

Genmab

FY24 guide risk on opex (recurring debate); Pipe updates make it binary

Reiterate Rating: BUY | PO: 2,540 DKK | Price: 1,990 DKK

FY24 guide c10% below consensus; Milestone and opex

We see FY24 guide risk with our EBIT of DKK5.8bn c10% below consensus of DKK6.3bn. Key variables include: 1) Opex growth of DKK2.7bn vs consensus at DKK2.2bn. We believe opex growth could be greater than FY22 (mid-point of guide implies FY23 opex growth of DKK2.5bn), with a greater step up in R&D (more PIII starts) partially offset by smaller step up in SG&A (some leverage vs FY23 investment); 2) Marginally lower revenues on slightly lower milestone revenue (DKK566m vs consensus cDKK680m), with the only confirmed milestone Epkinly FL US acceptance milestone of c\$30-35m. We are broadly in-line with consensus for FY23 EBIT at DKK5.4bn (vs guide range of DKK4.8-5.75bn). We lower forecasts by mid-high single digits % mainly on opex, with some Fx changes. We lower PO to DKK2,540, DCF based, on lower forecasts and terminal growth (now 3% vs 4.5% prior to partly reflect the post Darzalex LOE debate below). Reiterate Buy.

Pipeline progress needed vs Darzalex patent debate

We forecast Darzalex loss of royalty from FY29, important given it is c50% of revenues prior to LOE and obviously a larger EBIT contributor. Pipeline progress through FY24 is imperative to build confidence in growth post Darzalex LOE with focus on two assets in particular. Upcoming data (1) CD38 Hexabody; 2) 41BB assets) makes GMAB a "binary" call in FY24 and each asset briefly discussed below.

CD38 and GEN1046 in greatest focus; Neither slam dunk

1) Genmab presented dose-expansion data at ASH. GMAB provided high-level comments on data noting: a) encouraging efficacy, with >VGPR c40% for CD38 (4 out 11 pts) vs Darzalex prior mid-teens (COLUMBA data); b) On safety, noted 2 grade 5 events not deemed treatment related by DSMB, noting the respiratory event was a Covid related death, with CV related death in patient with multiple CV co-morbidities. As a reminder, the CD38 head-to-head vs Darzalex to drive JNJ opt in is due 2H24, with further data from dose-expansion needed to take firm view into data; 2) On GEN1046, GMAB has final PII data (2L lung) in house and plans to discuss path forward with regulators. Data due to be presented 1H24, however GMAB clear that see efficacy (referencing Taxotere 20% ORR bench, though no colour on duration). We await colour on the potential PIII programme.

Estimates (Dec) (DKK)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted)	46.0	84.5	77.1	77.0	97.8
EPS Change (YoY)	-37.0%	83.6%	-8.7%	-0.2%	27.1%
Dividend / Share	0	0	0	0	0
ADR EPS (Adjusted - US\$)	0.73	1.19	1.12	1.12	1.43
ADR Dividend / Share (US\$)	0	0	0	0	0
Valuation (Dec)					
P/E	43.3x	23.6x	25.8x	25.9x	20.3x
EV / EBITDA*	35.8x	17.5x	20.7x	19.1x	15.2x
Free Cash Flow Yield*	1.52%	2.76%	3.84%	3.77%	4.78%

* For full definitions of *IQmethod*SM measures, see page 6.

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Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 18 January 2024 12:30AM EST

18 January 2024

Equity

Key Changes

(DKr)	Previous	Current
Price Obj.	3,075.00	2,540.00
2023E EPS	78.45	77.09
2024E EPS	84.25	76.96
2025E EPS	101.44	97.83

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Stock Data

Price (Common / ADR)	1,990 DKK / 29.15 USD
Price Objective	2,540 DKK / 37.00 USD
Date Established	18-Jan-2024 / 18-Jan-2024
Investment Opinion	B-1-9 / B-1-9
52-Week Range	1,942 DKK-2,947 DKK
Market Value (mn)	128,966 DKK
Shares Outstanding (mn)	64.8 / 648.1
Average Daily Value (mn)	30.78 USD
Free Float	97.8%
BofA Ticker / Exchange	GNMSF / CPH
BofA Ticker / Exchange	GMAB / NAS
Bloomberg / Reuters	GMAB DC / GMAB.CO
ROE (2023E)	16.8%
Net Dbt to Eqty (Dec-2022A)	-34.1%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Genmab

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(DKr Millions)					
Sales	8,482	14,595	16,295	19,413	24,314
EBITDA Adjusted	3,212	6,573	5,549	6,016	7,555
Depreciation & Amortization	(194)	(216)	(190)	(216)	(178)
EBIT Adjusted	3,018	6,357	5,359	5,800	7,378
Net Interest & Other Income	965	678	1,082	594	750
Tax Expense / Benefit	(975)	(1,513)	(1,417)	(1,407)	(1,788)
Net Income (Adjusted)	3,008	5,522	5,024	4,988	6,340
Average Fully Diluted Shares Outstanding	66.0	66.0	65.7	65.4	65.4

Key Cash Flow Statement Data					
Net Income (Reported)	3,008	5,522	5,024	4,988	6,340
Depreciation & Amortization	194	216	190	216	178
Change in Working Capital	(770)	(1,930)	(42.6)	(43.1)	(43.5)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(204)	104	117	0	0
Cash Flow from Operations	2,228	3,912	5,289	5,160	6,474
Capital Expenditure	(252)	(317)	(304)	(304)	(304)
(Acquisition) / Disposal of Investments	(1,045)	(2,405)	0	0	0
Other CFI	336	(39.0)	0	0	0
Cash Flow from Investing	(961)	(2,761)	(304)	(304)	(304)
Share Issue / (Repurchase)	(447)	(908)	0	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Increase (decrease) debt	86.0	160	0	0	0
Other CFF	(59.0)	(41.0)	0	0	0
Cash Flow from Financing	(420)	(789)	0	0	0
Total Cash Flow (CFO + CFI + CFF)	847	362	4,985	4,856	6,170
FX and other changes to cash	850	574	0.05	0	0
Change in Cash	1,697	936	4,985	4,856	6,170
Change in Net Debt	(1,611)	(776)	(4,985)	(4,856)	(6,170)
Net Debt	(8,594)	(9,370)	(14,355)	(19,211)	(25,381)

Key Balance Sheet Data					
Property, Plant & Equipment	621	799	982	1,140	1,273
Goodwill	0	0	0	0	0
Other Intangibles	254	146	76.5	6.49	0
Other Non-Current Assets	1,016	956	956	956	956
Trade Receivables	3,398	6,053	6,114	6,175	6,236
Cash & Equivalents	8,957	9,893	14,878	19,734	25,904
Other Current Assets	10,381	12,431	12,431	12,431	12,431
Total Assets	24,627	30,278	35,437	40,443	46,801
Long-Term Debt	363	523	523	523	523
Other Non-Current Liabilities	500	491	491	491	491
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,568	1,823	1,958	1,976	1,994
Total Liabilities	2,431	2,837	2,972	2,990	3,008
Total Equity	22,196	27,441	32,465	37,452	43,792
Total Equity & Liabilities	24,627	30,278	35,437	40,443	46,801

Business Performance*					
Return On Capital Employed	11.3%	20.4%	15.2%	13.9%	15.1%
Return On Equity	14.6%	22.2%	16.8%	14.3%	15.6%
Operating Margin	35.6%	43.6%	32.9%	29.9%	30.3%
Free Cash Flow (MM)	1,976	3,595	4,985	4,856	6,170

Quality of Earnings*					
Cash Realization Ratio	0.74x	0.71x	1.05x	1.03x	1.02x
Asset Replacement Ratio	2.29x	2.17x	2.52x	2.09x	1.78x
Tax Rate	24.5%	21.5%	22.0%	22.0%	22.0%
Net Debt/Equity	-38.7%	-34.1%	-44.2%	-51.3%	-58.0%
Interest Cover	NM	NM	NM	NM	NM

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Pharmaceuticals

Company Description

Genmab is a Danish antibody company that uses its proprietary technology to generate fully human antibodies to disease targets provided by its collaborators. The company receives royalties on Arzerra (ofatumumab, anti-CD-20). Its most exciting asset is Darzalex, anti-CD-38 for multiple myeloma (MM). Darzalex is launched in relapsed MM and is also in the pipeline for earlier lines of therapy and solid tumours. Genmab has a number of partnerships with large biotech/big cap pharma.

Investment Rationale

Our Buy rating is driven by valuation upside potential and mid-term pipeline upside potential.

Stock Data

Shares / ADR	0.10
Price to Book Value	4.0x

Quarterly Earnings Estimates

	2022	2023
Q1	7.10A	3.46A
Q2	28.87A	20.80A
Q3	39.55A	32.60A
Q4	9.01A	20.24E

Key Changes

(US\$)	Previous	Current
Price Obj.	45.58	37.00
2023E EPS	1.14	1.12
2024E EPS	1.23	1.12
2025E EPS	1.48	1.43

Exhibit 1: Genmab Sales Model

sales forecasts

Year to December (DKKmn)	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	YoY Growth %			CAGR
															2022A	2023E	2024E	25-28E
Total Royalties	11,672	2,428	3,507	3,868	3,915	13,718	15,192	16,801	18,067	19,267	20,426	17,701	10,613	5,395	67	18	11	7
Darzalex royalty	10,056	1,952	2,952	3,177	3,178	11,259	12,212	13,124	13,822	14,554	15,323	12,266	4,906	0	64	12	8	5
Kesimpta royalty (MS)	779	266	334	449	467	1,516	2,067	2,614	3,000	3,280	3,454	3,590	3,697	3,236	231	95	36	10
Tepezza royalty	796	166	170	180	199	715	735	809	890	979	1,077	1,184	1,279	1,381	34	-10	3	10
Tivdak profit share	332	50	55	70	275	450	975	1,338	1,455	1,717	1,631	1,550	1,472	1,399	1,560	36	117	7
Total Milestone revenue	1,767	104	351	342	110	907	566	1,066	0	0	0	0	0	0	85	-49	-38	-100
Collaboration revenue	338	67	73	78	232	450	975	1,338	1,455	1,717	1,631	1,550	1,472	1,399	1,590	33	117	7
Total Reimbursement revenue	818	255	228	306	70	859	859	859	859	859	859	859	859	859	54	5	0	0
CD40/41BB	0	0	0	0	0	0	304	709	1,417	2,025	2,429	2,672	2,753	2,780	nm	nm	nm	51
Total Revenues	14,595	2,854	4,198	4,744	4,499	16,295	19,413	24,314	27,939	31,628	33,528	31,299	24,470	19,293	72	12	19	11

Source: Company reports, BofA Global Research estimates

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Exhibit 2: Genmab Profit & Loss Model

P/L forecasts

Year to December (DKKmn)	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	YoY Growth % CAGR			
															2022A	2023E	2024E	25-28E
Revenues	14,595	2,854	4,198	4,744	4,499	16,295	19,413	24,314	27,939	31,628	33,528	31,299	24,470	19,293	72	12	19	11
R&D	-5,562	-1,741	-1,853	-2,088	-1,827	-7,509	-9,761	-12,690	-13,959	-15,355	-16,890	-13,512	-6,756	-2,027	33	35	30	10
% of sales	38.1	61.0	44.1	44.0	40.6	46.1	50.3	52.2	50.0	48.5	50.4	43.2	27.6	10.5				
S,G&A	-2,676	-676	-848	-839	-902	-3,265	-3,656	-4,022	-4,223	-4,434	-4,434	-4,434	-4,434	-4,434	109	22	12	3
% of sales	18.3	23.7	20.2	17.7	20.0	20.0	18.8	16.5	15.1	14.0	13.2	14.2	18.1	23.0				
Operating profit	6,357	437	1,497	1,717	1,708	5,359	5,800	7,378	9,498	11,542	11,900	13,043	12,964	12,510	111	-16	8	17
Margin %	43.6	15.3	35.7	36.2	38.0	32.9	29.9	30.3	34.0	36.5	35.5	41.7	53.0	64.8				
Finance Income	1,358	284	243	1,026	22	1,575	596	752	953	1,192	1,460	1,740	2,016	2,269	-19	16	-62	25
Finance Expenses	-680	-435	-17	-41	0	-493	-2	-2	-2	-2	-2	-2	-2	-2	-3	-28	-100	0
Profit before tax	7,035	286	1,723	2,702	1,730	6,441	6,394	8,128	10,450	12,732	13,358	14,782	14,977	14,776	77	-8	-1	18
Tax (Expenses) / Income	-1,513	-60	-366	-573	-418	-1,417	-1,407	-1,788	-2,299	-2,801	-2,939	-3,252	-3,295	-3,251	55	-6	-1	18
Tax rate %	22	21	21	21	24	22	22	22	22	22	22	22	22	22				
Profit after tax	5,522	226	1,357	2,129	1,312	5,024	4,988	6,340	8,151	9,931	10,419	11,530	11,682	11,525	84	-9	-1	18
Margin %	37.8	7.9	32.3	44.9	29.2	30.8	25.7	26.1	29.2	31.4	31.1	36.8	47.7	59.7				
Profit / (Loss) from Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm
Net Profit	5,522	226	1,357	2,129	1,312	5,024	4,988	6,340	8,151	9,931	10,419	11,530	11,682	11,525	84	-9	-1	18
Margin %	37.8	7.9	32.3	44.9	29.2	30.8	25.7	26.1	29.2	31.4	31.1	36.8	47.7	59.7				
Per share data																		
EPS (core)	84.5	3.5	20.8	32.6	20.2	77.1	77.0	97.8	125.8	153.2	160.8	177.9	180.3	177.8	84	-9	-0	18
Basic shares avg	65.4	65.3	65.2	65.3	64.8	65.2	64.8	64.8	64.8	64.8	64.8	64.8	64.8	64.8	-0	-0	-1	0

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Genmab (GNMSF / GMAB)

Our DKK2540 PO (ADR: US\$37) is DCF-based given expected earnings volatility over the coming years driven by lumpy milestone payments. Assumptions: 1) a discount rate of 8.5% given the focus on lower-risk antibodies and significant portion of the pipeline partnered with big caps: 2) a terminal growth rate of 3%: 3) Individual assets valued based on a sum-of-the-parts.

Upside risks to our PO are increased sales from key assets, increased penetration of biologics, pipeline success (focus on epcoritamab).

Downside risks to our PO are Darzalex commercial execution, clinical trial failure, failure of management to deliver additional partnership deals/progress assets through the pipeline, risk of litigation, adverse currency moves.

Analyst Certification

I, Sachin Jain, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Pharma & Biotech Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AstraZeneca	AZN	AZN US	Sachin Jain, CFA
	AstraZeneca	AZNCF	AZN LN	Sachin Jain, CFA
	Genmab	GNMSF	GMAB DC	Sachin Jain, CFA
	Genmab	GMAB	GMAB US	Sachin Jain, CFA
	Grifols S.A.	GIFLF	GRF SM	Graham Parry
	Grifols S.A. - B	GRFS	GRFS US	Graham Parry
	Grifols S.A. - B	GIFO	GRF/P SM	Graham Parry
	Merck KGaA	MKGAF	MRK GY	Sachin Jain, CFA
	Merck KGaA	MKKG	MKKG US	Sachin Jain, CFA
	Novartis	NVSEF	NOVN SW	Graham Parry
	Novartis	NVS	NVS US	Graham Parry
	Novo Nordisk	NONOF	NOVOB DC	Sachin Jain, CFA
	Novo Nordisk	NVO	NVO US	Sachin Jain, CFA
	Sandoz Group AG	SDZXF	SDZ SW	Graham Parry
	Sandoz Group AG	SDZNY	SDZNY US	Graham Parry
	Sanofi	SNYNF	SAN FP	Graham Parry
	Sanofi	SNY	SNY US	Graham Parry
NEUTRAL				
	Bayer	BAYZF	BAYN GY	Sachin Jain, CFA
	Bayer	BAYRY	BAYRY US	Sachin Jain, CFA
	H. Lundbeck A/S	HLUKF	HLUNB DC	Sachin Jain, CFA
	Idorsia	IDRSF	IDIA SW	Sachin Jain, CFA
	Ipser	IPSEF	IPN FP	Sachin Jain, CFA
	Roche Holdings	RHHBF	ROG SW	Sachin Jain, CFA
	Roche Holdings	RHHBY	RHHBY US	Sachin Jain, CFA
UNDERPERFORM				
	GSK Plc	GSK	GSK US	Graham Parry
	GSK Plc	GLAXF	GSK LN	Graham Parry
	Orion	ORINF	ORNBV FH	Graham Parry
	UCB	UCBJF	UCB BB	Graham Parry
	UCB	UCBJY	UCBJY US	Graham Parry

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

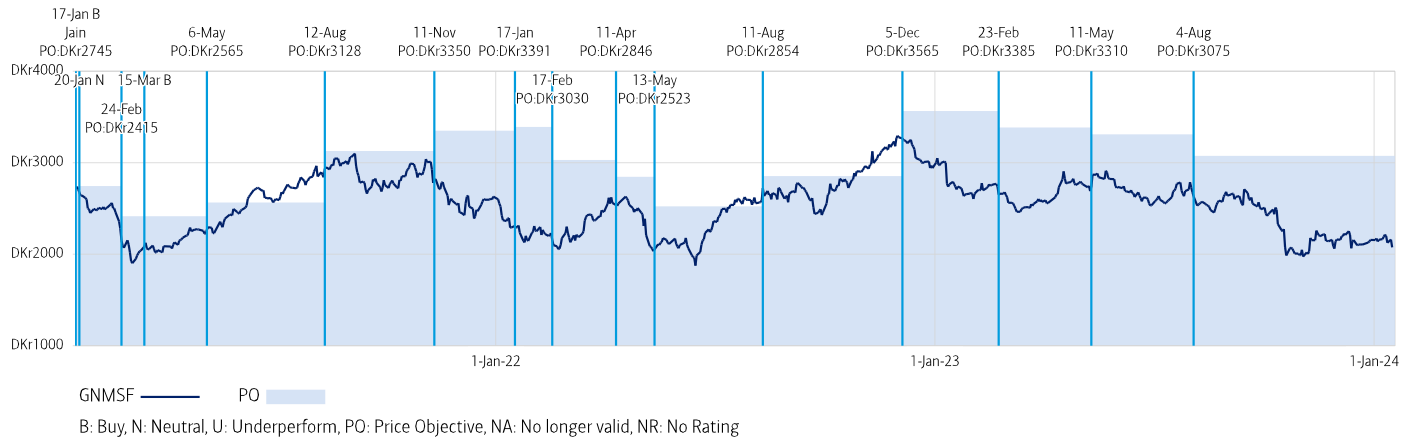
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Disclosures

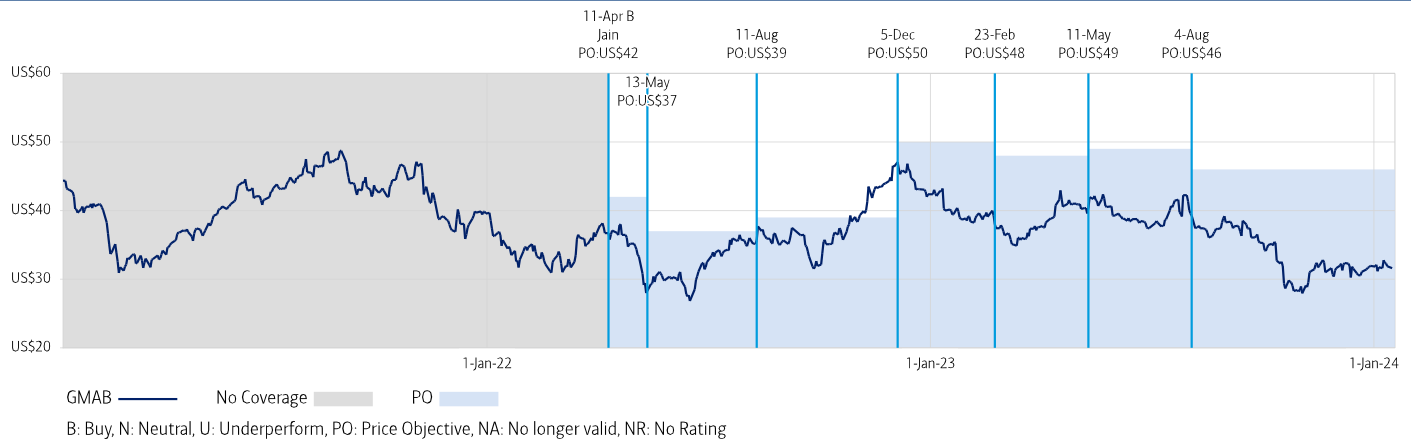
Important Disclosures

Genmab (GNMSF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Genmab (GMAB) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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