

Biogen Inc.

## Our Conference Takeaways

Maintain Rating: NEUTRAL | PO: 290.00 USD | Price: 256.82 USD

## New launches + “fit for growth strategy” in focus

We thought management did a good job highlighting the progress Biogen has made on its new launches (e.g., Leqembi (with Eisai) for Alzheimer’s, Skyclarys for Friedrich’s Ataxia, and Zuruvae for postpartum depression) and its cost savings program. Indeed, our key takeaways are: 1) Biogen reaffirmed 1Q submission for subcutaneous Leqembi and maintenance therapy; 2) management noted that subcutaneous regulatory package would be bolstered by 12 mos data; 3) Skyclarys launch is off to a robust start in the US + strong interest OUS (also a big driver for Spinraza); 4) BD focus on earlier stage licensing deals with interest in rare disease/ immunology; and 5) improved margins with 2025 OpEx percentage similar to peers (R&D/ SG&A of 20-22%). Nevertheless, we’d say there’s still wood-to-chop on all fronts, particularly as investor skepticism remains high on the ability of Leqembi to hit Eisai’s guidance of 10k patients on therapy by the end of 1Q24 (even with strong December metrics) and Skyclarys strong launch being reflective of the broader commercial opportunity (not just a bolus). Overall, Biogen remains a ‘show me story’ in our view, with the risk/ reward well balanced at current levels. We maintain our Neutral rating and \$290 PO.

## Neuroscience and BD/M&amp;A are core strategies

In-line with expectations, Biogen kept to its usual format of broadly framing the commercial opportunities for its neurology pipeline during the presentation. At a high level, we thought Biogen remained confident in its 2024+ outlook with acute focus on addressing commercial hurdles (e.g., Alzheimer’s) for approved products and making progress on the early pipeline. However, in our view, we thought the presentation offered few clear alternatives to address the commercial issues and pipeline uncertainties that have weighed on the narrative. Indeed, the MS franchise could contract 15% in 2023 with expectations of -18% and -19% in 2024-25 as Tecfidera’s generic withdrawal continues to go slower than expected and a Tysabri biosimilar will launch in 1H24. On the upside, Biogen did point to positive growth metrics for its three new launches and BD focus on earlier stage assets to complement the longer-term portfolio, but we still expect growth to be below peers in the near-term.

## Thesis impact

Overall, the presentation didn’t impact our thesis on Biogen, where new launches (Leqembi, Skyclarys and Zuruvae) provide optimism, while legacy franchises (e.g., Tysabri and Tecfidera) remain a headwind to growth (see [our high level thoughts on Biogen here](#)). Indeed, we suspect investors will remain focused on US demand for Leqembi and the US/ EU launch of Skyclarys, but as we suspect 2024 will be another year of commercial investment with infrastructure build. Ultimately, if Biogen’s new product cycle delivers, we could see a re-rating of shares, however, until we have a better line of sight on these metrics, we maintain our Neutral rating.

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**Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.**

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## Stock Data

Price	256.82 USD
Price Objective	290.00 USD
Date Established	7-Aug-2023
Investment Opinion	B-2-9
52-Week Range	220.86 USD - 319.76 USD
Mkt Val (mn) / Shares Out (mn)	37,290 USD / 145.2
Free Float	99.8%
Average Daily Value (mn)	282.04 USD
BofA Ticker / Exchange	BIIB / NAS
Bloomberg / Reuters	BIIB US / BIIB.OQ
ROE (2023E)	14.8%
Net Dbt to Eqty (Dec-2022A)	10.4%
ESGMeter™	High

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Abbreviations:

MS: multiple sclerosis

SMA: spinal muscular atrophy

CMS: Centers for Medicare &amp; Medicaid Services

PPD: postpartum depression

GABA: gamma-aminobutyric acid

SOC: standard of care

BD: business development

## Price objective basis & risk

### Biogen Inc. (BIIB)

Our \$290 price objective is based on a sum-of-the parts net present value (NPV) analysis and a discount rate of 8%. We value the MS franchise at \$74/share, Spinraza at \$36/share, Roche collaboration/royalty at \$64/share, biosimilars at \$7/share, Alzheimer's at \$87/share, zuranolone at \$7/share, Skyclarys at \$42/share, the pipeline at \$5/share, and net cash at -\$33/share.

Upside risks to our PO are 1) less erosion of Tecfidera, Avonex, Plegridy, and Tysabri than anticipated, 2) Vumerity meaningfully capturing market share, 3) durability of Spinraza, 4) rapid uptake of lecanemab, and 5) success of a number of pipeline programs

Downside risks are 1) greater-than-expected moderation of MS sales (Tecfidera, Avonex, Plegridy, and Tysabri) due to increased competition/ generics, 2) rapid erosion of Spinraza's market share in SMA, 3) limited success of the R&D pipeline, with many products failing to advance or approved with narrow indications for smaller patient populations, and 4) limited uptake of lecanemab.

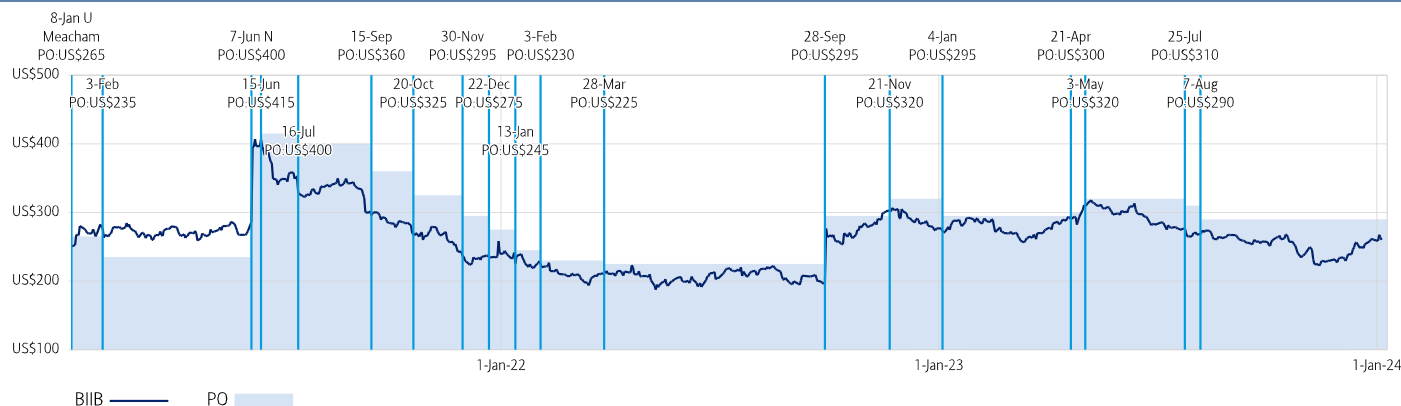
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BIIB — PO

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

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
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