Genmab

Buy: DKK 1500 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- We see further upside from Darzalex in multiple myeloma as it is likely to become the standard of care across lines of therapy, for WW peak sales of at least $7bn.
- We anticipate multiple pipeline catalysts to potentially drive the stock, plus the broad early-stage pipeline and incremental antibody tech platform partnership deals.
- Price Target DKK 1500 per share based on NPVs largely for Darzalex in MM, plus Arzerra royalties, HuMax-TF ADC, Janssen DuoBody collaboration, and Net Cash.

Upside Scenario

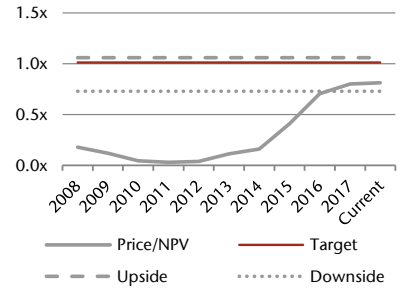
- Encouraging efficacy for Darzalex in Phase II trials studying indications beyond MM could add at least DKK 50/share.
- Positive Arzerra Phase III results in 2nd line NHL could add at least DKK 6/share.
- Further development of HuMax-TF ADC could add at least DKK 23/share.
- These potential catalysts, together with other smaller positive events, could boost our NPV derived Price Target to around DKK 1600/share.

Downside Scenario

- Poor efficacy of Darzalex in non-MM indications cuts NPVs by DKK 125/share. Regulatory delays or safety concerns in 1st line MM could reduce NPVs by at least DKK 230/share
- Negative Arzerra clinical data in 2nd line NHL, or potentially greater competitive threats, could lower our royalties and reduce NPVs by at least DKK 25/share.
- These and other near-term setbacks could reduce our NPV derived Price Target to around DKK 1100/share.

Long Term Analysis

Price vs NPV SOTP valuation



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

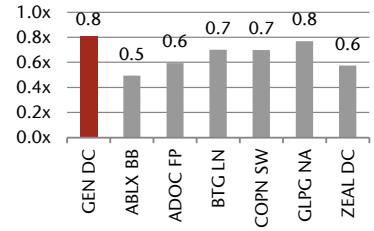
2015-20E Revenue CAGR	+34%
2015 Net Cash (DKKm)	3,493
2016E Net Cash (DKKm)	3,710
2017E Net Cash (DKKm)	5,769

Other Considerations

We forecast sustainable profitability, even as R&D spend on the early-stage internal programmes ramps-up, with Darzalex potentially catapulting the earnings trajectory from 2016E. Around DKK 3.7bn (c.$516m) Net Cash at YE16E is more than sufficient to maximise the value of the pipeline and technology platforms, in our view. Any future out-licensing deals and preclinical assets are potential upside.

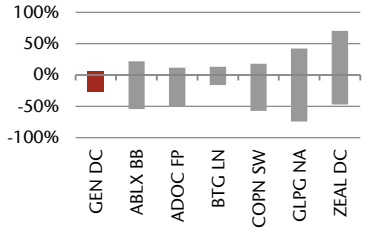
Peer Group

Group Price/NPV



Source: FactSet, Jefferies estimates

Upside/Downside to base case NPV



Source: Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
GEN DC	**Buy**	**DKK 1500**
ABLX BB	Buy	€21
ADOC FP	Buy	€100
BTG LN	Buy	860p
COPN SW	Buy	CHF 245
GLPG NA	Buy	€80
ZEAL DC	Buy	DKK 190

Catalysts

- Darzalex Phase II NHL data in 2Q17E, Phase III 1st line MM (ALCYONE) interim analysis in 3Q17E and Phase II SMM data by YE17E
- Arzerra Phase III 2nd line NHL data in 1H17E
- Potential US approval of Darzalex in RRMM +Pom-d during 2Q17E (PDUFA 17 June) and start of Phase III s.c. form in 3Q17E
- Incremental HuMax-TF ADC Phase I results
- Additional DuoBody and HexaBody technology platform deals and updates

Company Description

Genmab is a Danish antibody company. Genmab's lead product is Darzalex (daratumumab), partnered with Janssen, currently approved for relapsed-refractory multiple myeloma (MM) and in clinical trials for additional lines of MM therapy and other cancer indications. Arzerra (ofatumumab) is approved for CLL, partnered with Novartis worldwide, and in Phase III for NHL plus relapsed multiple sclerosis. Genmab has a broad early-stage pipeline, notably HuMax-TF ADC (Tissue Factor antibody-drug conjugate) in Phase I and a broad DuoBody collaboration with Janssen.

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Galapagos

Buy: €80 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Lead product filgotinib underpins much of our valuation and remains the focus. We are encouraged by its competitive profile in the Phase IIb DARWIN RA studies and Phase II FITZROY Crohn's trial. Partner Gilead should maximise its potential.
- Numerous other pipeline programmes could also crystallise value via possible milestones from existing alliances or new deals, in particular in cystic fibrosis.
- Price Target €80 per share largely comprising a filgotinib NPV plus Net Cash.

Upside Scenario

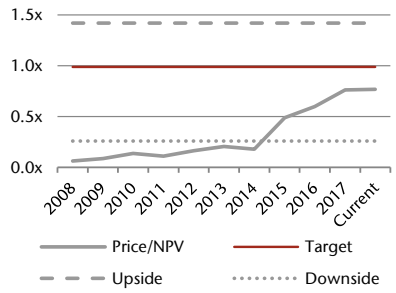
- Successful Phase III trials for filgotinib in RA could add at least €11/share
- Successful clinical progress with both the CF potentiator and correctors could add €13/share.
- Positive Phase IIa results for GLPG1690 in idiopathic pulmonary fibrosis could add around €3/share.
- These potential catalysts could boost our NPV derived Price Target to c.€115/share. Fees from incremental pharma alliances or deals could provide further upside.

Downside Scenario

- Efficacy and/or safety concerns in the filgotinib Phase III RA trial could remove at least €35/share from our valuation.
- Efficacy and/or safety concerns in the filgotinib Phase III Crohn's or ulcerative colitis trials could remove at least €10/share from our valuation.
- Clinical setbacks or delays in cystic fibrosis could remove €13/share.
- These setbacks could reduce our NPV derived Price Target to c.€20/share.

Long Term Analysis

Price vs NPV SOTP valuation



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

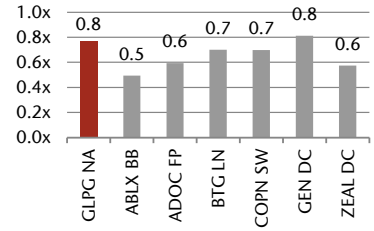
2015-20E Revenue CAGR	+31%
2015 Net Cash (€m)	356
2016E Net Cash (€m)	959
2017E Net Cash (€m)	824

Other Considerations

The nearly €1bn Cash at end-June 2016 should be more than sufficient to fund operations for the foreseeable future. Our cash burn forecasts exclude potential upsides from incremental deals.

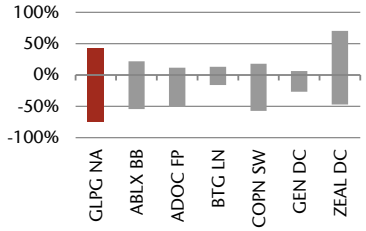
Peer Group

Group Price/NPV



Source: FactSet, Jefferies estimates

Upside/Downside to base case NPV



Source: Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
GLPG NA	**Buy**	**€80**
ABLX BB	Buy	€21
ADOC FP	Buy	€100
BTG LN	Buy	860p
COPN SW	Buy	CHF 245
GEN DC	Buy	DKK 1500
ZEAL DC	Buy	DKK 190

Catalysts

- Phase I results for second potentiator GLPG2451 during 1Q17E and for second corrector GLPG2737 in early 2Q17E
- Start of Phase I trial of corrector GLPG2851 during 1Q17E for data during 2Q17E
- Start of CF triple combination Phase II in healthy volunteers in early 2Q17E for data in 3Q17E, to enable start of Phase II in CF patients by early-2H17E
- Phase IIa IPF data for GLPG1690 during 2Q17E

Company Description

Galapagos is a Belgian biotech company focusing on drug discovery using cells taken from patients with diseases of interest; typically musculoskeletal, CNS and inflammatory disorders plus orphan indications. The company's most advanced product is filgotinib (GLPG0634 a JAK1 inhibitor) in Phase III for rheumatoid arthritis and Crohn's disease and Phase II/III for ulcerative colitis partnered with Gilead. Galapagos also has a global alliance with AbbVie in cystic fibrosis. The company has active collaborations with GSK, Servier and MorphoSys.

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Ipsen

Buy: €80 Price Target

Scenarios

Target Investment Thesis

- Our bullish Somatuline sales forecasts drive above consensus EPS, underpinning our Buy rating. Improving US profitability should enable significant operating leverage.
- We are optimistic Somatuline can capture a significant share of the NET market and expect robust BoNT market dynamics to sustain Dysport's trajectory.
- Our €80 per share Price Target assumes a 1.2x PEG ratio for 18x 2018E P/E. This is just above our fundamental NPV sum-of-the-parts valuation around €71 per share.

Upside Scenario

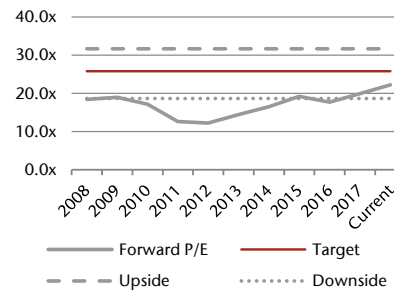
- Assumes 2015-20E Revenue CAGR from +10% to +12% so 2015 21% Operating Margin expands by +8% to 29% in 2020E from base case 27%.
- Hence 2020E Adjusted EPS from €6.2 to €7.4 (+20%).
- We believe the higher +21% 2015-20E earnings CAGR, from +17%, justifies a 1.3x PEG ratio for a 22x 2018E target multiple and upside scenario of around €100 per share.

Downside Scenario

- Assumes 2015-20E Revenue CAGR from +10% to +7% so 2015 21% Operating Margin expands by +5% to 26% in 2020E from base case 27%.
- Hence 2020E Adjusted EPS from €6.2 to €4.7 (-24%).
- We believe the lower +11% 2015-20E earnings CAGR, from +17%, justifies a c.1x PEG ratio for a 13x 2018E target multiple and downside scenario of c.€60 per share.

Long Term Analysis

1 Year Forward P/E



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

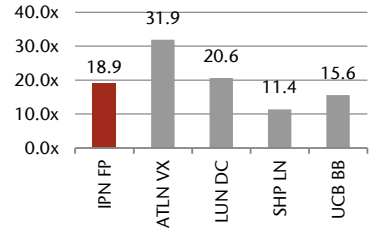
2015-20E Earnings CAGR	**+17%**
2015-20E Revenue CAGR	+10%
2015-20E Operating Margin Change	+6%

Other Considerations

We are confident Somatuline should capture a significant share of the NET market following our proprietary physician survey, and forecast over $1bn WW peak sales. Our review of the BoNT market suggests Dysport could achieve $900m WW in-market sales, for Ipsen Revenues around €390m. Our 2020E forecasts for Sales and Core Operating margin are above management's business plan.

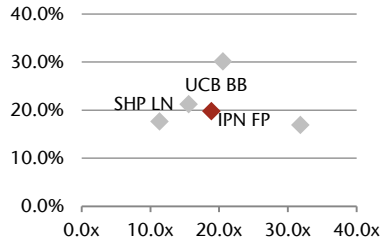
Peer Group

Group P/Es



Source: FactSet, Jefferies estimates

3-Year Earnings Growth vs P/E



Source: Jefferies estimates

Recommendation / Price Target

Ticker	**Rec.**	**PT**
IPN FP	**Buy**	**€80**
ATLN VX	Hold	CHF 240
LUN DC	Buy	DKK 340
SHP LN	Buy	6600p
UCB BB	Hold	€65

Source: Jefferies estimates

Catalysts

- Dysport US FDA filing for ALL in early-2017E for approval by YE17E and EU approvals for ALL & PLL by mid-2017E
- Dysport Next Generation (NG) filings in Europe and Brazil during 1H17E
- Potential EU approval of Xermelo for carcinoid syndrome during 3Q17E
- Dysport Phase III PUL data during 4Q17E
- Cabozantinib Phase III CELESTIAL results in 2nd line advanced HCC by YE17E

Company Description

Ipsen is a global biopharmaceutical company with a targeted specialty pharmaceutical business and a primary care business that contributes to its R&D financing. The company's specialty franchise has a number of marketed products, including Decapeptyl (prostate cancer), Somatuline (acromegaly and NETs) and Dysport (botulinum toxin A for cosmetic and therapeutic indications), with a particular focus on injectable biologics for Oncology (principally prostate cancer) and Endocrinology. Ipsen launched its commercial US presence via the acquisitions of Tercica and the US operations of Vernalis (2008). The company is majority owned by the Mayroy Foundation.

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Lundbeck

Buy: DKK 340 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- We forecast a robust growth trajectory driven by Rexulti, Trintellix/Brintellix and Abilify Maintena sales. New product momentum plus an extensive restructuring initiative should substantially boost margins by 2017E for an impressive EPS CAGR beyond 2020E.
- Our DKK 340 per share Price Target assumes a 1.2x 2018E PEG ratio. Our fundamental NPV sum-of-the-parts valuation is c.DKK 260 per share.

Upside Scenario

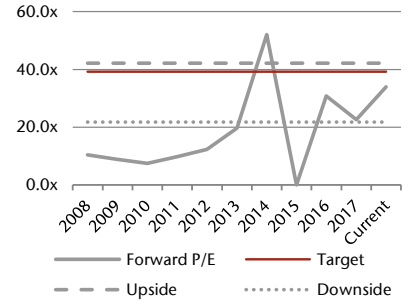
- Continuation of the impressive US Rexulti launch trajectory could hike peak sales to $2.1bn, from $1.4bn, adding DKK 21 per share to our NPV.
- More limited generic erosion of Sabril and Xenazine could boost our NPVs by up to DKK 27 per share.
- Positive initial Phase III data for anti-psychotic AF35700 could DKK 10.
- These potential catalysts, together with other events, could justify a 1.3x 2018 PEG ratio for DKK 365 per share.

Downside Scenario

- If the US Rexulti launch trajectory stalls and peak sales are only $800m this could cut our NPV by at least DKK 48 per share.
- Discontinuation of anti-psychotic AF35700 could remove DKK 21/share NPV.
- These setbacks, together with other adverse news, could reduce our NPV sum-of-the-parts valuation to around DKK 190 per share.

Long Term Analysis

1 Year Forward P/E



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

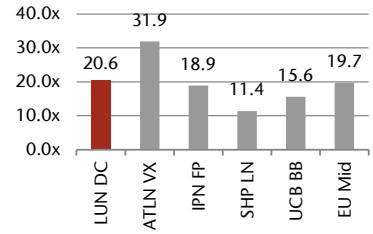
2015-20E Earnings CAGR	+105%
2015-20E Revenue CAGR	+6%
2015-20E Operating Margin Change	+27%

Other Considerations

We forecast WW peak sales of $1.8bn for antipsychotic Rexulti across all indications in partnership with Otsuka, including $1.4bn in the US. Our WW peak sales for Brintellix are $1.4bn with partner Takeda, including $1bn in the US. Abilify Maintena contributes $1bn WW peak sales, also in collaboration with Otsuka.

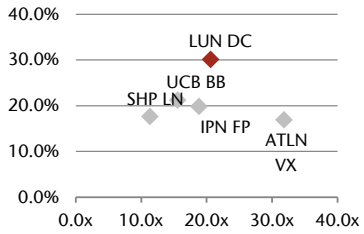
Peer Group

Group P/Es



Source: FactSet, Jefferies estimates

3-Year Earnings Growth vs P/E



Source: Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
LUN DC	**Buy**	**DKK 340**
ATLN VX	Hold	CHF 240
IPN FP	Buy	€80
SHP LN	Buy	6600p
UCB BB	Hold	€65

Source: Jefferies estimates

Catalysts

- Rexulti Phase III data for maintenance of MDD and schizophrenia in 1Q17E, potential EU filing for schizophrenia during 1H17E, and Phase III agitation-dementia data during 3Q17E
- Further idalopirdine Phase III Alzheimer's results from STARBEAM and STARBRIGHT trials by 1Q17E
- Phase I results for anti-amyloid beta vaccine AF20513 around mid-2017E
- Selincro Japan Phase III results during 3Q17E for potential filing by YE17E

Company Description

Lundbeck is a mid-cap pharmaceutical company focusing on CNS diseases including depression, schizophrenia, Alzheimer's disease, Parkinson's disease and stroke. Historically the company commercialised drugs outside of the US market itself, utilising partners for marketing in North America, but this changed when the 2009 acquisition of Ovation provided Lundbeck with a US platform. The substantial income from Forest's US sales of anti-depressant Lexapro ended in early-2012, mitigated by the successful collaboration with Takeda for antidepressant Trintellix and the schizophrenia alliance with Otsuka, the latter providing significant revenue opportunities across multiple products, particularly Abilify Maintena and Rexulti.

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Protalix

Buy: $1.20 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Numerous pipeline programmes from the proprietary ProCellEx platform could crystallise value, with PRX-102 in Phase III for Fabry, plus PRX-110 and OPRX-106 Phase I/II data then triggering potential partnerships.
- Uplyso Revenues under the agreement with Fiocruz in Brazil to reach c.$30m per annum by 2019E.
- Our $1.20/share Price Target is based on an NPV sum-of-the-parts valuation comprising Elelyso/Uplyso, PRX-102 and Net Debt less potential future dilution.

Upside Scenario

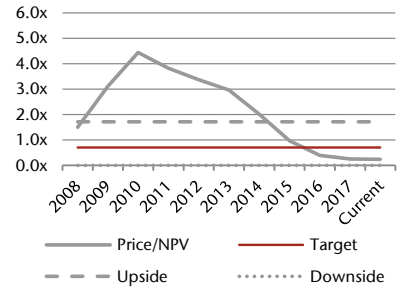
- Positive PRX-102 Phase III results could boost our NPV by c.$0.6/share.
- Positive Phase II results for OPRX-106 (oral anti-TNFα) could contribute c.$0.6/share NPV.
- Positive final Phase I/II proof-of-concept results for PRX-110 (AIR DNase) could add c.$0.5/share NPV.
- Together these potential catalysts could boost our NPV derived Price Target to $2.90 per share including potential future dilution.

Downside Scenario

- Safety and/or efficacy setbacks for PRX-102 in the Phase III trial could remove c.$1.2/share.
- Termination of the Uplyso alliance with Fiocruz in Brazil could remove at least $0.8/share from our Elelyso NPV.
- Together these setbacks could reduce our NPV derived Price Target to a negligible value.

Long Term Analysis

Price vs. NPV SOTP valuation



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

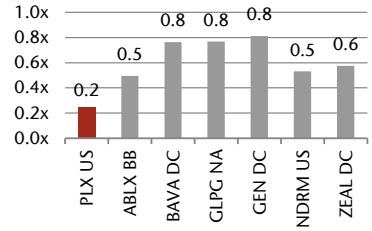
2015-20E Revenue CAGR	**-4%**
2015 Net Cash ($m)	8.6
2016E Net Cash ($m)	(27.1)
2017E Net Cash ($m)	(49.4)

Other Considerations

Around $71m pro-forma Cash at end-September 2016 should be sufficient to fund operations through 2019E beyond the key pipeline catalysts, excluding repayment of the $14.9m outstanding 2018 notes but also potential income from future partnerships.

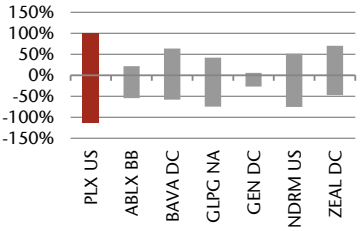
Peer Group

Group Price/NPV



Source: FactSet, Jefferies estimates

Upside/Downside to base case NPV



Source: Jefferies estimates

Recommendation / Price Target

Ticker	**Rec.**	**PT**
PLX US	**Buy**	**$1.20**
ABLX BB	Buy	€21
BAVA DC	Buy	DKK 350
GLPG NA	Buy	€80
GEN DC	Buy	DKK 1500
NDRM US	Buy	$42
ZEAL DC	Buy	DKK 190

Catalysts

- PRX-102 Phase III (BRIDGE) in Fabry to initiate in early-2017E
- Final data from the PRX-110 Phase I/II in CF by end-1Q17E
- OPRX-106 Phase II UC proof-of-concept trial data in 2H17E
- PRX-102 Phase III (BALANCE) interim data during 2018E for final data 2019E
- Quarterly Uplyso Revenues from the collaboration with Fiocruz in Brazil

Company Description

Founded in 1993, Protalix BioTherapeutics is an emerging biotechnology company with a focus on developing and commercialising plant-based biologics for the treatment of severe orphan disorders. Protalix's lead drug candidate, Elelyso (taliglucerase alfa, human recombinant beta-glucocerebrosidase enzyme), was FDA approved for the treatment of patients with Gaucher disease in May 2012, approved in Israel in September 2012, and in Brazil in March 2013. Pfizer has WW commercialisation rights to Elelyso except in Brazil, where Protalix supplies the product as Uplyso under a contract with Fiocruz.

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