

Seattle Genetics Inc.

Consolidated Issue Listed on NASDAQ Global Select Market: SGEN

\$34.68**Ford Equity Research**
A Mergent Company**HOLD**

Reiteration 3/24/16

We project that SGEN will perform in line with the market over the next 6 to 12 months. This projection is based on our analysis of three key factors that influence common stock performance: earnings strength, relative valuation, and recent price movement.

Previous Rating
Sell (8/15/15 - 10/30/15)

52-Week Price Range
\$26.87 - \$51.61

Market Capitalization
\$4.84 Billions

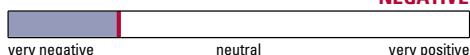
Annual Dividend Yield
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Annual Dividend Rate
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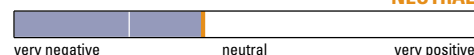
Industry
Drugs

Earnings Strength**VERY POSITIVE**

EPS decreased from \$-0.66 to an estimated \$-0.86 over the past 5 quarters.

Relative Valuation**NEGATIVE**

Operating Earnings Yield of -2.5% ranks above 24% of the companies covered by Ford.

Price Movement**NEUTRAL**

1-year price down 8.0%: **NEUTRAL**

1-quarter down 20.5%: **VERY POSITIVE**

1-month up 16.1%: **VERY NEGATIVE**

Seattle Genetics is a biotechnology company focused on the development and commercialization of targeted therapies for the treatment of cancer.

The company's marketed product ADCETRIS®, or brentuximab vedotin, is an antibody-drug conjugate (ADC), comprising an anti-CD30 monoclonal antibody attached by a protease-cleavable linker to a microtubule disrupting agent, monomethyl auristatin E (MMAE), utilizing the company's proprietary technology. In addition to ADCETRIS, the company's pipeline includes six clinical-stage ADC programs consisting of SGN-CD33A, SGN-CD19A, SGN-LIV1A, SGN-CD70A, ASG-22ME, and ASG-15ME, and SEA-CD40, which is based on the company's sugar-engineered antibody(SEA), technology.

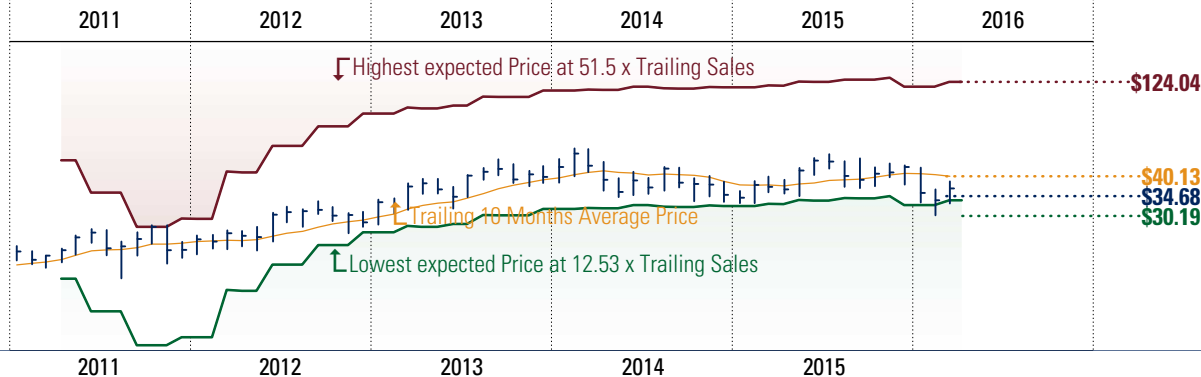
Drugs performance is NEUTRAL

Peer Group Comparison

Ticker	Company Name	Overall Rating	Quality Rating	Recent Price	Market Cap(B)	EPS (ttm)	P/E (mrq)	P/B (ttm)	1 year Price Change
SGEN	Seattle Genetics Inc.	Hold	Low	\$34.68	\$4.838	\$-0.94	--	7.11	-8.00
ACRS	Aclaris Therapeutics Inc	Sell	Low	\$14.77	\$0.298	\$-1.18	--	--	--
ALNY	Alnylam Pharmaceutic..	Sell	Very Poor	\$60.28	\$5.106	\$-3.45	--	4.05	-45.20
SNMX	Senomyx Inc.	Hold	Very Poor	\$2.80	\$0.125	\$-0.29	--	5.60	-41.20

SGEN Price Performance**Ford Valuation Bands**

Valuation bands based on the highest and lowest P/E ratio in the past five years applied to the trailing 12 month operating earnings. Price (US\$)

**Fiscal Year End - DEC**

	2011	2012	2013	2014	2015
Net Profit on Sales	-163.6%	-26.7%	-23.7%	-26.8%	-38.9%
Cash Flow/share	\$-1.27	\$-0.38	\$-0.42	\$-0.51	\$-0.74
Book Value/share	\$1.88	\$1.88	\$1.88	\$1.75	\$4.88
Return on Equity	-71.5%	-25.1%	-27.7%	-35.4%	-19.3%
Debt to Equity	--	--	--	--	--

Net Profit on Sales

-163.6%

-26.7%

-23.7%

-26.8%

-38.9%

Cash Flow/share

\$-1.27

\$-0.38

\$-0.42

\$-0.51

\$-0.74

Book Value/share

\$1.88

\$1.88

\$1.88

\$1.75

\$4.88

Return on Equity

-71.5%

-25.1%

-27.7%

-35.4%

-19.3%

Debt to Equity

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Recommendation Summary

Ford's Hold on Seattle Genetics Inc. is the result of our systematic analysis on three basic characteristics: earnings strength, relative valuation, and recent stock price movement. The company has enjoyed a very positive trend in earnings per share over the past 5 quarters. Because the company lacks sufficient analyst estimate data, we place greater weight on the historical EPS trend as the measure of earnings strength. Based on operating earnings yield, the company is overvalued when compared to all of the companies we cover. Share price changes over the past year indicates that SGEN will perform in line with the market over the near term.

Earnings Strength is **VERY POSITIVE**

Ford's earnings momentum measures the acceleration or deceleration in trailing 12 month operating earnings per share growth. The upward curvature of the plotted points in the graph on the right indicates that while **Seattle Genetics Inc.'s earnings have declined to an estimated \$-0.86 from \$-0.66 over the past 5 quarters, they have shown strong acceleration in quarterly growth rates** when adjusted for the volatility of earnings. This indicates an improvement in future earnings growth may occur.

Nearly 40 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. Ford measures earnings momentum and analysts' forecast changes to get an early indication of changing earnings patterns.

Estimate data for Seattle Genetics Inc. is not available. However, the lack of analyst forecast changes and a comparison of reported versus expected earnings does not inhibit our ability to assess SGEN's earnings strength. As a matter of fact, our research has shown that our earnings momentum measure is a strong indicator of stock price performance in companies with little or no analyst coverage.

TTM Operating EPS in US (\$)

Positive earnings trend over past 5 quarters



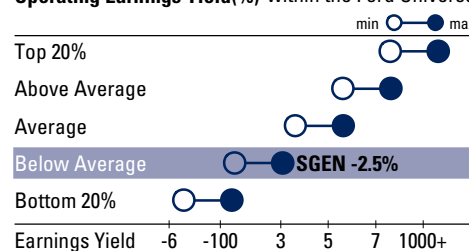
Earnings Momentum

VERY POSITIVE

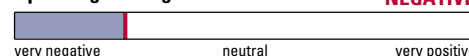
Relative Valuation is **NEGATIVE**

Seattle Genetics Inc.'s operating earnings yield of -2.5% ranks above 24% of the other companies in the Ford universe of stocks, indicating that it is overvalued. Ford measures the relative valuation of each company against all other companies in our research universe. Operating earnings yield, an earnings-to-price ratio based on the last 3 quarters of operating earnings and the current quarter's estimate, has proven to be the most reliable relative valuation measure. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine this factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments.

Operating Earnings Yield(%) within the Ford Universe



Operating Earnings Yield

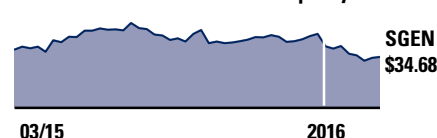
NEGATIVE

Price Movement is **NEUTRAL**

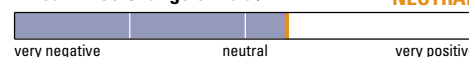
Seattle Genetics Inc.'s stock price is down 8.0% in the last 12 months, down 20.5% in the past quarter and up 16.1% in the past month. This historical performance should lead to average price performance in the next one to three months.

Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. Ford's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve month price performance that have had a price consolidation in the past quarter and month.

Stock Price is down 8.0% in the past year



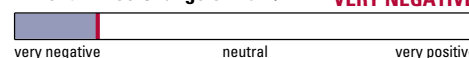
1 Year Price Change of -8.0%

NEUTRAL

1 Quarter Price Change of -20.5%

VERY POSITIVE

1 Month Price Change of 16.1%

VERY POSITIVE

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Ford Stock Ratings: Ford covers approximately 4,000 stocks using a proprietary quantitative model that evaluates a company's earnings strength, its relative valuation and recent price movement. Ford's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

Ford Stock Rating	Percentage of Universe With Rating	12-month Relative Return Forecast
STRONG BUY	8.7%	Significantly above average
BUY	16.6%	Above average
HOLD	57.8%	Average
SELL	11.9%	Below average
STRONG SELL	5.0%	Significantly below average

Earnings Strength: Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include Ford's proprietary Earnings Momentum model, changes in analysts' estimates for the current and next fiscal year, and earnings surprises as compared to estimates. Combined score ratings and percentiles are as follows: Very Positive – top 20%, Positive – next highest 20%, Neutral – middle 20%, Negative – second lowest 20%, Very Negative – lowest 20%.

Relative Valuation: The coverage universe is sorted in descending order based on Ford's operating earnings yield measure. Operating earnings yield is the ratio of 12-month operating earnings per share (including the current quarter estimated EPS) to closing share price on the report date. Relative valuation ratings and percentiles are as follows: Very Positive – top 20%, Positive – next highest 20%, Neutral – middle 20%, Negative – second lowest 20%, Very Negative – lowest 20%.

Price Movement: Price movement is a proprietary evaluation based on a company's relative share price change in the past 1-year, 1-quarter and 1-month period. In the Ford analysis, positive price changes in the past 1-year period are a favorable indication of nearterm price gain. Conversely, positive price changes in the past quarter or month periods can indicate a short-term overbought condition resulting in negative near-term price change. Price movement score ratings and percentiles are as follows: Very Positive – top 20%, Positive – next highest 20%, Neutral – middle 20%, Negative – second lowest 20%, Very Negative – lowest 20%.

Industry Performance: Ford measures the relative performance of the 88 industry groups that we cover. The top 20% of industries based on our metric are expected to have above average near-term performance and are classified as Positive. The bottom 20% based on the same metric are expected to have below average near-term performance and are classified as Negative. The remaining middle 60% of industries are expected to have average performance and are classified as Neutral.

Operating Earnings per Share: Earnings per share figures in the Ford Valuation Bands, quarterly earnings series and 5-quarter earnings trend plot reflect Ford's operating earnings per share. Operating earnings per share are earnings per share from continuing operations and before accounting changes that have been adjusted to eliminate non-recurring and unusual items. In this way, earnings trend and valuation measurements are not affected by one-time and non-operational items that can skew earnings results.

Peer Group: Ford classifies each company in our coverage universe into one of 232 peer group categories based on industry group, products or services offered, annual sales level and market capitalization. Peer groups, which are made up of between 3 and 8 companies, are a useful point of industry reference and a source for alternative ideas within an industry.

Quality Rating: Quality Rating is based on factors that indicate a company's overall financial strength and earnings predictability. Each company in the Ford database is assigned a quality rating ranging from A+ to C- based on size, debt level, earnings history and industry stability. High quality stocks tend to have higher average market capitalizations and annual sales, as well as lower average levels of debt as a percent of equity and lower earnings variability. High quality stocks also tend to have lower standard deviations of annual returns. Accordingly, a firm's quality rating may be used to gauge the risk associated with a particular stock. The Quality Rating letter grades are translated into the following categories: A- and higher are High Quality; B and B+ are Good Quality; B- is Average Quality; C+ is Low Quality; C and lower are Very Poor Quality.

Valuation Band: The Ford Valuation Band chart shows the price performance of the stock over the past 5 year period in relation to its historical price/earnings valuation range. The red and green lines indicate the highest and lowest P/E, respectively, in the past 5 years multiplied by trailing 12-month operating earnings per share at the plotted point. The end point prices shows the current share price (in black) along with the potential high price based on the highest realized P/E in the past 5 years (in red), potential low price based on lowest realized P/E in the past 5 years (in green), and trailing 10-month average price (in yellow).

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