

Momenta Pharmaceuticals

Pharma & biotech

27 February 2015

2015 could still be a transformational year

Momenta's strategy offers a balance between development of its own novel drugs, complex generics and biosimilars with partners including Sandoz and Baxter. An FDA decision on Momenta's generic Copaxone is pending. However, in the latest legal twist, the Supreme Court recently ruled that the Court of Appeals' decision to invalidate Teva's Copaxone patents needs further review; Copaxone's last patent expires in Sept 2015.

Necuparanib in Phase II for pancreatic cancer

Momenta's most advanced 'novel' product is necuparanib, a heparin derivative engineered to reduce natural anticoagulation and enhance antitumor activity. Phase I results in 37 pancreatic cancer patients were encouraging and further data are expected in mid-2015. The Phase II Part B continues looking at the effect of adding necuparanib to Abraxane + gemcitabine treatment with data expected H117. Momenta has three further autoimmune candidates; hslVlg in active partnering discussions and SIF3 and anti-FcRn, which could both start clinical trials in 2016.

Humira biosimilar starts clinical trials

Momenta's 2011 collaboration with Baxter includes M923, a biosimilar version of Humira (adalimumab), which recently started clinical trials in Europe, triggering \$12m in milestone payments. As part of a strategic review, Baxter recently returned rights to M834, a biosimilar version of Orencia, which Momenta will continue to develop and will seek a new partner. Momenta's biosimilar portfolio also includes six further products, with four targeted to reach the clinic by 2017.

The Copaxone story should unfold in 2015

The launch of generic enoxaparin (a Lovenox generic) in 2010 by partner Sandoz is testament to Momenta's technical expertise. A second product in the deal, generic 20mg Copaxone should be more profitable but approval has been stalled by legal wrangles with Teva. The case is to be heard again by the Court of Appeals, possibly within a year; the remaining Copaxone patent will expire 1 September 2015. Meanwhile, Teva is rapidly switching patients to its 40mg version. Sandoz filed a 3x weekly 40mg version in Aug 2014 and could gain 180-day exclusivity.

EV \$550m; Copaxone clarity could provide uplift

Momenta had cash of \$191m at end FY14 and is guiding for \$30m burn in Q115, with an aim to reduce this going forwards through partnering activity. Clarity on the generic Copaxone launch could provide a valuation uplift.

Consensus forecasts

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/13	35.5	(108.4)	(2.13)	0.0	N/A	N/A
12/14	52.3	(98.6)	(1.91)	0.0	N/A	N/A
12/15e	111.8	(32.9)	(0.65)	0.0	N/A	N/A
12/16e	156.6	22.3	0.28	0.0	49.8	N/A

Source: Company data, Bloomberg

Price **\$13.94**
Market cap **\$741m**

Share price graph



Share details

Code	MNTA
Listing	NASDAQ
Shares in issue	53.1m

Business description

Momenta Pharmaceuticals is a biotechnology company based in Cambridge, MA. It employs technologies to 'biocharacterise' complex drugs and develop generic, biosimilar versions of existing drugs as well as novel products. It has developed generic Lovenox (marketed) and Copaxone (filed) with partner Sandoz, and has a partnership with Baxter.

Bull

- Generic Copaxone offers access to a potentially lucrative MS market (Copaxone sales were \$4bn in 2014) and would bridge the revenue gap until the pipeline matures.
- Once fully 'biocharacterised', biosimilars may offer a shorter clinical pathway to approval.
- Biosimilar Humira recently entered the clinical with partner Baxter.

Bear

- Appeals Court decision (second round) upholds Teva's Copaxone patents, potentially delaying generic Copaxone launch.
- Sandoz may not get first-to-file status with 3x weekly Copaxone (Dr Reddy and Mylan also claiming FTF status for the 40mg dose).
- Own novel pipeline (necuparanib and IVlg products) is relatively early stage.

Analysts

Dr Charlotte Hetzel	+44 (0)20 3077 5700
Dr Philippa Gardner	+44 (0)20 3681 2521
Dr Mick Cooper	+44 (0)20 3077 5734

healthcare@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2015 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2015]. "FTSE(i)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.