

## Moderna

## Our Conference Takeaways

Maintain Rating: NEUTRAL | PO: 120.00 USD | Price: 115.44 USD

## New product cycle robust, but weighed by P&amp;L concerns

Following Moderna's presentation, our top takeaways are: 1) 2023 COVID-19 vaccine sales are approximately \$6.7B (BofA \$5.9B; cons \$6.1B); 2) 2024 sales guidance of \$4B (BofA \$4.1B, cons \$4.1B); 3) Moderna has \$13B in cash and cash equivalents, 4) Moderna expects to 'breakeven' from a P&L perspective in 2026 (BofA 2028, cons 2026), and 5) Moderna plans to advance its PA (mRNA-3705) and MMA (mRNA-3927) programs into pivotal studies in 2024. While Moderna provided a high level overview of expectations for the COVID-19 competitive landscape in 2024 (US market share increased from 37% in 2022 to 48% in 2023 and expected to increase further in 2024), we'd say investors were more focused on its pipeline updates, with key focus on management's commentary on its RSV vaccine (approval 1H24), flu vaccine (in discussion with regulators and plans to file in 2024), and INT in combination with Merck's Keytruda (see [our thoughts on the phase 2 longitudinal data here](#)) given COVID-19 revenue durability concerns. Nevertheless, we think it's unlikely the totality of the launches will be able to fill the revenue hole left from Moderna's COVID-19 vaccine, which together with P&L concerns from high OpEx spend have weighed on shares. We maintain Neutral and our \$120 PO as we think the risk/ reward is well balanced.

## RSV and flu are the next launches in focus

CFO Jamey Mock spent some time focusing on COVID-19 and the resizing of Moderna's COVID-19 manufacturing footprint for the endemic setting, which could help offset the high OpEx. That said, we'd say investors expect the step down in manufacturing to take time, and instead, are more focused on the new pipeline cycle upcoming catalysts. Indeed, Moderna plans to use 2023 demand for Pfizer and GSK's (covered by Jain + Parry) RSV vaccines to inform on its own RSV launch strategy by mid-year, while also expecting differentiated profile given its robust efficacy (see [our thoughts on the efficacy here](#)) + the administrative convenience of a prefilled syringe (it's the only prefilled syringe) to drive uptake. We think this makes a lot of sense, particularly as we've seen Moderna take share from Pfizer's COVID vaccine given the added convenience of a prefilled syringe. For flu, Moderna expects to file for regulatory approval in 2024, which supports our view that the commercial opportunity is weighed to 2025 (BofA \$226M; cons \$416M) vs. 2024 (BofA \$10M; cons \$183M), as ordering typically happens in the winter months.

## Thesis Impact

Today's presentation has a limited impact on our thesis, as while Moderna continues to make good progress on its pipeline, we expect P&L uncertainty to continue to weigh on shares. That said, Moderna remains a leader in the infectious disease space with its mRNA technology, in our view, and we think management has put its COVID-19 cash windfall to work in the right way, investing back into the business. So, while the P&L remains uncertain in the near-term, we'll get a better line of sight into commercial opportunities for Moderna's new product cycle with upcoming phase 3 readouts/ launches which could lead to a re-rating.

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## Stock Data

Price	115.44 USD
Price Objective	120.00 USD
Date Established	3-Jan-2024
Investment Opinion	C-2-9
52-Week Range	62.55 USD - 207.51 USD
Mkt Val (mn) / Shares Out (mn)	44,015 USD / 381.3
Free Float	87.8%
Average Daily Value (mn)	665.22 USD
BofA Ticker / Exchange	MRNA / NAS
Bloomberg / Reuters	MRNA US / MRNA.OQ
ROE (2023E)	-37.1%
Net Dbt to Eqty (Dec-2022A)	-16.3%
ESGMeter™	High

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## Abbreviations:

RSV: Respiratory syncytial  
INT: individualized neoantigen therapy  
CMV: Cytomegalovirus  
PA: Propionic acidemia  
MMA: methylmalonicacidemia

## Price objective basis & risk

### Moderna (MRNA)

Our PO of \$120 is based on a probability-adjusted NPV of six different parts including prophylactic vaccines (\$91/share), systemic secreted cell surface therapeutics (\$1/share), cancer vaccines (\$4/share), intratumoral immune-oncology (\$2/share), cardiovascular diseases (\$0/share) and systemic intracellular therapeutics (\$1 share), and net cash (\$22/share). We estimate sales of 46 pipeline programs that are slated to move forward with probability of success ranging from 6% to 95%. We use a WACC of 10% and terminal growth rate of -30%.

Upside risks to our PO are: 1) faster than expected pipeline development, 2) cleaner than expected safety findings, 3) accelerated product approvals, 4) stronger than expected launches, 5) lower competition, 6) moderating cash burn, and 7) potential upside from coronavirus vaccine program.

Downside risks to our PO are: 1) lower than expected revenues from the COVID-19 program, 2) unexpected safety findings, 3) slower than expected pipeline development/approvals, 4) more intense competition, and 5) accelerating cash burn.

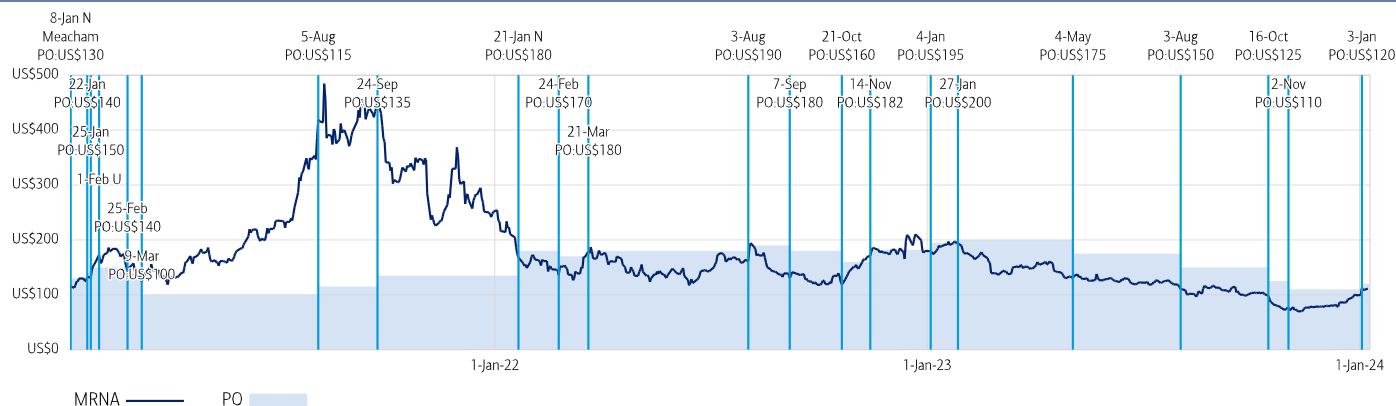
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### Moderna (MRNA) Price Chart



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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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Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
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