

US Biopharmaceuticals

SNY 4Q23 earnings: Read-through to our coverage universe

Industry Overview

Mixed 4Q results: slight revenue and EPS miss

Sanofi (SNY) (covered by Parry/Sachin) reported 4Q23 revenue of €10.9B slightly below consensus (-1% cons) and EPS of €1.66 (-2% cons), due to F/X impact. Overall, Specialty Care (+14% y/y; driven by Dupixent and rare diseases) and Vaccines (+21% y/y; due to RSV) were Sanofi's highest growth sectors while GenMed lagged (-2% y/y) and CHC grew more modestly (+8% y/y).

Dupixent outlook, read-through to Regeneron

Dupixent had a solid quarter (+34% y/y) slightly beating consensus by 1% at €3.0B (~\$3.2B); for Regeneron, we're modeling 4Q at \$3.3B (+\$95M cons; +35% y/y), implying we're slightly above reported Dupixent sales when taking into account F/X. Sanofi has guided to >€13B Dupixent sales this year (Regeneron 2024: \$14.1B, +\$397M cons, +21% y/y) with potential upside from COPD launch. While Dupixent remains a major contributor to the Regeneron P&L, expectations call for robust upside from the current run rate. On Kevzara, Sanofi reported 4Q sales of €104M (~\$112M), beating consensus by 30% (Regeneron 4Q: \$106M, flat with consensus). We maintain our Underperform rating on REGN and \$710 PO given our conservative view of US Eylea, despite solid Sanofi collaboration revenue performance. While it's clear that Dupixent will maintain its lead in atopic dermatitis (AD), AbbVie's Rinvoq has emerged as a distant second and lead oral JAKi. Indeed, we think Rinvoq growth is due to uptake in Crohn's Disease rather than AD (4Q: \$1.2B, +\$8M cons; +54% y/y). Maintain Neutral on ABBV, \$165 PO. We think a more relevant competitor is Lilly's Dermira (lebrizumab), which has a comparable profile to Dupixent (2024: \$278M, +\$72M cons). Maintain Buy on LLY, \$750 PO, which is primarily driven by obesity outlook. Separately, Sanofi also expects to report full data from the company's phase 2b amltelimab for atopic dermatitis (AD) with plans to initiate phase 3 studies in 1H24.

Additional RSV market dynamics

4Q sales of Sanofi's Beyfortus antibody (pediatric RSV antibody) were robust in 4Q at €410M (+41% cons), which we think bodes well for RSV vaccine outlook in 2024 (see [our GSK 4Q23 read-through](#)). 4Q upside was likely driven by the US government releasing 77,000 doses with plans to distribute additional doses in early 2024. Indeed, we think the market opportunity in RSV is substantial and there is room for both vaccines (GSK's Arexvy; Pfizer's Abrysvo) and treatment options to split the market. Looking ahead, we also expect Moderna to introduce its RSV vaccine, mRNA-1345 (pediatrics), which may prove competitive with GSK and Pfizer's due to its safety profile (2024: \$194M, +3M cons). Maintain Neutral on MRNA, \$120 PO, on P&L uncertainty.

Two Hemophilia A/B prophylactics to enter market

Sanofi reported pivotal data for fitusiran, a hemophilia A/B prophylactic at ASH this year (see our [ASH 2023 blood disorders update](#)) and plans to file for approval in 2024. We think the profile for fitusiran is comparable to Pfizer's marstacimab (PDUFA: 2H24). That said, little value has been assigned to marstacimab in 2024, and we take a wait-and-see approach to sales expectations, though we'd note Roche's Hemlibra (Hemophilia A prophylactic) has reached blockbuster status with >\$4B sales in 2023. Sanofi's Altuviiro also had strong performance in 4Q, beating consensus by 18%. Maintain Neutral on Pfizer, \$35 PO.

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Abbreviations:

AD: atopic dermatitis
ASH: American Society of Hematology
CER: constant exchange rate
CHC: consumer healthcare
COPD: Chronic Obstructive Pulmonary Disease
FVIII: factor III
GenMed: General Medicines
GSK: GlaxoSmithKline
I&I: inflammation and immunology
JAKi: Janus kinase inhibitor
NBRx: new-to-brand prescriptions
PRO: patient-reported outcomes
RSV: respiratory syncytial virus

Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ABBV	ABBV US	AbbVie	US\$ 164.4	B-2-7
LLY	LLY US	Eli Lilly	US\$ 645.61	B-1-7
MRNA	MRNA US	Moderna	US\$ 101.05	C-2-9
PFE	PFE US	Pfizer	US\$ 27.08	B-2-7
REGN	REGN US	Regeneron Pharmaceut	US\$ 942.78	B-3-9

Source: BofA Global Research

Price objective basis & risk**AbbVie (ABBV)**

Our \$165 price objective (PO) is based on a 50/50 blended valuation of our DCF and 2025 non-GAAP EPS estimate P/E multiple of 12x (giving a value of \$145). Our 12x P/E multiple lags peers (18.0x) due to concentration risk of the company's assets and LOE concerns to limit significant growth in the future. We assume a 7% WACC and a -1% terminal growth in our estimates to arrive at our \$185 DCF valuation.

Downside risks are underachievement of key growth drivers, clinical pipeline failure(s), and reduced cash flow generation to pay down debt or dividend.

Eli Lilly and Company (LLY)

Our \$750 price objective is based on a probability-adjusted net present value (NPV) analysis of franchise verticals including Endocrinology (\$531/share), Oncology (\$123/share), Cardiovascular (\$4/share), Neuroscience (\$11/share), Immunology (\$42/share), other pharmaceutical products and early pipeline assets (\$57/share), as well as approximately -\$15/share in net cash. We use a WACC ranging from 5% for approved products to 9% for pipeline products, depending on the stage of development. We apply terminal values ranging from -12% (cardiology) to 1% (endocrinology) based on projected sales decline following loss of exclusivity within each business vertical.

Risks to our price objective are 1) better-than-expected launches of competing products, 2) emerging clinical data for pipeline assets that does not confirm prior observations, 3) failure to effectively commercialize approved products, 4) potential drug pricing system restructuring in the US.

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.

Pfizer (PFE)

Our \$35/share for Pfizer is based on a 50/50 blended average of our discounted cash flow (DCF) analysis and P/E multiple based on the large cap global therapeutics group. For our DCF, we use a weighted-average cost of capital (WACC) of 7% and 1% terminal growth for an intrinsic value of \$47/share. Our P/E analysis assumes a 10x multiple of our 2025 EPS estimate, which yields a \$24 intrinsic value.

Downside risks: 1) sales downside, 2) inability for pipeline to overcome patent loss of exclusivities (LOEs) after 2025, 3) M&A transactions that are perceived to be value destructive.

Regeneron Pharmaceuticals Inc. (REGN)

Our \$710 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 (\$161/share), Sanofi collaboration revenue including Dupixent and other product revenues (\$334/share), Libtayo (\$59/share), early pipeline assets (\$65/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.

Analyst Certification

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmid Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXR	RXR US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky

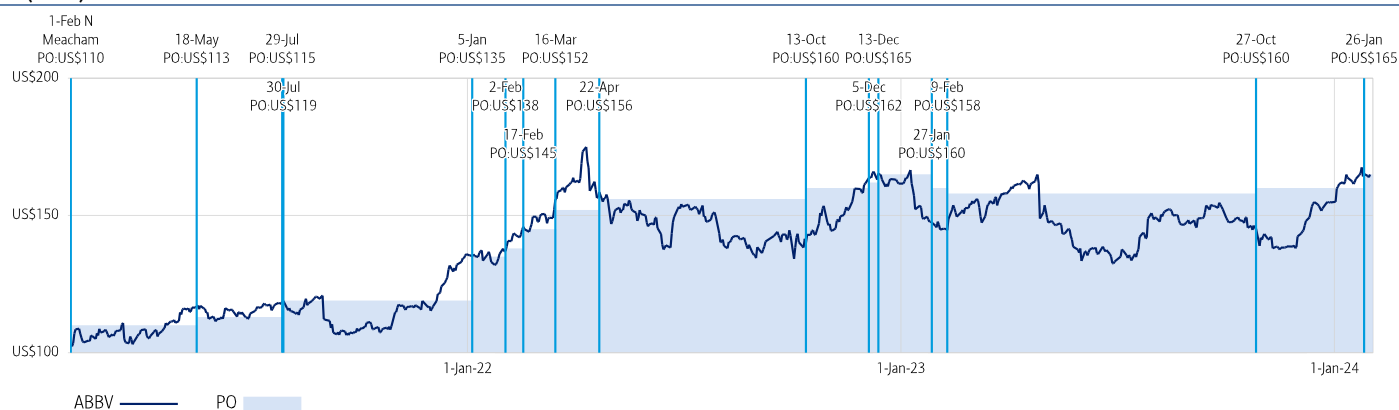
US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

Disclosures

Important Disclosures

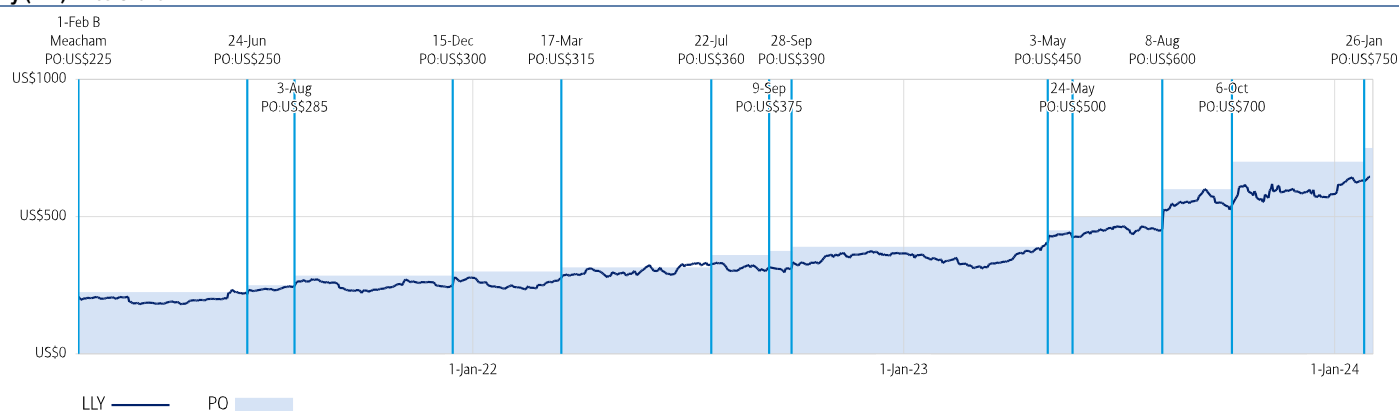
AbbVie (ABBV) Price Chart



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

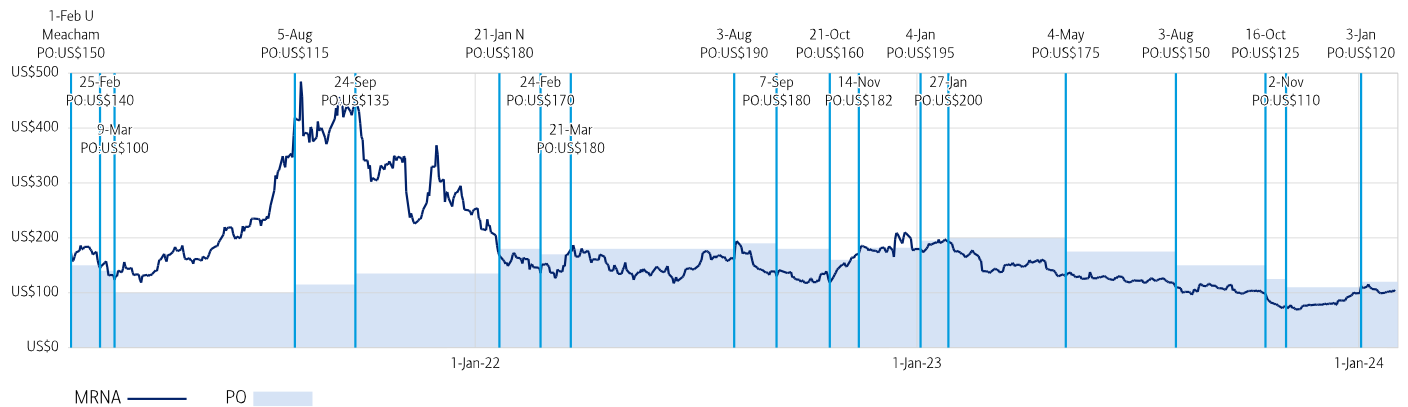
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Eli Lilly (LLY) Price Chart



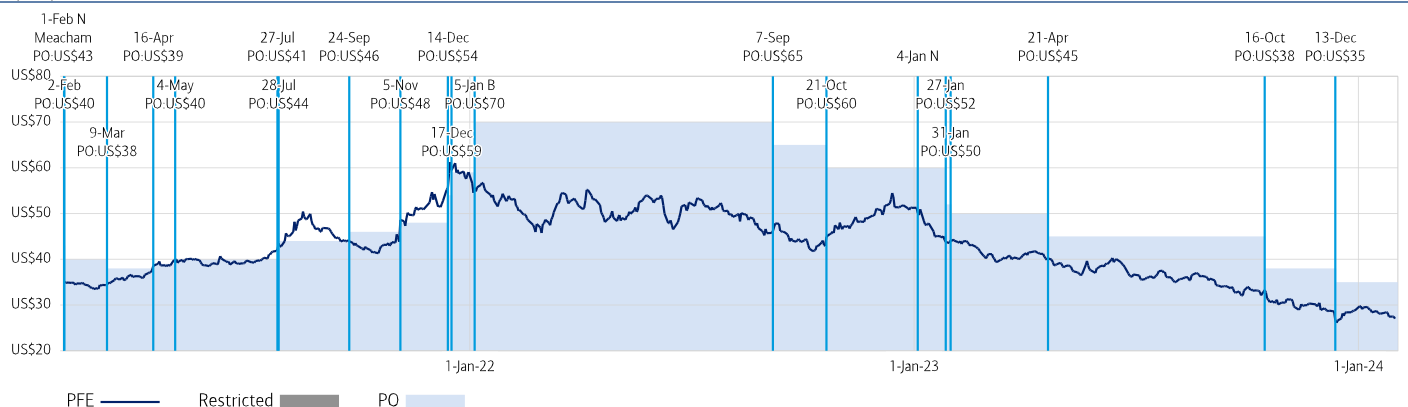
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Moderna (MRNA) Price Chart

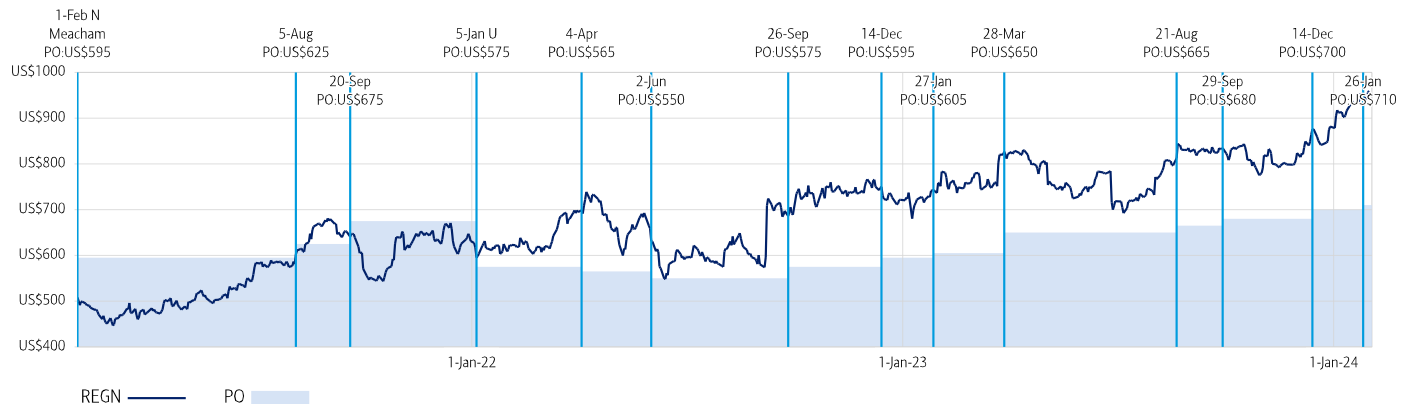
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Pfizer (PFE) Price Chart

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

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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%

^{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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