

## Argenx SE

## FY23 preliminary results and positive POC data in MMN; Reiterate Buy

Reiterate Rating: BUY | PO: 557.00 USD | Price: 396.22 USD

## sBLA for CIDP submitted with launch expected in mid-24

Argenx (ARGX) reported preliminary FY23 Vyvgart revenues of \$1.2bn (+197% y/y, ours: \$1.2bn, cons: \$1.16bn) and outlined strategic priorities for 2024. The company noted they continue to focus on expansion of the Vyvgart franchise through geographic expansion with several regulatory decisions expected in 2024. Additionally, ARGX reported the sBLA for Vyvgart Hytrulo in CIDP has been submitted with PRV. The company anticipates a potential launch in CIDP in mid-24. We currently model \$3.2bn in risk-adj. peak sales in CIDP. The company also continues to advance the pipeline with 6 POC readouts expected in 2024 including positive data from the ph 2 ARDA study reported today. We are encouraged by the exceptional commercial performance of the Vyvgart launch with several opportunities for continued growth in 2024. We reiterate ARGX as one of our top picks in 2024. We reiterate our Buy rating with \$557 PO.

## Positive POC data for empa' in MMN

ARGX reported positive POC data for empa' (C2 inhibitor) in MMN. The first cohort included 27 MMN pts who were IVlg dependent. Pts were withdrawn from IVlg and randomized 2:1 to empa' or placebo for 16 weeks. Pts on empa' had a 91% reduction in need for IVlg rescue compared to placebo. 94% of pts on empa' had an improvement on the Patient Global Impression of Change scale while 89% of pts on placebo worsened or had no change. Empa' had a safety and tolerability consistent with ph 1. We are encouraged by these POC data providing initial clinical validation for ARGX's second asset and its potential in autoimmune diseases and look for additional color on next steps for the program (cohort 2 is ongoing).

## 5 additional POC readouts in 2024

ARGX plans to report topline data from 5 additional POC studies in 2024 including: 1) ph 2 RHO evaluating efgartigimod in Sjogren's in 1H24, 2) ph 2 ALPHA evaluating efgar' in PC-POTS in 1H24, and 3) ph 2/3 ALKIVIA evaluating efgar' in 3 myositis subsets in 2H24. The company is also advancing its third asset, ARGX-119 (MuSK agonist), which will initiate ph 1/2a studies in congenital myasthenic syndrome and ALS in 2024. The company also announced 4 new candidates: ARGX-213 (FcRN), ARGX-121 and ARGX-220 (new targets), and ARGX-109 (IL-6) with INDs expected by YE25.

## Model changes

In our DCF-based model, we roll the quarter, adjust our FY23 estimates and cash based on guidance. We also slightly increase our pipeline value to \$7bn (prev. \$6.75bn) based on positive ph 2 ARDA results. These changes result in our new \$557 PO (prev. \$552).

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)			(4.71)	(2.04)	3.95
DPS	0	0	0	0	0
<b>Valuation (Dec)</b>					
P/E	NM	NM	NM	NM	45.0x
EV / EBITDA*	NM	NM	NM	NM	48.3x
Free Cash Flow Yield*	-3.1%	-3.9%	-0.3%	0%	0.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

08 January 2024

## Equity

## Key Changes

(EUR)	Previous	Current
Price Obj.	US\$552.00	US\$557.00
2023E Rev (m)	1,245.1	1,241.2
2024E Rev (m)	1,594.3	1,594.9
2023E EPS	-7.58	-7.64
2024E EPS	-1.90	-1.89

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## Stock Data

Price	396.22 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)	23,084 USD / 58.3
Free Float	0%
Average Daily Value (mn)	242.62 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 <sup>TM</sup>	Medium

ESGMeter<sup>TM</sup> 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".

See inside for abbreviations

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# iQprofile<sup>SM</sup> Argenx SE

## iQmethod<sup>SM</sup> – 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

## iQmethod<sup>SM</sup> – 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)
<b>Net Income (Adjusted)</b>	<b>(408)</b>	<b>(710)</b>	<b>(417)</b>	<b>(104)</b>	<b>441</b>
<b>% Change</b>	<b>32.9%</b>	<b>-73.9%</b>	<b>41.2%</b>	<b>75.2%</b>	<b>NM</b>

## 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)
<b>Free Cash Flow</b>	<b>-610</b>	<b>-864</b>	<b>-65</b>	<b>2</b>	<b>18</b>
<b>% Change</b>	<b>-52.8%</b>	<b>-41.5%</b>	<b>92.5%</b>	<b>NM</b>	<b>721.3%</b>
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
<b>Total Assets</b>	<b>2,850</b>	<b>3,134</b>	<b>5,179</b>	<b>5,347</b>	<b>5,548</b>
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
<b>Total Liabilities</b>	<b>316</b>	<b>330</b>	<b>331</b>	<b>333</b>	<b>336</b>
<b>Total Equity</b>	<b>2,534</b>	<b>2,814</b>	<b>4,858</b>	<b>5,025</b>	<b>5,224</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,850</b>	<b>3,143</b>	<b>5,189</b>	<b>5,358</b>	<b>5,560</b>

\* For full definitions of iQmethod<sup>SM</sup> 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 612,325

## 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

## Abbreviations

ALS: amyotrophic lateral sclerosis

CIDP: Chronic inflammatory demyelinating polyneuropathy

FcRN: neonatal fragment crystallizable receptor

IL-6: Interleukin 6

IND: Investigational new drug

IVIG: Intravenous immunoglobulin

MMN: Multifocal motor neuropathy

MuSK: muscle-specific kinase

PC-POTS: post-COVID postural orthostatic tachycardia syndrome

ph: phase

POC: Proof of concept

PRV: Priority review voucher

sBLA: Supplemental Biologics License application

## 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

I, Tazeen Ahmad, 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 - Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
	PepGen Inc	PEPG	PEPG US	Tazeen Ahmad
	Prothena Corporation	PRTA	PRTA US	Tazeen Ahmad
	Rhythm Pharmaceuticals	RYTM	RYTM US	Tazeen Ahmad
	Sarepta Therapeutics	SRPT	SRPT US	Tazeen Ahmad
	Ultragenyx Pharmaceuticals	RARE	RARE US	Tazeen Ahmad
<b>NEUTRAL</b>				
	Acadia Pharmaceuticals	ACAD	ACAD US	Tazeen Ahmad
	Incyte Corporation	INCY	INCY US	Tazeen Ahmad
	SAGE Therapeutics	SAGE	SAGE US	Tazeen Ahmad
<b>UNDERPERFORM</b>				
	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

## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **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

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **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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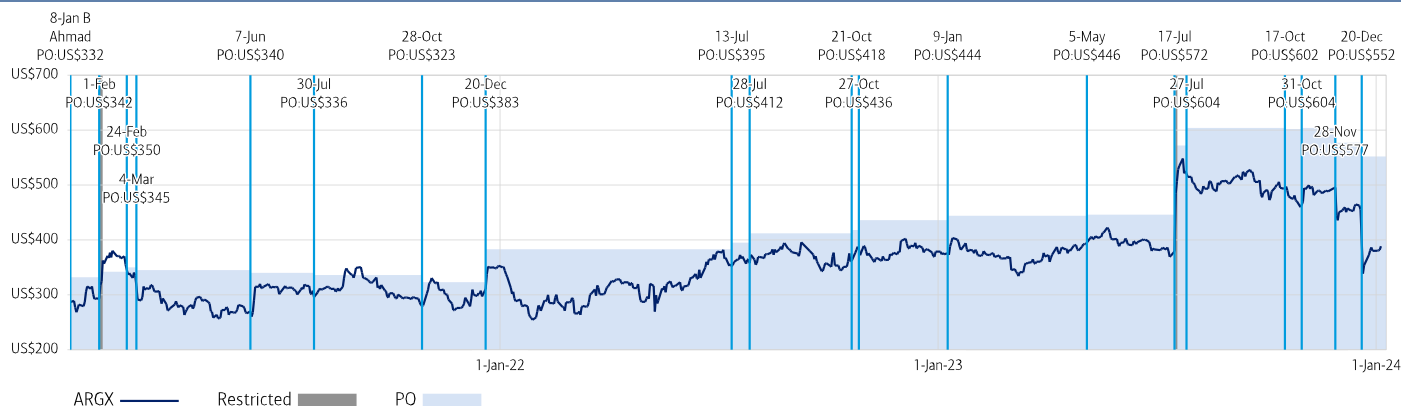
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## Important Disclosures

### Argenx (ARGX) Price Chart



ARGX — Restricted — PO —  
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 <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%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

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

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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