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Xencor (XNCR - OUTPERFORM): XNCR Announces Bispecific Collaboration Agreement with Novo Nordisk for Undisclosed Target

Price: \$15.65 12-Month Price Target: \$18

- XNCR entered into a collaboration (worth up to \$175M, plus potential future royalties) agreement with Novo Nordisk (NVO, not covered) to jointly discover bispecific antibody candidates for an undisclosed target, using XNCR's XmAb technologies.
- Recall XNCR's XmAb bispecific platform recently showed promising pre-clinical results for three bispecific antibodies: CD3xCD123, CD3xCD20 and CD3xCD38 at this year's American Society of Hematology (ASH) meeting. Each antibody showed relatively long half-lives and activity in preclinical hematological malignancy models. We find these characteristics and the well-known clinical/regulatory and manufacturing pathway for antibodies to be potentially competitive with engineered T-cell therapies where, despite impressive clinical benefits seen to date, the route to approval and manufacturing of T-cell therapies is much less clear.
- AMGN yesterday announced its approved bispecific antibody Blincyto, which targets CD19 x CD3, will be priced at \$178,000 for a course of treatment. The price is the highest we know of for a course of antibody therapy in an oncology indication, and, if bispecifics could compete with engineered T-cell therapies, we could see further upside room to pricing of improved "second-generation" bispecifics that Xencor's technology can provide.
- Reiterate OUTPERFORM and \$18 price target. Our \$18 price target is derived from the sum of multiples on sales and
 royalties from XNCR's proprietary and partnered products, each discounted back.

Risks to the attainment of our price target include 1) failure to reach sales expectations for XmAb7195, XmAb5574, XmAb5871 and 2) failure in the clinic of either XmAb7195, XmAb5574, XmAb5871.

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Company	Disclosure
Xencor	1,3,4,5

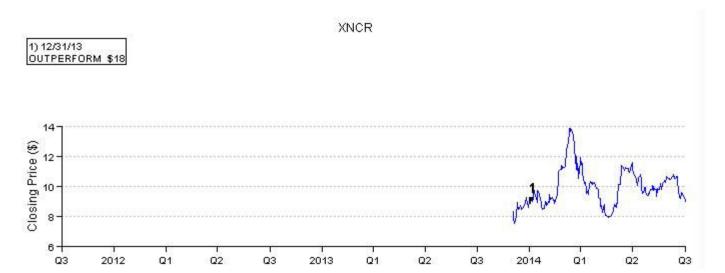
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