

Argenx SE

**sBLA for Vyvgart Hytrulo in CIDP accepted;
Maintain Buy**

Maintain Rating: BUY | PO: 557.00 USD | Price: 392.23 USD

PDUFA date set for June 21st

Argenx (ARGX) announced the FDA has accepted the supplemental biologics license application (sBLA) for Vyvgart Hytrulo in Chronic Inflammatory Demyelinating Polyneuropathy (CIDP). The application was accepted with priority review (company used priority review voucher) with a prescription drug user fee act (PDUFA) of June 21st. The announcement is in-line with our expectations and reinforces our confidence in the approval. Recall, management had commented they would be ready to launch after July 4th. We will look for additional color on expectations for the cadence of the launch. We currently model \$3.2bn in risk-adjusted peak sales in CIDP under an 85% likelihood of success. CIDP contributes \$161/sh to our PO. We reiterate our view that the Street is undervaluing the commercial opportunity in generalized myasthenia gravis and CIDP. We maintain our Buy rating with \$557 PO as we await the outcome of the regulatory review.

| Estimates (Dec) (EUR) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------|--------|---------|--------|--------|-------|
| EPS | (7.99) | (13.05) | (7.64) | (1.89) | 8.02 |
| EPS Change (YoY) | 40.4% | -63.3% | 41.5% | 75.3% | NM |
| Consensus EPS (Bloomberg) | | | (4.32) | (1.47) | 3.48 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Valuation (Dec) | | | | | |
| P/E | NM | NM | NM | NM | 45.4x |
| EV / EBITDA* | NM | NM | NM | NM | 47.8x |
| Free Cash Flow Yield* | -3.2% | -4.0% | -0.3% | 0% | 0.1% |

* For full definitions of *IQmethod*SM measures, see page 5.

20 February 2024

Equity

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Stock Data

| | |
|--------------------------------|-------------------------|
| Price | 392.23 USD |
| Price Objective | 557.00 USD |
| Date Established | 8-Jan-2024 |
| Investment Opinion | C-1-9 |
| 52-Week Range | 327.73 USD - 550.76 USD |
| Mkt Val (mn) / Shares Out (mn) | 22,851 USD / 58.3 |
| Free Float | 0% |
| Average Daily Value (mn) | 154.26 USD |
| BofA Ticker / Exchange | ARGX / NAS |
| Bloomberg / Reuters | ARGX US / ARGX.OQ |
| ROE (2023E) | -10.9% |
| Net Dbt to Eqty (Dec-2022A) | -28.0% |
| 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](#)".

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Timestamp: 20 February 2024 08:25AM EST

iQprofileSM Argenx SE

iQmethodSM – Bus Performance*

| (EUR Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|----------------------------|--------|---------|--------|-------|-------|
| Return on Capital Employed | -13.9% | -23.3% | -9.4% | -1.5% | 8.0% |
| Return on Equity | -19.4% | -26.5% | -10.9% | -2.1% | 8.6% |
| Operating Margin | -64.7% | -161.8% | -34.5% | -7.2% | 18.4% |
| Free Cash Flow | (610) | (864) | (65) | 2 | 18 |

iQmethodSM – Quality of Earnings*

| (EUR Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio | NM | NM | NM | NM | 0x |
| Asset Replacement Ratio | 0.6x | 0x | 0.2x | 0.2x | 0.2x |
| Tax Rate | NM | 2.7% | 4.7% | 17.4% | NM |
| Net Debt-to-Equity Ratio | -52.2% | -28.0% | -57.3% | -57.7% | -58.2% |
| Interest Cover | NM | NA | NA | NA | NA |

Income Statement Data (Dec)

| (EUR Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|--------------|---------------|--------------|--------------|------------|
| Sales | 539 | 445 | 1,241 | 1,595 | 2,324 |
| % Change | 731.0% | -17.5% | 178.7% | 28.5% | 45.7% |
| Gross Profit | 539 | 416 | 1,122 | 1,452 | 2,097 |
| % Change | 731.0% | -22.9% | 169.8% | 29.4% | 44.4% |
| EBITDA | (343) | (616) | (424) | (111) | 433 |
| % Change | 27.6% | -79.7% | 31.2% | 73.9% | NM |
| Net Interest & Other Income | (51) | (9) | (9) | (10) | (10) |
| Net Income (Adjusted) | (408) | (710) | (417) | (104) | 441 |
| % Change | 32.9% | -73.9% | 41.2% | 75.2% | NM |

Free Cash Flow Data (Dec)

| (EUR Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|---------------|---------------|--------------|-----------|---------------|
| Net Income from Cont Operations (GAAP) | (408) | (710) | (417) | (103) | 441 |
| Depreciation & Amortization | 6 | 104 | 5 | 5 | 5 |
| Change in Working Capital | (249) | (462) | (13) | 60 | 81 |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 45 | 205 | 361 | 42 | (507) |
| Capital Expenditure | (4) | (1) | (1) | (1) | (1) |
| Free Cash Flow | -610 | -864 | -65 | 2 | 18 |
| % Change | -52.8% | -41.5% | 92.5% | NM | 721.3% |
| Share / Issue Repurchase | 1,126 | 855 | 2,063 | 113 | 124 |
| Cost of Dividends Paid | 0 | 0 | 0 | 0 | 0 |
| Change in Debt | 0 | 0 | 0 | 0 | 0 |

Balance Sheet Data (Dec)

| (EUR Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents | 1,335 | 801 | 2,799 | 2,915 | 3,058 |
| Trade Receivables | NA | NA | NA | NA | NA |
| Other Current Assets | 1,208 | 1,973 | 2,024 | 2,079 | 2,140 |
| Property, Plant & Equipment | 16 | 16 | 13 | 9 | 6 |
| Other Non-Current Assets | 291 | 344 | 344 | 344 | 344 |
| Total Assets | 2,850 | 3,134 | 5,179 | 5,347 | 5,548 |
| Short-Term Debt | 4 | 3 | 3 | 3 | 3 |
| Other Current Liabilities | 298 | 299 | 299 | 299 | 299 |
| Long-Term Debt | 8 | 9 | 10 | 11 | 12 |
| Other Non-Current Liabilities | 7 | 18 | 19 | 20 | 21 |
| Total Liabilities | 316 | 330 | 331 | 333 | 336 |
| Total Equity | 2,534 | 2,814 | 4,858 | 5,025 | 5,224 |
| Total Equity & Liabilities | 2,850 | 3,143 | 5,189 | 5,358 | 5,560 |

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Biotechnology

Company Description

Argenx SE (ARGX) is a biotech company based in Breda, Netherlands. It is developing novel therapies in autoimmune diseases and cancer. The company's lead asset, efgartigimod, is an FcRn antagonist currently approved for Myasthenia Gravis (MG) and in later stages of development for ITP, and Chronic Inflammatory Demyelinating Polyneuropathy (CIDP). ARGX also has several partnered programs in place, including '115 (AbbVie), '112 (LEO), '116 (Staten) and '114 (AgomAb).

Investment Rationale

We rate ARGX shares Buy. We believe ARGX's product pipeline is highly differentiated, targeting indications of high unmet medical needs. Efgartigimod is the first FcRn in MG and potentially several other autoimmune diseases. We also see significant upside potential from its partnerships and wholly owned early-stage pipeline assets, such as '117 in complement-mediated diseases and '118 in airway inflammation.

Stock Data

Average Daily Volume 393,288

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|--------|---------|
| Q1 | -4.36A | 149.00A |
| Q2 | -3.81A | -1.69A |
| Q3 | -4.26A | -1.25E |
| Q4 | -0.70A | -2.02E |



Price objective basis & risk

Argenx SE (ARGX)

Our price objective of \$557 is based on our DCF-derived model with valuations assigned for efgartigimod in Myasthenia Gravis (\$307), Immune Thrombocytopenia (\$6), and Chronic Inflammatory Demyelinating Polyneuropathy (\$161), pipeline and corporate expenses (\$30) and cash. We assign 9% WACC for MG, 10% for ITP, and CIDP. Our DCF valuation is based on estimates out to 2038. We assume peak penetrations of 10%-35% in US depending on the indication.

Upside risks to our PO are (1) better-than-expected efficacy in efgartigimod indications, (2) faster-than-anticipated timeline to approval, (3) additional indications advancing in clinical development, (4) positive data from its partnerships, and (5) higher-than-expected pricing at launch.

Downside risks to our PO are (1) competitors have better-than-expected efficacy, (2) failure to achieve clinically meaningful results in ongoing studies, and (3) unexpected safety events in ongoing trials.

Analyst Certification

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US - Biotechnology Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|---------------------------------|-------------|------------------|--------------|
| BUY | | | | |
| | 4D Molecular Therapeutics, Inc. | FDMT | FDMT US | Tazeen Ahmad |
| | Alnylam Pharmaceuticals | ALNY | ALNY US | Tazeen Ahmad |
| | Amicus Therapeutics | FOLD | FOLD US | Tazeen Ahmad |
| | Annexon Biosciences | ANNX | ANNX US | Tazeen Ahmad |
| | Apellis Pharmaceuticals | APLS | APLS US | Tazeen Ahmad |
| | Argenx SE | ARGX | ARGX US | Tazeen Ahmad |
| | Arvinas | ARVN | ARVN US | Tazeen Ahmad |
| | Ascendis Pharma | ASND | ASND US | Tazeen Ahmad |
| | Biocryst Pharmaceuticals Inc | BCRX | BCRX US | Tazeen Ahmad |
| | BioNTech | BNTX | BNTX US | Tazeen Ahmad |
| | Denali Therapeutics | DNLI | DNLI US | Tazeen Ahmad |
| | Inozyme Pharma, Inc. | INZY | INZY US | Tazeen Ahmad |
| | Merus | MRUS | MRUS US | Tazeen Ahmad |
| | Neurocrine Biosciences | NBIX | NBIX US | Tazeen Ahmad |
| | Ocular Therapeutix | OCUL | OCUL US | Tazeen Ahmad |
| | PepGen Inc | PEPG | PEPG US | Tazeen Ahmad |
| | Rhythm Pharmaceuticals | RYTM | RYTM US | Tazeen Ahmad |
| | Sarepta Therapeutics | SRPT | SRPT US | Tazeen Ahmad |
| | Ultragenyx Pharmaceuticals | RARE | RARE US | Tazeen Ahmad |
| NEUTRAL | | | | |
| | Acadia Pharmaceuticals | ACAD | ACAD US | Tazeen Ahmad |
| | Incyte Corporation | INCY | INCY US | Tazeen Ahmad |
| | Prothena Corporation | PRTA | PRTA US | Tazeen Ahmad |
| | SAGE Therapeutics | SAGE | SAGE US | Tazeen Ahmad |
| UNDERPERFORM | | | | |
| | Achilles Therapeutics | ACHL | ACHL US | Tazeen Ahmad |
| | Fate Therapeutics | FATE | FATE US | Tazeen Ahmad |
| | Fulcrum Therapeutics | FULC | FULC US | Tazeen Ahmad |
| | Pharvaris | PHVS | PHVS US | Tazeen Ahmad |
| | PTC Therapeutics | PTCT | PTCT US | Tazeen Ahmad |

US - Biotechnology Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------|-------------|------------------|---------|
|-------------------|---------|-------------|------------------|---------|

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

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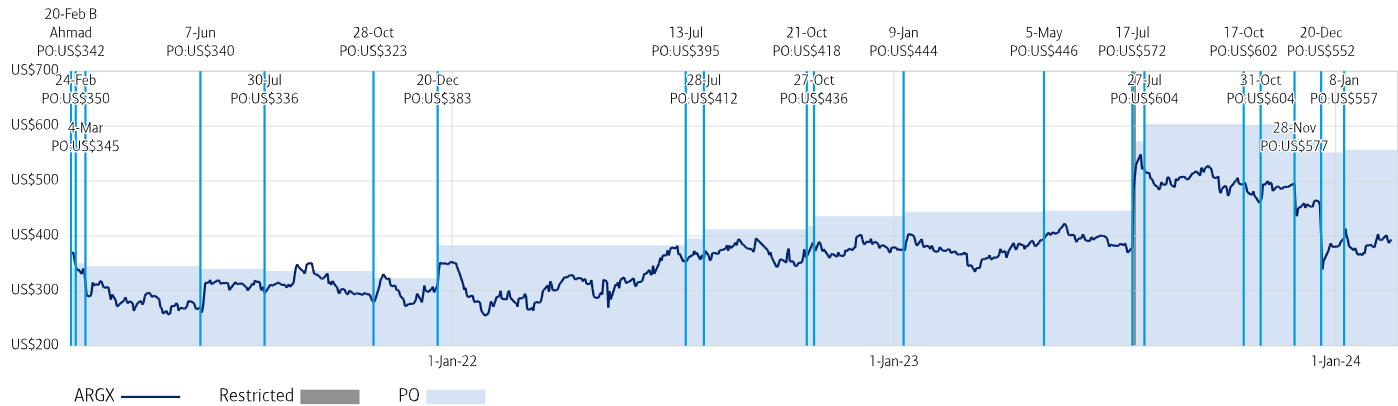
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Argenx (ARGX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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