASH Congress. Data involving MOR202 and MOR208.

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Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,254
Ev (BG Estimates) (EURm)	905
Avg. 6m daily volume (000)	125.9
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	12.0%	-15.2%	-25.4%
Healthcare	0.4%	-6.5%	-9.1%	-14.2%
DJ Stoxx 600	-0.3%	-1.1%	-2.8%	-7.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	106.2	52.0	75.0	8.6
% change		-51.1%	44.3%	-88.5%
EBITDA	20.6	-63.2	-60.8	-147.9
EBIT	17.2	-67.2	-64.8	-151.9
% change		NM	3.6%	-134.3%
Net income	14.8	-47.1	-45.4	-106.3
% change		NM	3.6%	-134.3%

	2015	2016e	2017e	2018e
Operating margin	16.2	-129.4	-86.4	-1,768
Net margin	14.0	-90.6	-60.5	-1,238
ROE	4.1	-11.1	-11.9	-38.8
ROCE	16.0	-52.7	-47.6	-104.9
Gearing	-77.9	-82.0	-78.3	-67.7

(EUR)	2015	2016e	2017e	2018e
EPS	0.57	-1.78	-1.71	-4.01
% change	-	NM	4.0%	-134.3%
P/E	75.4x	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	9.1x	17.4x	12.7x	124.4x
EV/EBITDA	47.1x	NS	NS	NS
EV/EBIT	56.6x	NS	NS	NS



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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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