

# Regeneron Pharmaceuticals Inc.

## Initial thoughts on 4Q23 results

Maintain Rating: UNDERPERFORM | PO: 710.00 USD | Price: 957.78 USD

### Few surprises in 4Q headlines

Regeneron marginally beat on the top- and bottom-line in 4Q23 with revenues of \$3.4B (vs. \$3.3B cons) and EPS of \$11.86 (vs. \$10.62 cons); given recent strength in shares, we expect trading to be flattish today. 4Q US Eylea sales of \$1.34B and Eylea HD sales of \$123M were in-line with pre-announced results. Furthermore, there was little surprise with Dupixent sales at \$3.2B (vs. \$3.2B cons) and Kevzara sales of \$112M (vs. \$99M cons) given Sanofi reported 4Q results yesterday (see our Sanofi 4Q read-through note). Separately, US Praluent sales were above consensus at \$61M (vs \$40M cons) while Libtayo modestly beat at \$244M (vs. \$243M cons). Lastly, Sanofi collaboration revenue of \$993B (vs. \$995M cons) was in-line, while Bayer collaboration revenue of \$377M (vs. \$370M cons) beat slightly. Maintain Underperform rating and \$710 PO.

### 2024 guidance suggests material step-up in OpEx

Guidance for 2024 included: 1) adjusted R&D of \$4.3-4.5B, 2) adjusted SG&A of \$2.5-2.65B, 3) gross margin on net product sales 89-91%, and 4) an effective tax rate of 10-12%. The step-up in OpEX was expected as management had been talking up increased spend to support the company's pipeline and 2H24 heme/onc commercial launches. Indeed, Regeneron also recently acquired a cell therapy pipeline through 2seventy bio with the transaction expected to close 1H24. Regeneron's call is TODAY at 8:30 am ET. Dial in: (844) 543-0451 (U.S.); register for a PIN.

**Table 1: Regeneron 4Q23 Variance Table**

4Q23 results for Regeneron's key products

	4Q23 Performance			4Q23 Growth		4Q23 Variance		
\$ in millions	4Q23		BofA	Cons	Q/Q	Y/Y	BofA	Cons
US Eylea	1,338	MISS	1,340	1,478	-8%	-11%	(2)	(140)
US Eylea HD	123	IN-LINE	123	121	N/A	N/A	0	2
WW Libtayo	244	IN-LINE	217	243	5%	61%	27	1
US Praluent	61	BEAT	39	41	52%	96%	22	20
Net product sales	1,852	BEAT	1,743	1,784	4%	9%	109	68
WW Dupixent sales*	3,216	BEAT	3,248	3,204	4%	31%	(32)	12
WW Kevzara sales*	112	BEAT	112	99	13%	38%	1	13
Sanofi collaboration revenues	993	IN-LINE	1,018	995	-7%	19%	(25)	(2)
Bayer collaboration revenues	377	BEAT	376	370	0%	6%	1	7
Total Revenue	3,434	BEAT	3,249	3,266	2%	1%	185	168
COGS + COCM	469		426	369	19%	29%	43	100
R&D	1,031		973	1,010	8%	13%	58	21
SG&A	622		600	622	17%	8%	22	0
Net Income (non-GAAP)	1,366		1,179	1,221	3%	-6%	187	145
Non-GAAP EPS - diluted	\$11.86	BEAT	\$10.28	\$10.62	2%	-6%	1.58	1.24
2024 Guidance			2024E		Growth	Midpoint Variance		
	Low	High		BofA	Cons	Y/Y	BofA	Cons
Non-GAAP R&D	4,300	4,500	ABOVE	3,881	3,908	39%	(519)	(492)
Non-GAAP SG&A	2,500	2,650	ABOVE	2,423	2,236	39%	(152)	(339)
Non-GAAP Gross Margin	89%	91%	IN-LINE	89%	89%	N/A	N/A	N/A

Source: BofA Global Research, First Order Analytics, Bloomberg, Company reports

\*booked by Sanofi

BofA GLOBAL RESEARCH

02 February 2024

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### Stock Data

Price	957.78 USD
Price Objective	710.00 USD
Date Established	26-Jan-2024
Investment Opinion	B-3-9
52-Week Range	684.81 USD - 965.66 USD
Mrkt Val (mn) / Shares Out (mn)	111,296 USD / 116.2
Free Float	97.4%
Average Daily Value (mn)	560.86 USD
BofA Ticker / Exchange	REGN / NAS
Bloomberg / Reuters	REGN US / REGN.OQ
ROE (2023E)	19.4%
Net Dbt to Eqty (Dec-2022A)	-34.2%
ESGMeter™	High

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**Abbreviations:**  
Heme/onc: hematology-oncology

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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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Timestamp: 02 February 2024 07:37AM EST

## Price objective basis & risk

### 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.

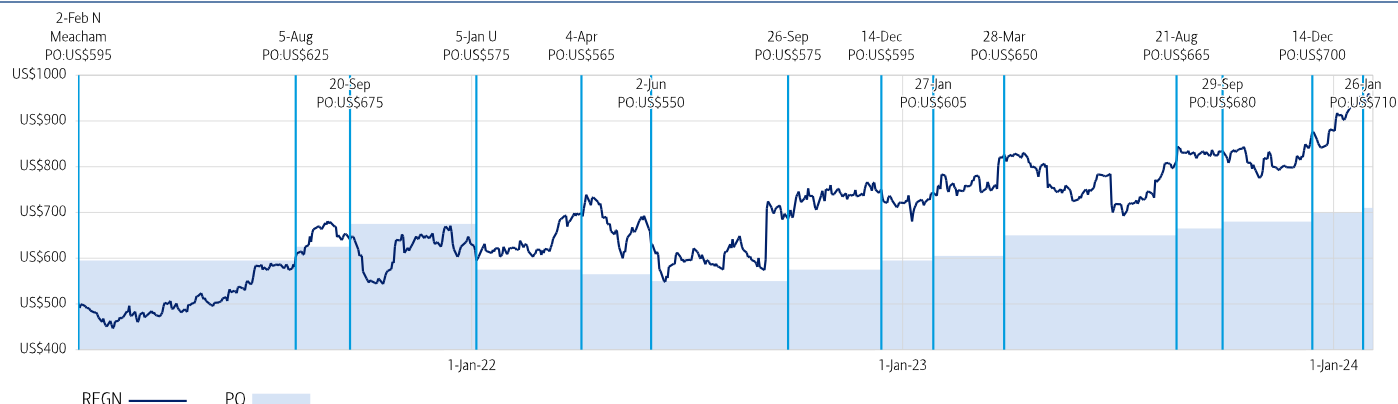
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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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