

Regeneron Pharmaceuticals Inc.

Our conference takeaways

Maintain Rating: UNDERPERFORM | PO: 700.00 USD | Price: 902.88 USD

With Eylea erosion ongoing, Regeneron expands portfolio

Updates from today's press releases and presentation include: 1) net US Eylea sales of \$1.46B, below consensus of \$1.53B; 2) multiple oncology updates, including pivotal LAG3 + Libtayo data in melanoma and initial data in NSCLC (both 2H24), 3) introduction of Regeneron's obesity and severe allergy programs in 2024, and 4) creation of Medison Pharma (a wholly owned subsidiary of Regeneron) for Libtayo ex-US commercialization. With filing completed for both linvoseltamab (2H24 approval estimated) and odronextamab (March 31, 2024 PDUFA), and approval likely for both, commercial execution will be key for Regeneron as the company looks to diversify its revenue concentration risk. Separately, following solid pivotal NOTUS data (see [our KOL takeaways on NOTUS and the COPD opportunity](#)), Regeneron confirmed sBLA filing completed for Dupixent label expansion into COPD with approval likely by 2H24. Overall, while Regeneron has made much progress in its pipeline, we think there is still wood to chop before we're comfortable with the company's growth beyond Eylea erosion and success of earlier stage therapeutic programs. Maintain Underperform, \$700 PO.

On Eylea 4Q miss and read-through on outlook

Earlier this morning, Regeneron previewed preliminary 4Q US Eylea sales for both standard and high-dose formulations (see [our quick take on the 4Q US Eylea pre-announcement](#)), which were both below consensus forecasts. We'd note that from a y/y growth basis, Eylea was -3% (4Q22), -6% (1Q23), -7% (2Q23), -11% (3Q23), and -10% (4Q23e). We think the evidence is clear that even with Eylea HD launching and potential delay to Eylea biosimilar launch, competitive erosion is likely to be inevitable. That said, we recognize that Eylea HD uptake could inflect with issuance of a permanent J-Code in April 2024.

Initiating programs in obesity and severe allergy in 2024

In addition to providing updates on the company's ongoing programs, management took the opportunity today to introduce two new programs: 1) combination of linvoseltamab and Dupixent for the treatment of severe allergy and 2) combination of anti-myostatin trevogrumab +/- anti-activin A garetosmab with Novo's semaglutide to help improve weight loss quality through muscle preservation. While the market opportunity for both programs is potentially substantial, we think both are relatively early and we remain sidelined until initial clinical data is presented.

Thesis impact

While we think there may be some share volatility on potential Eylea LOE extension through legal settlement (in the 2025-26 timeframe), we think multiple quarters of decline even as Eylea HD has launched, validates our thesis that Roche's Vabysmo continues to gain share and the retinal franchise remains at risk. Though the oncology franchise has grown its commercial footprint, including addition of an ex-US sales partner for Libtayo, we're of the view that the competitive landscape in r/r MM (linvoseltamab) and DLBCL (odronextamab) will be challenging with commercial ramp slow in 2H24. On Dupixent, we think there is little controversy and overall see COPD label expansion as supportive of consensus peak sales estimates of \$18B+ by 2030e.

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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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Equity

Geoff Meacham
Research Analyst
BofAS
+1 646 855 1004
geoff.meacham@bofa.com

Susan Chor
Research Analyst
BofAS
+1 646 855 0102
susan.chor@bofa.com

Charlie Yang
Research Analyst
BofAS
charlie.yang@bofa.com

Alexandria Hammond
Research Analyst
BofAS
alexandria.hammond@bofa.com

John Joy
Research Analyst
BofAS
john.joy@bofa.com

Stock Data

Price	902.88 USD
Price Objective	700.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-3-9
52-Week Range	668.00 USD - 924.89 USD
Mkt Val (mn) / Shares Out (mn)	104,916 USD / 116.2
Free Float	97.4%
Average Daily Value (mn)	554.35 USD
BofA Ticker / Exchange	REGN / NAS
Bloomberg / Reuters	REGN US / REGN.OQ
ROE (2023E)	20.0%
Net Dbt to Eqty (Dec-2022A)	-34.2%
ESGMeter™	High

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Abbreviations

COPD: chronic obstructive pulmonary disease
KOL: key opinion leader
sBLA: supplemental biologics license application
LOE: loss of exclusivity
r/r: relapsed and refractory
MM: multiple myeloma
DLBCL: diffuse large B-cell lymphoma
IV: intravenous
SC: subcutaneous
LAG3: Lymphocyte-Activation Gene 3
PDUFA: Prescription Drug User Fee Act

Price objective basis & risk

Regeneron Pharmaceuticals Inc. (REGN)

Our \$700 price objective is based on a probability-adjusted net present value (NPV) analysis of Eylea, including outside of US (OUS) revenues from the Bayer collaboration (\$164/share), Sanofi collaboration revenue including Dupixent and other product revenues (\$329/share), Libtayo (\$56/share), early pipeline assets (\$60/share), and the rest from net cash. We use a weighted-average cost of capital (WACC) ranging from 7% for approved products to 10% for pipeline products and terminal growth ranging from -3 to 3%. Upside risks to our price objective are 1) better-than-expected Eylea growth trajectory, 2) a larger contribution of Dupixent to Regeneron's topline from commercial uptake in new indications, and 3) better-than-expected economics realized by Regeneron from joint ventures. Downside risks to our price objective are 1) slower-than-expected growth from product sales, particularly Eylea and Dupixent, 2) failure to obtain approval for additional indications for Dupixent, and 3) pipeline setbacks.

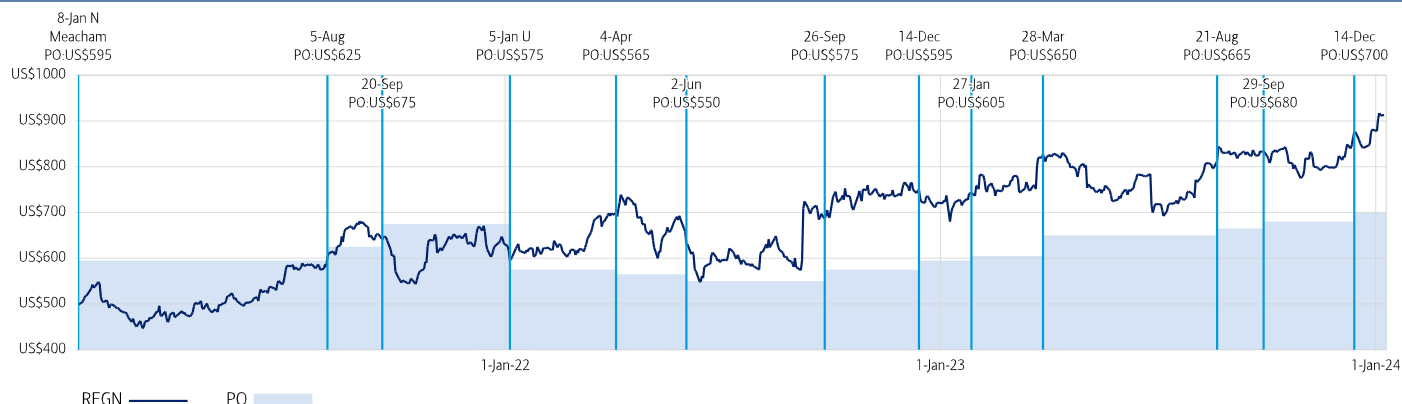
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Regeneron Pharmaceut (REGN) Price Chart



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

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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%

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Neutral	≥ 0%	≤ 30%
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