Genmab – QuickView

9 January 2013

Investment summary: Stars are realigning

Genmab's daratumumab has the potential to be a game changer. Activity of the anti-CD38 antibody in myeloma represents a new and complementary mechanism of action, meeting a major unmet medical need. Heavily pre-treated multiple myeloma patients extraordinarily achieved a partial response after short single-agent exposure. Although early stage, the data is sufficiently impressive for J&J and Genmab to communicate an ambitious clinical trial programme this year across a variety of haematological cancers, targeting a market opportunity of c $9bn.

Limited toxicity easily managed with steroids

In a dose-escalating Phase I/II study, the safety and toxicity of daratumumab (a fully human IgG anti-CD38 monoclonal antibody) were assessed in 32 patients with relapsed and relapsed-refractory multiple myeloma (MM). Daratumumab monotherapy in patients already exposed to two to 11 therapies caused limited toxicity easily managed with steroids. The most common adverse events were infusion-related reactions. It is particularly impressive, the study met its primary safety end point, given the widespread expression of CD38 in normal human tissue.

Extraordinary efficacy signal with single-agent exposure

At the higher doses (4-24mg/kg), daratumumab induced a dose-related reduction in the M-component, paraprotein, a marker of disease activity. A disappearance of tumour cells from bone marrow samples was also detected. Moreover, at doses of ≥4mg/kg, a third of patients achieved a partial response and two-thirds achieved at least a minor response. This is an exceptional finding after short single-agent exposure and has never been seen before with a monoclonal antibody. Data on extended exposure (up to 24 months) and combined with Revlimid are expected from 2014.

Massive market potential

Genmab estimates the MM market at $3.9bn pa. Daratumumab was partnered with Janssen Biotech (a subsidiary of J&J) in August 2012 in a deal worth up to $1.1bn. This includes potential development in six disclosed haematological cancers, for which the companies estimate a total market potential (including MM) of $9bn pa.

Valuation: Daratumumab springboard

As well as exciting daratumumab data, albeit early stage, the $55m upfront received from J&J via its out-licensing and an equity investment of $80m, has extended the cash runway to beyond 2016e, sufficient to see Phase III data read-outs of ofatumumab, which, if positive, would significantly expand its label and allow Genmab to develop certain of its antibody-drug conjugates alone to retain more value for shareholders.

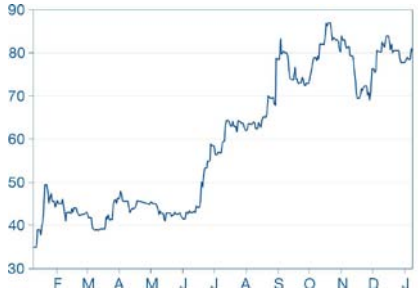
Consensus estimates

Year end	Revenue (DKKm)	PBT (DKKm)	EPS (DKK)	Net cash (DKKm)	P/E (x)	Yield (%)
12/10	582	(122)	(3.19)	1,516	N/A	N/A
12/11	351	(210)	(7.57)	1,089	N/A	N/A
12/12e	450	(126)	(4.37)	1,319	N/A	N/A
12/13e	587	(38)	(0.60)	1,069	N/A	N/A

Source: Bloomberg

Price	DKK80.5
Market cap	DKK4,049m

Share price graph



Share details

Code	GEN
Listing	Copenhagen
Sector	Biotechnology
Shares in issue	50.3m

Business

Genmab is a Danish biotech focused on human antibody therapeutics for treating cancers. It has one marketed product partnered with GSK, Arzerra (ofatumumab), for the treatment of CLL. There are also three products in clinical development and >12 PC candidates. It has cash to last beyond 2016e, sufficient to see the read-out of its Phase III ofatumumab studies.

Bull

- Read-out of five Phase III ofatumumab studies in 2013 and 2014.
- Roll-out of daratumumab clinical trial programme in 2013 as part of J&J $1.1bn licensing deal.
- Clinical progress of antibody-drug conjugate platform and expansion of DuoBody & HexaBody collaborations.

Bear

- Ofatumumab is competing against Rituxan with c $7bn in 2011 sales.
- Risk of clinical failure of daratumumab extension and combination studies.
- Cash burn associated with keeping its Minnesota production facility open.

Analysts

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