

Genmab

Price DKK1,193

ASH: POLLUX shined again, but upside surprise stemmed from CASTOR

Fair Value DKK1900 (+59%)

BUY

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 638.0
Market Cap (DKKm)	71,998
Ev (BG Estimates) (DKKm)	68,259
Avg. 6m daily volume (000)	354.7
3y EPS CAGR	54.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.0%	13.1%	-3.9%	30.0%
Healthcare	2.4%	-8.4%	-9.2%	-15.3%
DJ Stoxx 600	3.8%	-2.7%	0.0%	-6.7%

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%

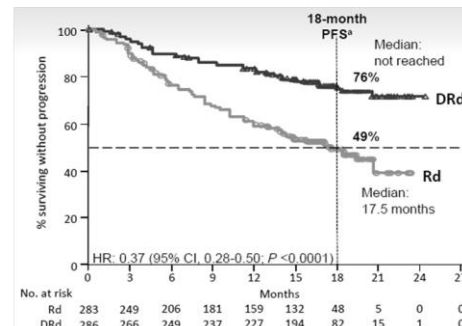
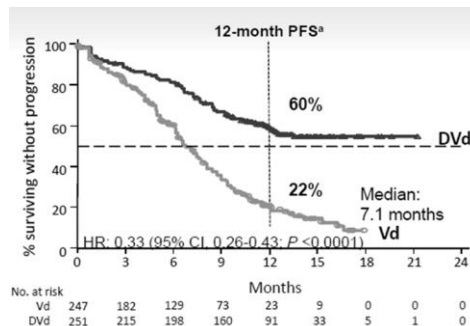
	2015	2016e	2017e	2018e
Operating margin	64.5	51.2	56.6	69.9
Net margin	67.4	51.5	51.3	63.3
ROE	21.9	22.5	20.6	28.7
ROCE	-15,400	458.1	293.6	386.9
Gearing	-100.2	-95.1	-93.0	-92.6

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	14.32	18.12	35.45
% change	-	47.4%	26.5%	95.7%
P/E	NS	83.3x	65.9x	33.7x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	60.5x	39.8x	30.3x	18.5x
EV/EBITDA	123.6x	77.7x	53.6x	26.5x
EV/EBIT	93.8x	77.7x	53.6x	26.5x

Genmab held an R&D Day in San Diego during which updated data from its two large pivotal studies, i.e. CASTOR (daratumumab in combination with bortezomib and dexamethasone) and POLLUX ("dara" with lenalidomide and dexamethasone). As expected, these are outstanding, be it efficacy or safety-wise, and we note that some responses continued to deepen in dara groups... Having said that, we were particularly impressed by the ones from CASTOR, and we increasingly believe they will be source of upside surprises.

ANALYSIS

- Not too surprisingly, updated data showed that 1/ best outcomes were achieved by less pre-treated patients (in POLLUX, lenalidomide); 2/ patients with an MRD-negative status (minimal residual disease – which we view as a much more sensitive endpoint than traditional complete response rates) did better. But now turning to progression-free survival (PFS), active arms' curves from both CASTOR and POLLUX were quite stable, while controls deteriorated over time... meaning that patients daratumumab-based regimens benefitted from more sustained and much better outcomes.



- Improved HR in the CASTOR study.** Obviously, the data from POLLUX are best-in-class ones, but such trends were widely expected, in our view. On the other hand, we were pretty impressed by the CASTOR's ones, especially given the much lower synergy potential between daratumumab and bortezomib. Median PFS has not been reached for the active arm (vs 7.1 months for the comparative)... And while the control's PFS curve has been continuously deteriorating over time, the active's one has been stuck at 60% for nearly nine months. So the hazard ratio has even slightly improved since the last cut-off (0.33 vs 0.39 previously).
- CASTOR to be key in the near-term penetration of the US market.** Cross-trial comparisons have to be done carefully given the many differences in baseline characteristics, designs, etc. Still, CASTOR's data look increasingly appealing, in our view, especially when compared to bortezomib/lenalidomide/dexamethasone in relapsed patients (Richardson *et al*, 2014). This is far from trivial as 1/ the very first generics of bortezomib are likely to reach the US market in H1 17 (thus making the whole cocktail more affordable, bearing in mind that dara is less expensive than Revlimid); 2/ Janssen markets both dara and Velcade, meaning they can adjust rebates on two significant variables within the cocktail. In fact, we increasingly see this is a source of upside surprises.
- Subcutaneous (SC) version of daratumumab: so far so good.** Results from the Phase I evaluating the SC version of daratumumab using Halozyme's hyaluronidase platform in pre-treated myeloma... And so far, data from patients receiving the 1,800 mg SC dose look very consistent the 16 mg/kg dose (be it in terms of pharmacokinetics or response rates).



VALUATION

- **We stick to our BUY rating with a FV of DKK1,900.** Daratumumab's best-in-class status has once again been confirmed with these updated data. And with the second-line of the US myeloma market now being addressed thanks to the recent FDA approval, we believe the compound is very likely to reach its blockbuster status as of 2017. We stick to our sales estimates for 2017 (USD1.4Bn vs c. USD0.6Bn this year) and beyond... But we increasingly feel like we might be conservative here.

NEXT CATALYSTS

- February 17, 2017: Q4 16 results

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