

# ABG Sundal Collier

12 February 2016

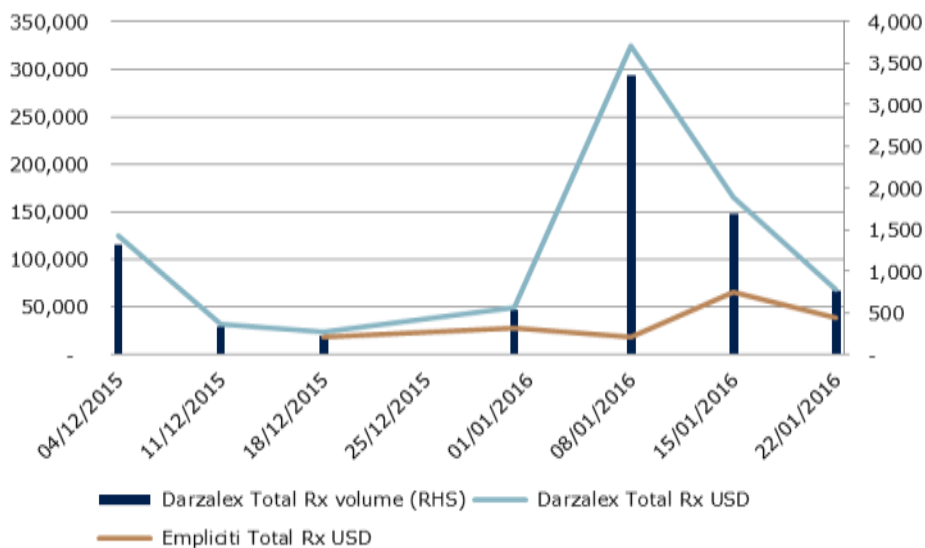
Investment Research

Genmab (GEN.CO, BUY, SP DKK 849, TP DKK 1125) Instant Comment

Genmab (BUY,TP DKK 1125) – We see a buying opportunity

*The announcement of Johnson & Johnson Innovation (JJDC) a Venture arm to the pharmaceutical company Johnson and Johnson reducing their ownership in Genmab has yet again sent the Genmab stock tumbling. This is the second time (first time in March 2015) where JJDC have reduced their stake on Genmab and we continue to believe it its purely portfolio optimisation (reducing overweight/profit taking) and not indicating any insight as to how Johnson & Johnson view their partnership with Genmab on Darzalex or the Duobody platform. We find comfort in several indicators and wish to highlight them again. Darzalex is an important asset for J&J and they confirm this by talking about it at any give chance such as 1) the J.P. Morgan Healthcare conference, where CEO Alex Gorsky says he would like to find more of “the next Darzalex” 2) in J&J annual statement where they state their has been a strong uptake in Darzalex sales (no explicit numbers) 3) in J&J annual statement they expect important phase III trials in relapsed/refractory multiple myeloma to read out and file in 2016 4) the Duobody partnership has resulted in 7 out of 11 candidates approaching the clinic (1 announced). We have also stressed that the communication from J&J has been far more bullish compared to Bristol-Myers Squibb and AbbVie who have not talked about Empliciti and reported USD 3m sales in December 2015. Together with the indicative scripts data we have pulled from Bloomberg showing Darzalex outperforming Empliciti we continue to find support for our forecast and valuation of Darzalex and Genmab. We see a buying opportunity with ample positive catalysts in the near future. BUY reiterated and TP DKK 1125.*

## Clear indications that Darzalex is outperforming Empliciti



Source: Bloomberg, Symphony Health Solutions - Total TRx volume and USD

## SOTP valuation

SOTP DKK/Share	Risk adj. NPV/share	Probability	Pct. of total	De-risked NPV/share
<b>Arzerra</b>				
Arzerra Oncology	20	100%	2%	20
Arzerra Autoimmune	36	68%	4%	54
<b>Total Arzerra</b>	<b>57</b>		<b>6%</b>	<b>74</b>
<b>Darzalex Multiple Myeloma</b>				
Fourth line	9	100%	1%	9
Third line	37	100%	4%	37
Second line	130	95%	14%	137
First line	379	95%	40%	399
Milestones	98	96%	10%	102
<b>Total Darzalex MM</b>	<b>654</b>		<b>69%</b>	<b>685</b>
<b>Darzalex R/R Non Hodgkins Lymphoma</b>				
Mantle Cell Lymphoma	3	45%	0%	6
Follicular Lymphoma	10	45%	1%	22
Diffuse Large B-cell Lymphoma	22	45%	2%	49
<b>Total Darzalex NHL</b>	<b>34</b>		<b>4%</b>	<b>76</b>
<b>Technology &amp; Partnership</b>				
Partnership	125	34%	13%	370
Reimbursement income	3	100%	0%	3
<b>Total</b>	<b>129</b>		<b>13%</b>	<b>374</b>
<b>Humax-TF-ADC</b>				
8 potential indications	26	22%	3%	117
<b>Total product SOTP</b>	<b>899</b>		<b>94%</b>	<b>1325</b>
Net cash YE'2015	61		6%	61
<b>Total as of January 2016</b>	<b>954</b>		<b>100%</b>	<b>1380</b>
Time value	1.11			1.11
<b>DCF</b>	<b>1059</b>		<b>100%</b>	<b>1532</b>
Current share price	753			753
<b>Potential to share price</b>	<b>41%</b>			<b>103%</b>

Source: ABG Sundal Collier, company data

## Ample catalysts

We expect at least two to three major announcements in 2016 to support our investment case. **1.** Approval of Darzalex in Europe in H1 2016 ( In theory February due to accelerated process granted with 150 days, normally 210 days); although expected, it should be a positive event supporting commercial expansion. **2.**Data from the two Phase III studies Pollux) and Castor with Daratumumab in relapsed or refractory multiple myeloma is expected to read out interim data ( Pollux: ABGSCe H1'16,Castor: ABGSCe H2'16) . The results if favourable would allow for a filing for approval in second line treatment in 2016, which is the indication that Empliciti from BMS/AbbVie recently gained approval for. **3.** Announcements of trials initiated with Daratumumab in indications outside multiple myeloma. Genmab has announced that around 13 new trials are expected to be announced in 2016 and new trials in big indications or in combination with novel drugs, such as check point inhibitors. **4** Data from Phase II study of Daratumumab in non-Hogkins lymphoma subtypes (DLBCL, MCL, FL). Currently, we believe consensus assigns no value to this indication as no clinical safety and efficacy data has been presented. **5.** DuoBody partnership milestones from partner Janssen and announcement of progression of candidates into clinical Phase I/II.

Recommendation, target prices and estimates refer to our latest published research report.

## Key Highlights (DKKm)

Year	Sales	EBITDA	EBITDA			EPS	EPS growth	EPS Core	EV/EBITDA	P/E	P/E Core	FCF yield	Div. yield
			EBITA	marg.	Net profit								
2011	351	-234	-249	-66.8%	-204	-13.1	>100%	-4.57	0.0	0.0	0.0	na	na
2012	485	-102	-117	-21.0%	-111	-10.7	-18.3%	-2.45	0.0	0.0	0.0	na	na
2013	664	81	69	12.2%	70	2.22	<-100%	1.38	0.0	0.0	0.0	na	na
2014	850	274	265	32.2%	301	5.58	>100%	5.58	>50	>50	>50	0.1%	0.0%
2015e	1,076	686	671	63.8%	649	11.3	>100%	11.3	>50	>50	>50	1.1%	0.0%
2016e	1,127	502	487	44.6%	384	6.56	-41.8%	6.56	>50	>50	>50	0.7%	0.0%
2017e	1,960	1,325	1,310	67.6%	1,018	17.4	>100%	17.4	34.0	48.8	48.8	2.5%	0.0%

Source: ABG Sundal Collier, company data

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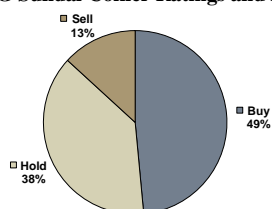
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## Stock ratings distribution

### ABG Sundal Collier Ratings and Investment Banking by 04/02/2016



Type of Rating	Research Coverage		Investment Banking Clients (IBC)	
	Total Rating	% of	Total IBC	Total Rating by Type
Buy	49%		60%	11%
Hold	38%		40%	9%
Sell	13%		0%	0%

IBC: Companies in respect of which ABGSC or an affiliate has received compensation for investment banking services within the past 12 months

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**HOLD** = We expect this stock's total return to be in line with the market's expected total return within a range of 4% over the next six months.

**SELL** = We expect this stock's total return to underperform the market's expected total return by 5% or more over the next six months.

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## Stock price, company ratings and target price history

Company: Genmab

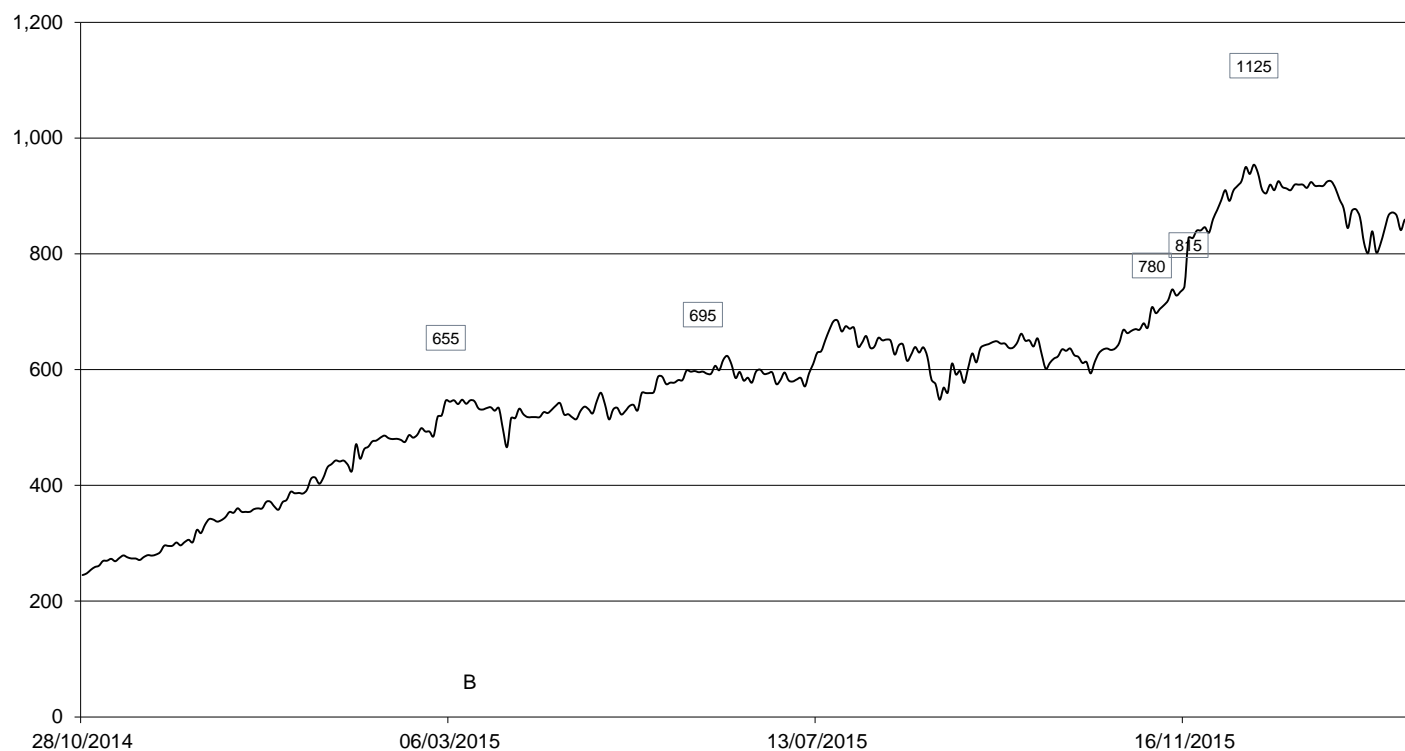
Currency: DKK

Current Recommendation: BUY

Date: 02/02/2016

Current Target Price: 1125

Current Share Price: 849



Source: FactSet and ABG Sundal Collier

### Important Company Specific Disclosure

The analyst(s) and members of the analyst's household own 0 shares in Genmab. Employees and Partners in ABG Sundal Collier own 10 shares in Genmab. ABG Sundal Collier has a delta position equal to 0 shares in Genmab.

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