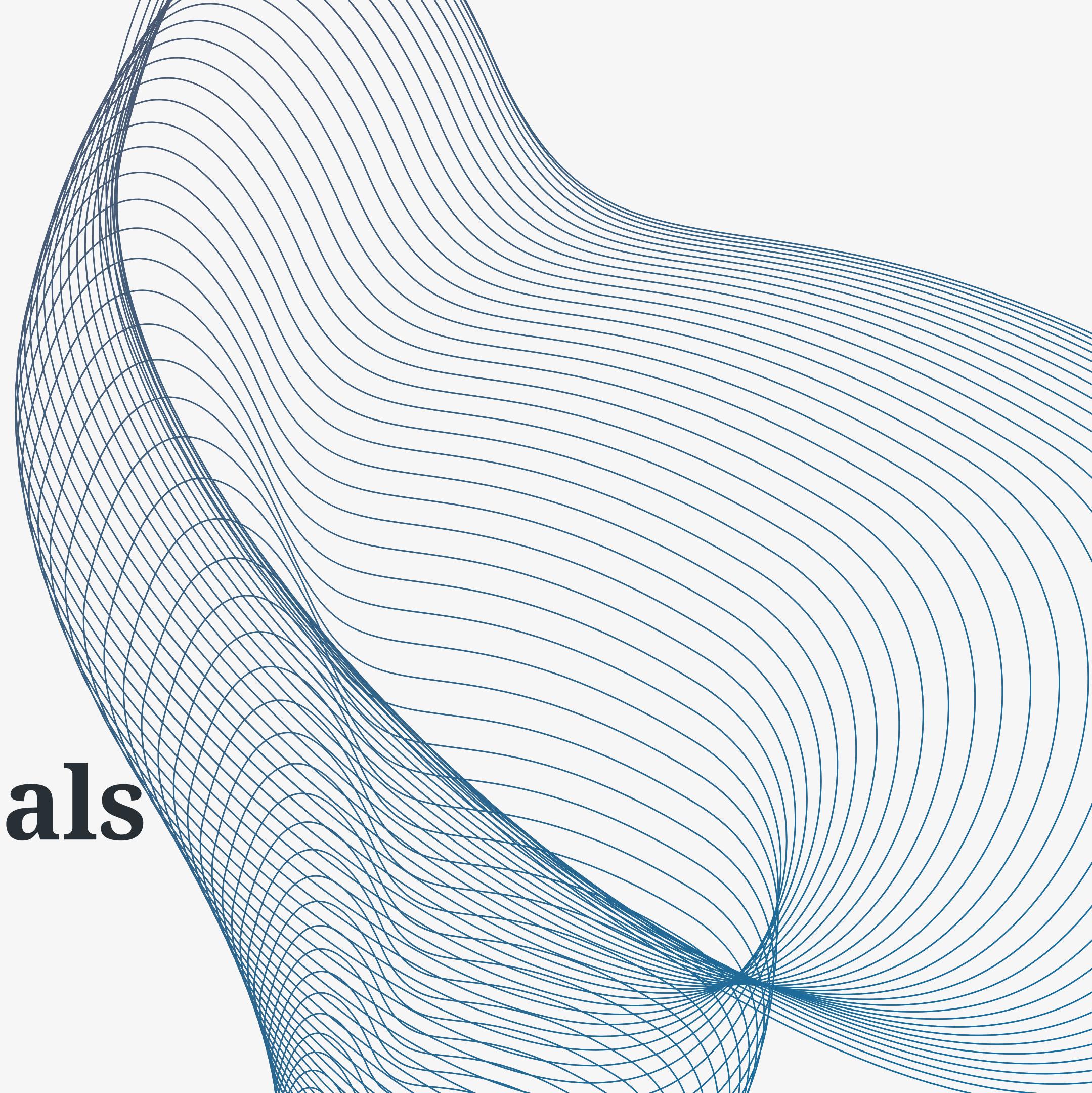




Yuwen Zhang
Rona Zhang
Srikari Tadikonda

Reata Pharmaceuticals





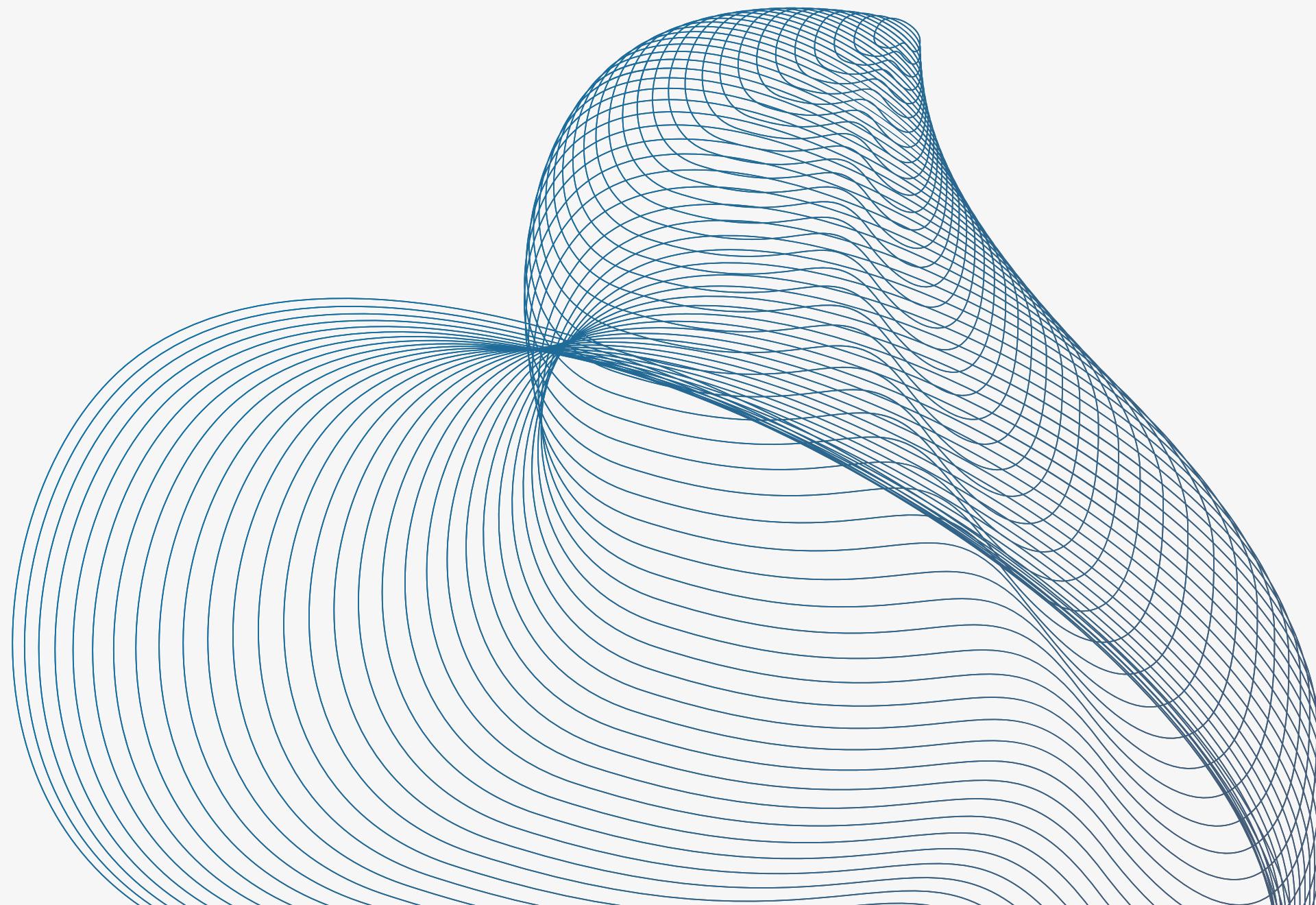
About Reata Pharmaceuticals

Reata Pharmaceuticals, Inc. is a pharmaceutical company based in Plano, Texas. Founded in 2002, Reata is primarily focused on investigating experimental oral antioxidative and anti-inflammatory drugs.

Reata was founded on January 1, 2002 by Manmeet Soni, and currently trades on NASDAQ under the ticker \$RETA



Investment Thesis

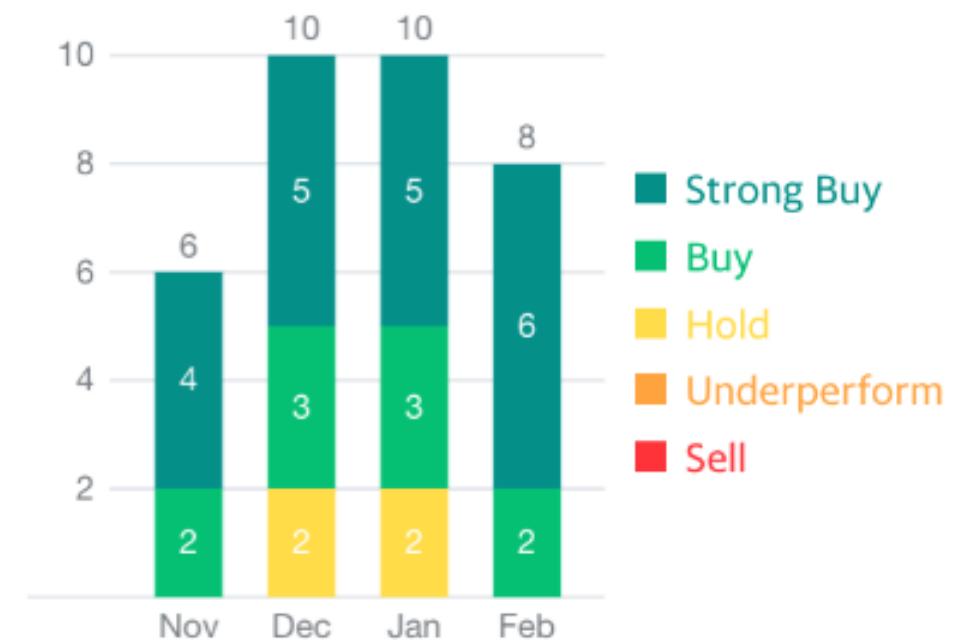




Reata Pharmaceuticals, Inc. (NASDAQ: RETA) is currently trading at \$30.85 and boasts a target price of \$62.6. With a current rating of 1.7 on Yahoo Finance and an upside potential of 102.9%, RETA presents a compelling long-term investment opportunity.

The company's robust pipeline, positive clinical trial results, and strategic partnerships support this view.

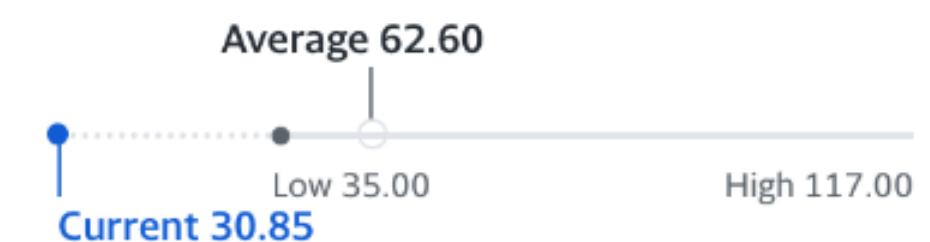
Recommendation Trends >



Recommendation Rating >

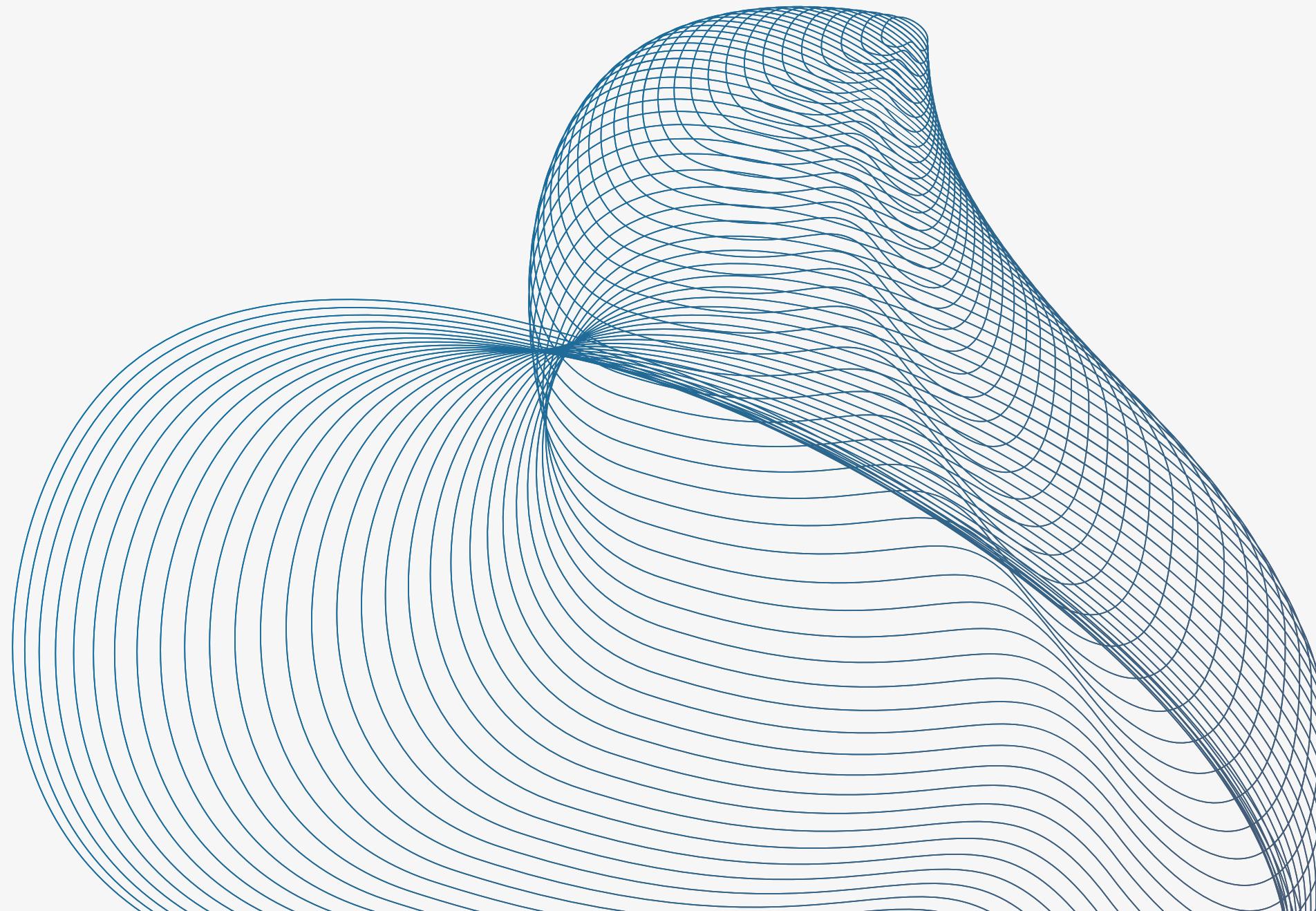


Analyst Price Targets (10) >





Catalyst





U.S. FDA approves Reata's rare genetic disorder drug

February 28, 2023

The U.S. Food and Drug Administration on Tuesday approved Reata Pharmaceuticals Inc's (RETA.O) drug for the treatment of a rare genetic disorder that causes progressive damage to the nervous system, sending shares up nearly 160% after the bell.



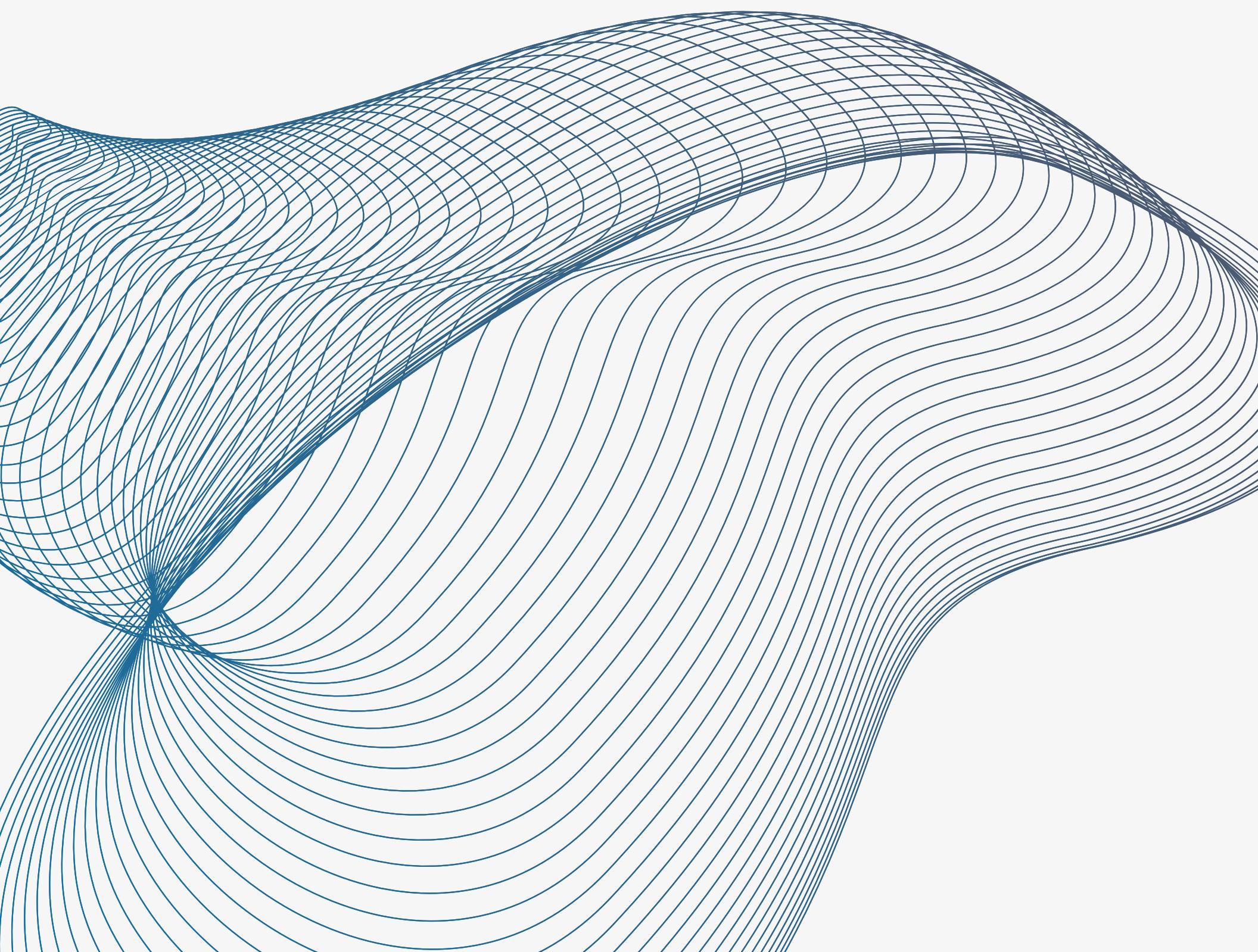


Pharmaceutical Market to Show Incredible Growth and Forecast 2023-2030 | Cognate Life Sciences

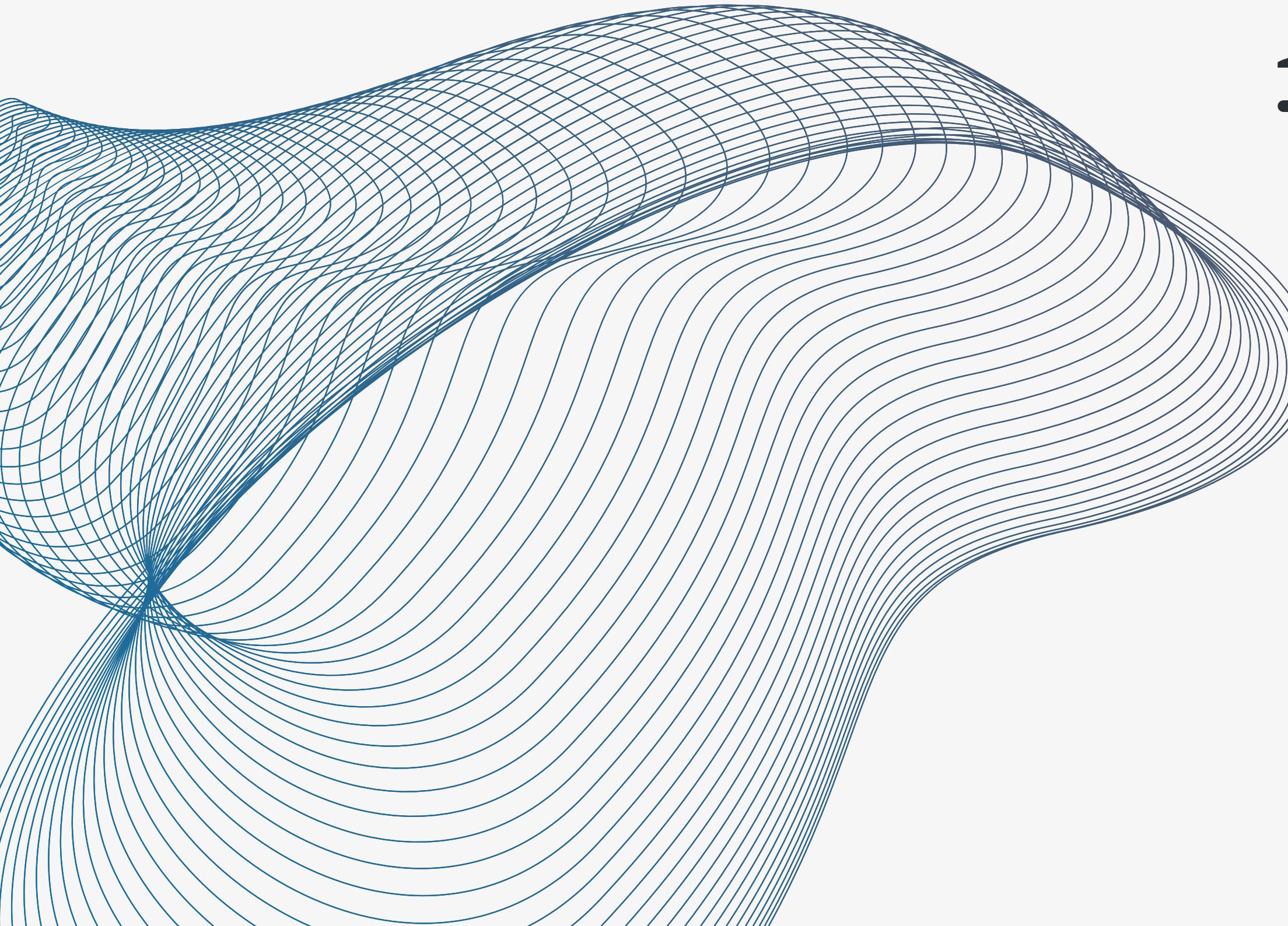
February 27, 2023

The pharmaceutical landscape has undergone a massive transformation with the emergence of new technologies, and cost-effective, and more efficient manufacturing approaches.

Company Analysis

- 
- SWOT Analysis
 - Revenue Breakdown
 - Competitive Advantages
 - Stock Price Trends
 - Company Management
 - Trends

SWOT Analysis

- 
- Strength
 - Weakness
 - Opportunities
 - Threats



Strength

- Strong pipeline & Exclusive Patents:
 - Leading program 1: Omaveloxolone in a rare neurological disease called Friedreich's ataxia (FA)
 - Leading program 2: Bardoxolone in rare forms of CKD (Chronic Kidney Disease)
 - Leading program 3: Cemdomespib (previously referred to as RTA 901) from the Hsp90 modulator program which is for neurological indicators
- Partnerships & Collaborations:
 - Kyowa Kirin Agreement: Kyowa Kirin is required to conduct necessary preclinical and clinical activities for commercialization, while Reata Pharmaceuticals is responsible for supplying clinical products and negotiating supply agreements
 - Amended and Restated License Agreement with AbbVie: In 2010, Reata Pharmaceuticals entered into a license agreement with AbbVie for the exclusive right to develop and commercialize Bardoxolone or other molecules for certain indications outside the U.S.



Weakness

- Dependence on a few products:
 - Reata Pharmaceuticals' pipeline is heavily reliant on a few key products, which could pose a risk if any of their products fail in clinical trials or do not receive FDA's approval or regulatory approval of other countries
- Limited market presence:
 - The company is relatively unknown in the market, which may make it difficult to attract investors or generate interest from potential partners
- Financial instability:
 - The development of new drugs can be an expensive and resource-intensive process. Reata Pharmaceuticals' financial statements reveal that the company's research and development costs are significant and have been increasing steadily from 2020 to 2022



Opportunities

- Expansion into new markets:
 - The adoption of new technology standards and government free trade agreements has provided Reata Pharmaceuticals, Inc. an opportunity to enter a new emerging market. And the company also has the opportunity to expand into new foreign markets, such as Europe and Asia, to diversify its revenue streams and reduce its dependence on the US market.
- New customers from online channels:
 - Over the past few years, the company has invested lots of money into the online platform. This investment has opened a new sales channel for Reata Pharmaceuticals, Inc. And in the next few years, the company can know its customers better in this way and serve their needs using big data analysis.



Opportunities

- Growing Demand for Innovative Drugs:
 - Due to the increasing prevalence of chronic diseases and aging populations, the demand for innovative drugs is growing. Reata Pharmaceuticals, Inc. is well-positioned to capitalize on this trend by leveraging its expertise in developing innovative drugs.
- Green government drive:
 - This provides an opportunity for Reata Pharmaceuticals, Inc. the sale of its products to federal and state government contractors.



Threats

- Intense competition:
 - Stable profitability has increased the number of players in the industry over the last few years, which has caused pressure on not only profitability but also overall sales.
- Rising raw material price:
 - This can pose a threat to Reata Pharmaceuticals, Inc.'s profitability.



Threats

- Instability seasonal demand:
 - The demand for highly profitable products is seasonal in nature and any unlikely event during the peak season may impact the profitability of the company in the short to medium term.
- Economic and political instability:
 - As the company is operating in numerous countries, it is exposed to currency fluctuations especially given the volatile political situation in many markets around the world. And the liability laws in different countries are also different. So Reata Pharmaceuticals, Inc. may be exposed to various liability claims given changes in policies in those markets.



Revenue breakdown

Reata Pharmaceuticals currently has no marketed drugs in its portfolio. However, the company is developing two of its lead pipeline candidates, namely, omaveloxolone in Friedreich's ataxia ("FA") and bardoxolone in rare forms of chronic kidney disease (CKD).

According to Reuters, Skyclarys is Reata's first product to gain approval, and Jefferies projected that U.S. sales of the drug could reach \$400 million by 2031.

Reata Pharmaceuticals had \$42.3 million in cash and cash equivalents and \$345.2 million in marketable debt securities as of December 31, 2022



Competitive Advantages

On February 28, 2023, US FDA approved Reata's new drug Skyclarys, for the treatment of rare genetic disorder, Friedreich's atax, resulting in share price increasing by 160%. As there are currently no alternatives for patients who have this disease, Reata could charge \$425,000 a year per patient for the 5,000 people who have this disease in the US and sales could be as high as \$400 million. Furthermore, Friedreich's atax is a neuromuscular disorder that can cause patients to be wheelchair bound and premature death, so the drug would be a necessity. Reata would be the sole seller of Skyclarys giving it an edge over competitors.

Cash burn in Reata is ramping up to 76% in investment which could results in the development of new drugs such as omaveloxolone and bardoxolone giving it further advantages.

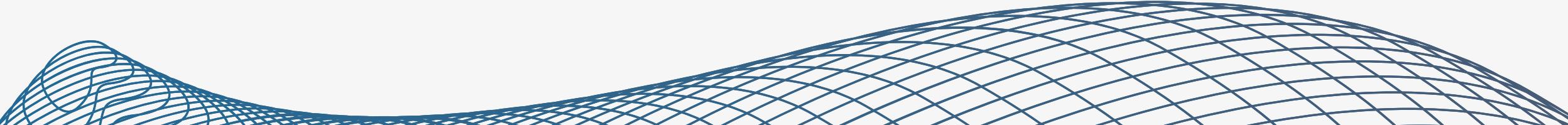
Stock Price Trends





Stock Price Trends

Over the past five years, the stock price of Reata is volatile with several significant price movements. In 2018, the stock price rose from around \$20 to \$100 following the announcement of positive Phase 2 clinical trial results for its leading drug candidate, bardoxolone methyl, for the treatment of a rare genetic disease Alport syndrome. However, the stock price fell sharply in 2019 after the company announced negative Phase 3 clinical trial results for bardoxolone methyl in patients with chronic kidney disease caused by Alport syndrome. Then, the stock price continued to decline through most of 2020 before recovering slightly toward the end of the year.

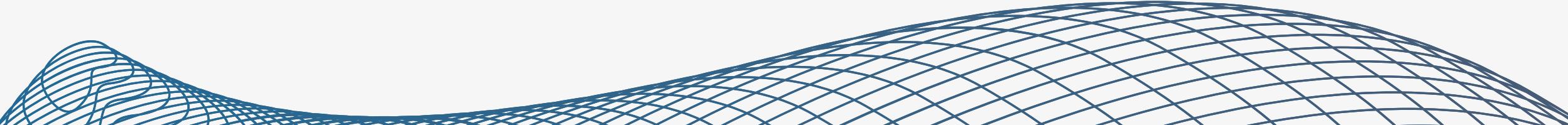




Stock Price Trends

In 2021, Reata Pharmaceuticals announced several positive developments that have driven the stock price higher.

- Bardoxolone Methyl Update: Reata announced positive Phase 2 clinical trial results for bardoxolone methyl in patients with chronic kidney disease associated with type 1 diabetes, which led to a significant increase in the stock price.
- Omaveloxolone Update: Reata announced positive Phase 2 clinical trial results for Omaveloxolone in patients with Friedreich's ataxia, a rare genetic disease that affects the nervous system. The stock price increased following the announcement.



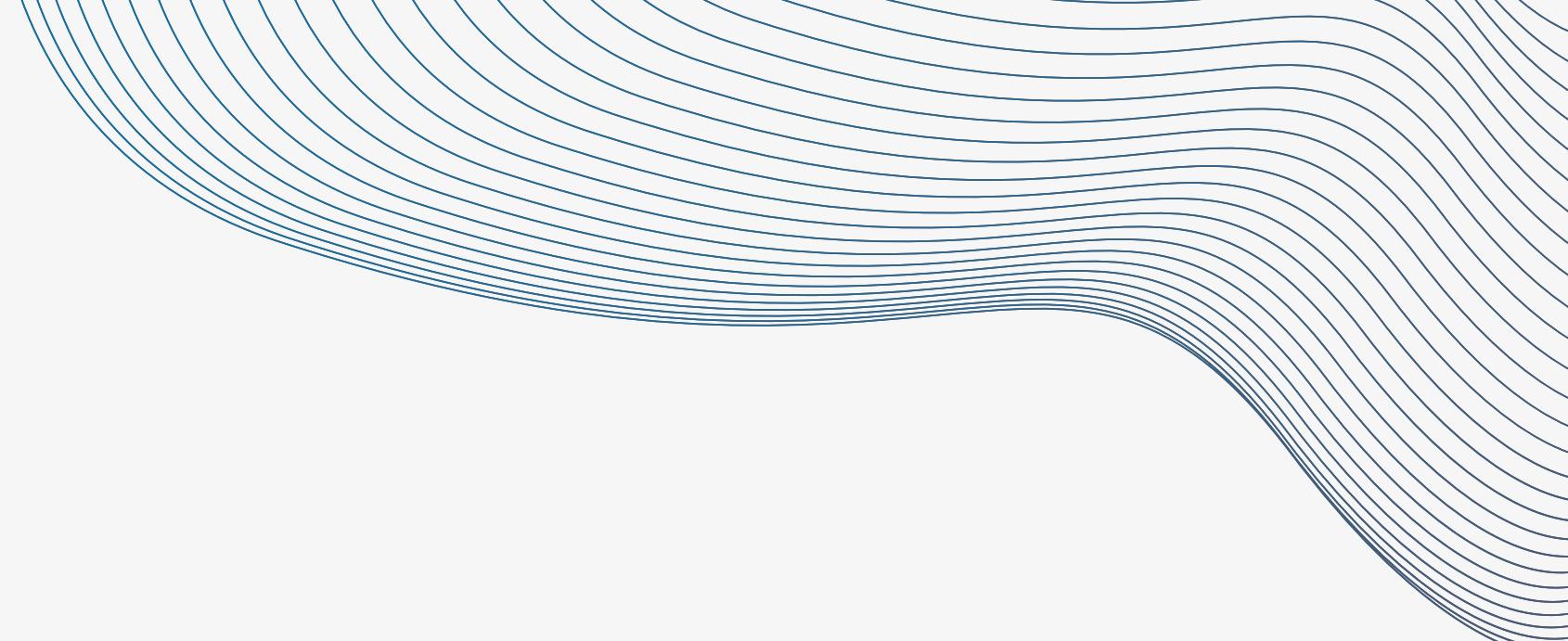


Company Management

- CEO: J. Warren Huff

He has served as the sole CEO and Chairman since the establishment of the company in 2002.

- The Reata Pharmaceuticals executive team is 30% female and 70% male.
- Chief Scientific Officer: W. Christian Wigley



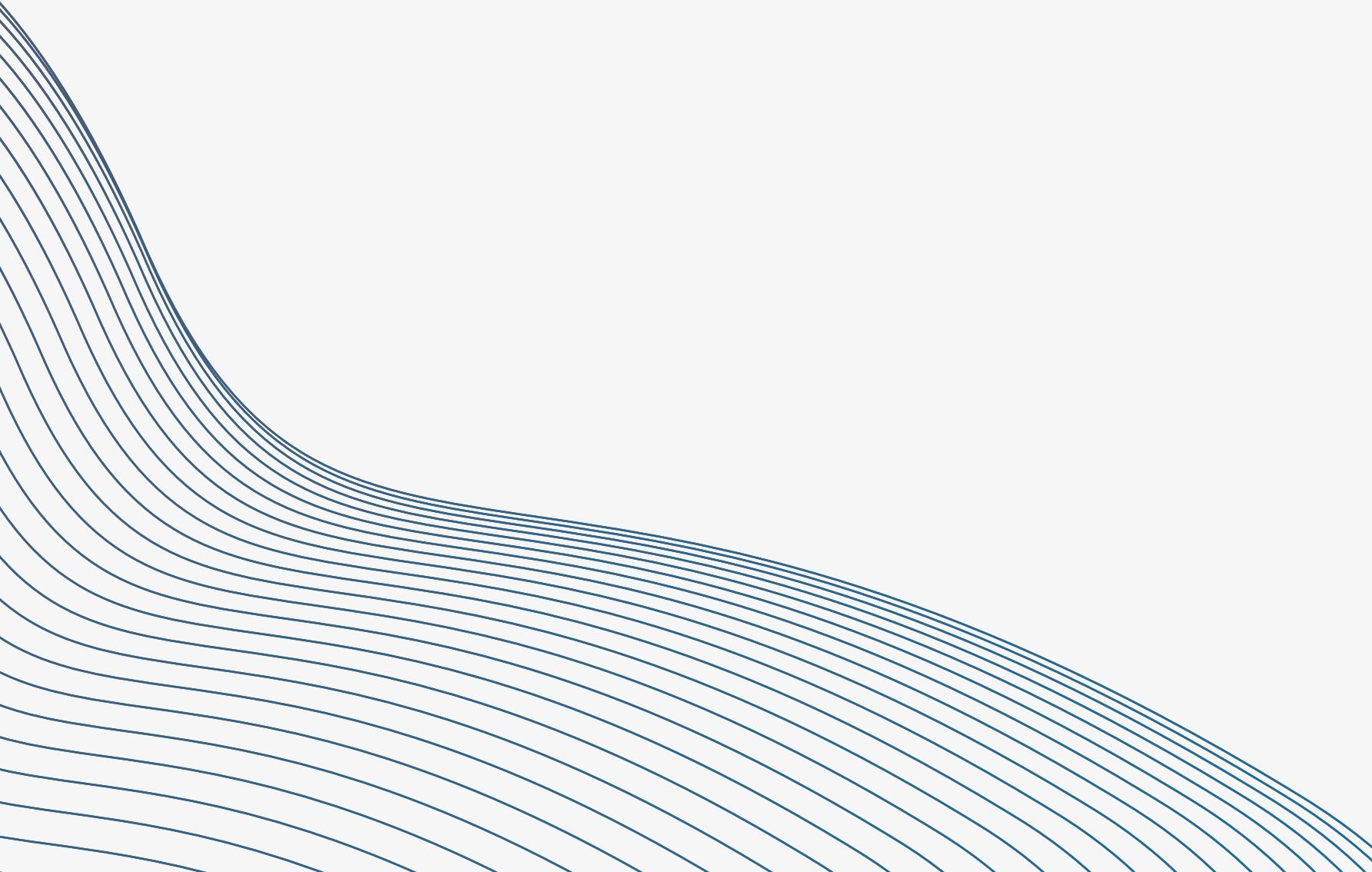
Trends

- Research and Development:
 - Reata invests heavily in R&D to advance its drug pipeline. The company has several drugs in development that target rare diseases and conditions with significant unmet medical needs. Reata's focus on developing drugs for rare diseases aligns with the industry trend toward precision medicine and personalized therapies.
- Clinical Trials:
 - Reata conducts extensive clinical trials to test the safety and efficacy of its drug candidates. The company has had both positive and negative results in its clinical trials, which is common in the pharmaceutical industry. However, the positive results in some of its recent trials suggest that the company's drug pipeline is progressing well.
- Investor Interest:
 - Reata's stock price has fluctuated over the years, but the recent positive developments have driven the stock price higher. This suggests that investors are interested in the company's drug pipeline and its potential to address new medical needs.



Industry Analysis

Pharmaceutical sub-industry





Porter's Five Forces

- Competitive Rivalry
- Threat of New Entry
- Threat of Substitution
- Supplier Power
- Buyer Power

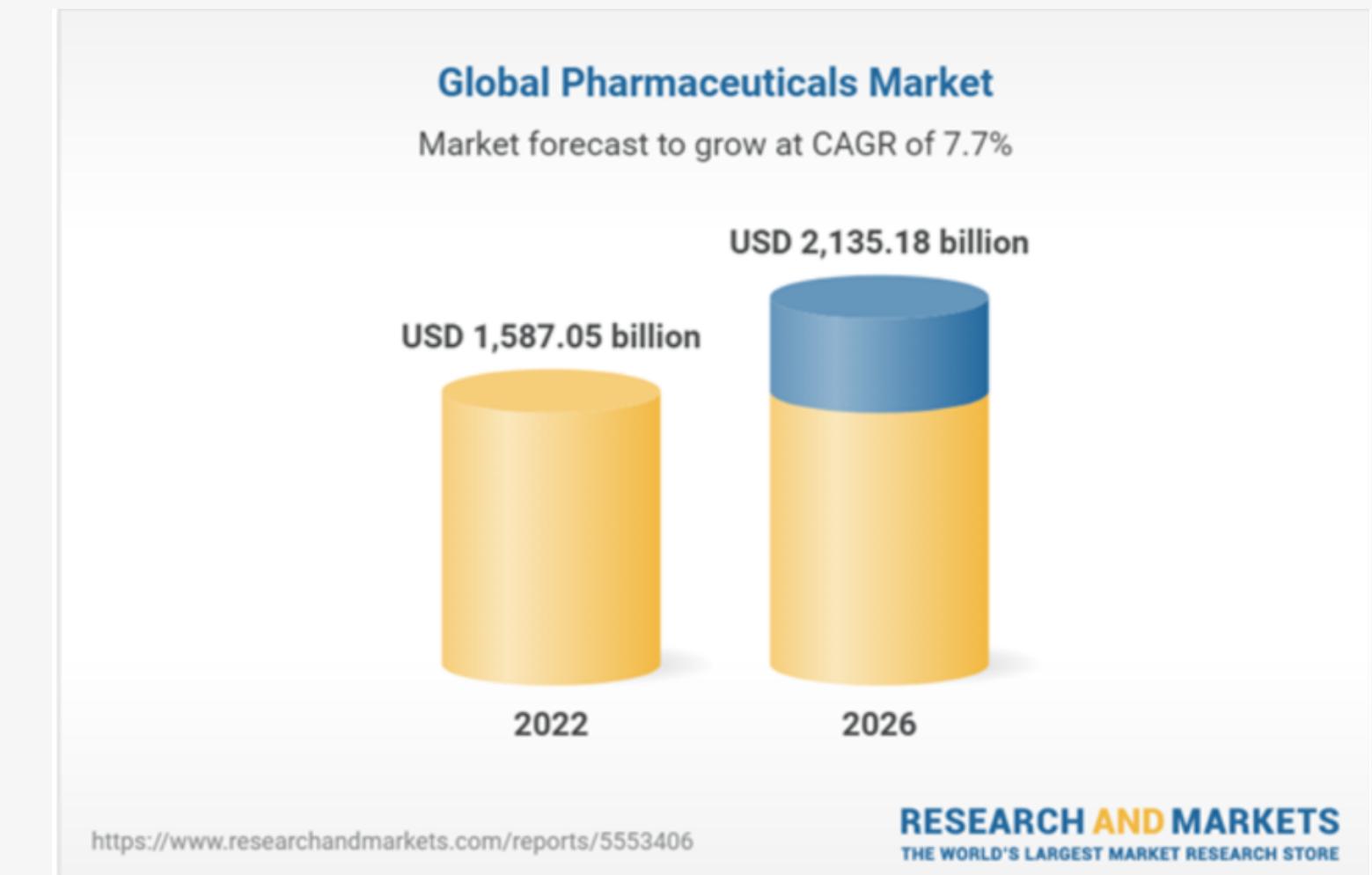


Competitive Rivalry - High

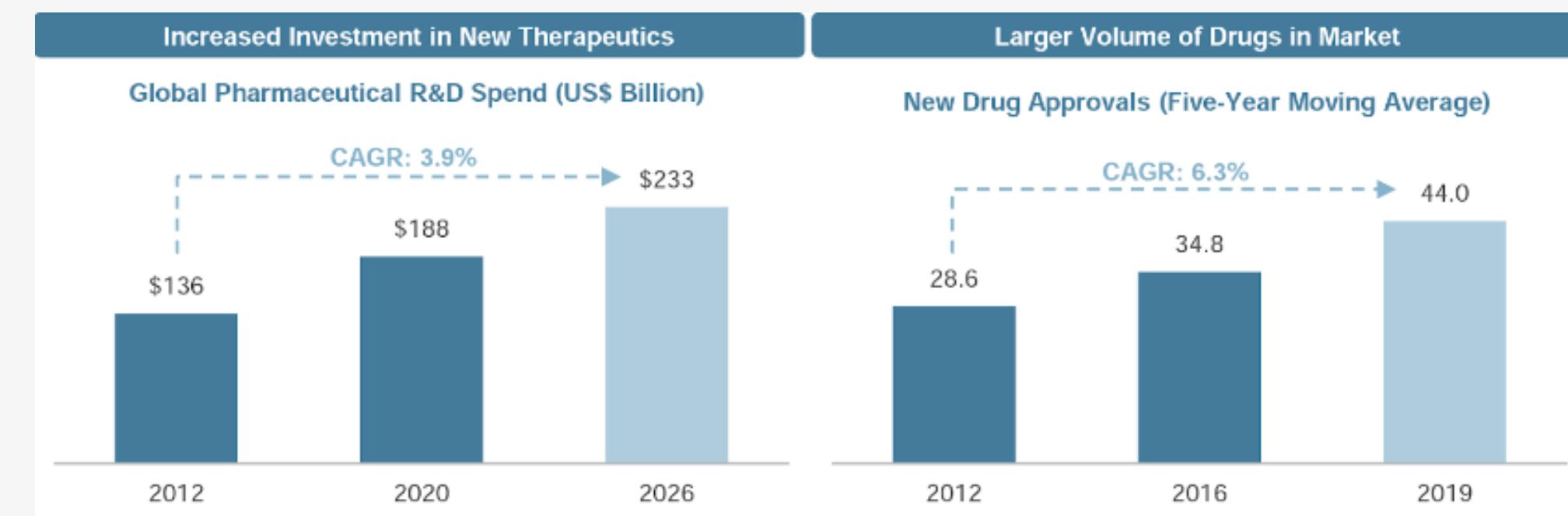
The development and commercialization of new pharmaceutical products are highly competitive.

With global sales exceeding \$1587.05 billion dollars in 2022, and the expected global market value of \$2135.18 billion dollars by 2026, the pharmaceutical industry is one of the fastest-growing economic sectors.

The compound annual growth rate (CAGR) of the industry is about 7.7%.



Competitive Rivalry - High



The pharmaceutical industry is characterized by its dynamic nature, rapid growth, and potential for high profits. These characteristics cause the pharmaceutical industry to be highly competitive:

- Profits-driven & fast market growth
- R&D development
- Competition in the demand for skilled workers



Threat of New Entry - Low

- The extensive costs associated with setting up (manufacturing units, r&d, marketing, sales etc.)
- Approvals needed from regulatory authorities
- High risk of no return on investment if the company fails to produce drugs on time
- An effective distribution network, brand patents and strong brand presence make it a difficult industry to enter or exit
- Most drugs are patented so the new entrant will have to start from scratch



Threat of Substitution - Low

- The threat of an expired patent
 - After a brand-name drug patent expires, competitors within the pharmaceutical industry may start producing generic drugs as a lower-cost substitute
- The Threat of other alternative medicines or treatments
 - Alternative treatments do not require extensive research and development or rigorous testing
- The threat of technological advance
 - The development of new technologies and treatments, such as gene therapies and regenerative medicine, could pose a threat of substitution for the pharmaceutical industry



Supplier Power - Low

The raw materials for manufacturing drugs are commodity products in the chemical industry, which are available from numerous sources. And most of the equipment used in manufacturing and research is available from multiple suppliers. So suppliers usually offer multiple products to the manufacturer, which moderates pricing on rarer materials and unique equipment



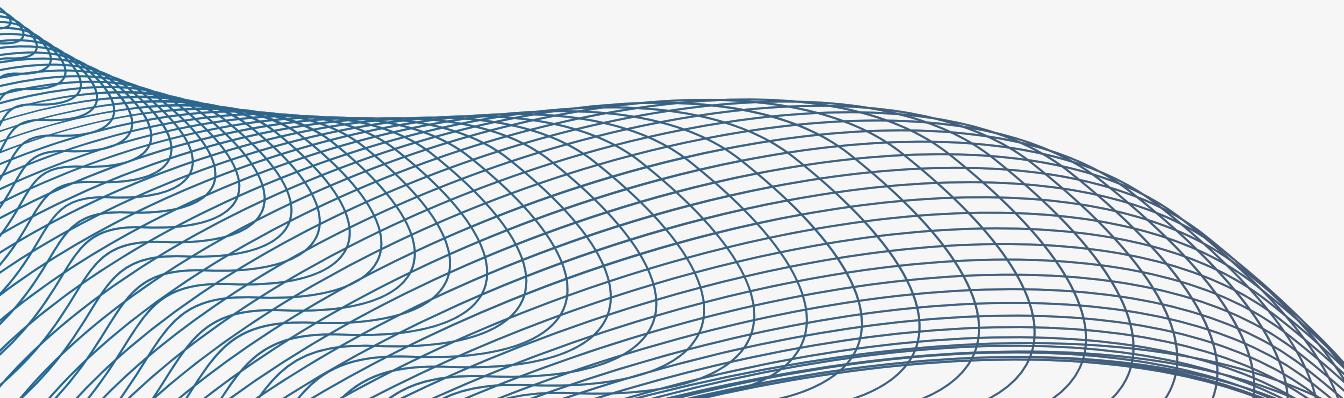
Buyer Power - Moderate

- Patients have little bargaining power over pricing
- Physicians, who prescribe drugs, are ethically prohibited from profiting from the sale of drugs
- Insurance companies, which pay for drugs, have limited influence over manufacturers
- The only entities with negotiating power are the pharmacies and medical institutions that dispense prescribed medications
- However, in recent years, the bargaining power of buyers in the pharmaceutical industry has increased
 - The Affordable Care Act in the U.S.



PESTLE Analysis

- Political
- Economic
- Social
- Technological
- Legal
- Environmental





Political

- Government regulations
 - The pharmaceutical industry is highly regulated by governments worldwide. Regulations include requirements for clinical trials, drug approvals, manufacturing processes, labeling, and advertising
- Intellectual property rights
 - Patent laws provide pharmaceutical companies with exclusive rights to market and sell their products, which can result in significant profits. However, there is growing pressure to reform patent laws to increase access to affordable medications
- Pricing and reimbursement policies:
 - Governments play a significant role in setting pricing and reimbursement policies for pharmaceuticals. These policies can significantly impact a drug's market access and profitability



Economical

- Healthcare spending growth in the US consistently exceeded GDP growth until 2021
 - As long as there is a growth in household healthcare spending, the pharmaceutical industry will continue to grow and generate more revenue
- Spending on R&D and the introduction of new drugs have both increased in the past two decades
 - This boosts growth of the pharma industry as people purchase these new drugs
- Policies that lower drug prices and reduce federal drug expenditures would probably reduce the industry's incentive to develop new drugs
 - This is a major downtrend for the condition of the pharmaceutical industry



Social

- Aging population
 - In recent years, the world has been experiencing an increasing aging population. As a result, there is a high demand for pharmaceutical products, particularly among the elderly population. This has led to higher revenue and profit for the pharmaceutical industry
- Health consciousness
 - There is a growing trend towards prioritizing health and wellness. People are becoming more health-conscious and striving to live healthier lives through regular exercise, consumption of healthy foods, and mindfulness practices such as meditation. While this trend could potentially reduce the demand for certain pharmaceutical drugs, there is still a high demand for products and drugs that promote and support a healthier lifestyle. Consequently, pharmaceutical products that align with the goal of achieving a healthier life are likely to remain popular



Technological

- Biotechnology in medicine
 - As new medications are created from various biological sources, the companies might have a wider range of drugs to produce and distribute, generating additional revenue
- Developments of medical devices
 - The equipment being manufactured and used is continually changing, leading to the development of new treatments. And developments with medical devices allow patients to receive better care. For example, hearing aid devices have the tools to enhance performance, providing crystal clear sound, less background noise, and premium options for a better hearing experience
- Application developments and digital marketing
 - Using apps allows patients to get care faster and can even connect doctors at homes. And the ability to ask questions about illnesses include email and live-chat on websites



Legal

- For hospitals and private licensed practitioners
 - it is important to adhere to taxation policies, medical procedures and government defined rules. These laws are meant to prevent medical negligence or malpractice, overcharging, untrained or unqualified nurses and doctors, etc.
- For pharmaceutical companies and producers in the healthcare industry
 - The medical patent is essential to establish intellectual property. The three types of patents include the utility, design, and plant patent. A patent is viable for 20 years



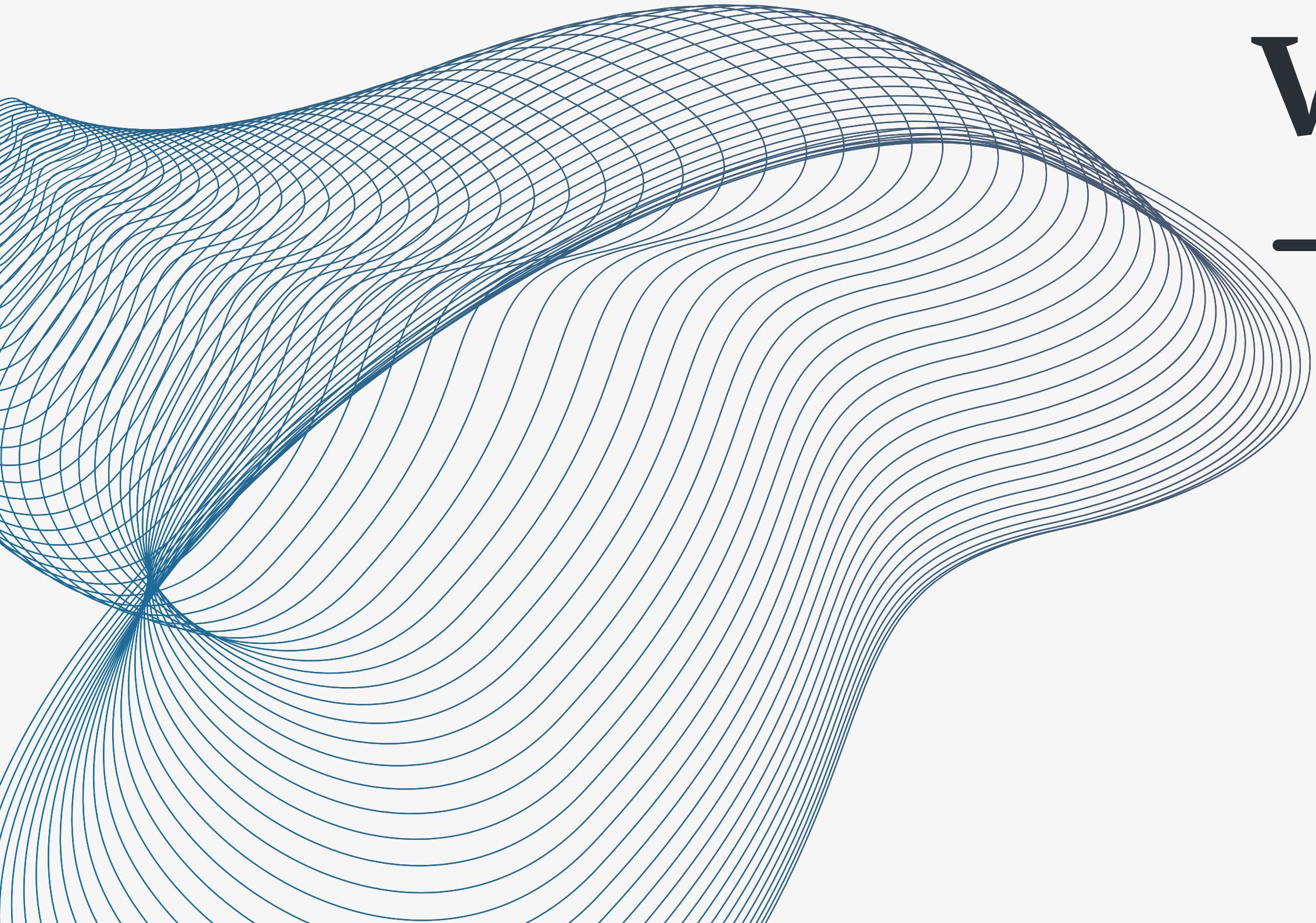
Legal

- Drug pricing regulations
 - Legal changes related to drug pricing and reimbursement policies may affect RETA's revenue potential and profitability
- Compliance with laws and regulations
 - RETA must comply with various laws and regulations governing the pharmaceutical industry, such as clinical trial conduct, marketing practices, and data privacy. Non-compliance could result in fines, penalties, or reputation damage



Environmental

- Sustainable practices
 - As environmental concerns gain prominence, REATA may face pressure to adopt sustainable practices in its operations, such as reducing waste and lowering greenhouse gas emissions
- Climate change
 - Climate change and extreme weather events can impact the availability of raw materials and disrupt supply chains, potentially affecting REATA's operations and production timelines



A large, abstract graphic on the left side of the slide consists of numerous thin, blue-grey lines that form a series of overlapping, undulating curves. These lines create a sense of depth and motion, resembling waves or a complex network. They start from the bottom left and curve upwards towards the center of the slide.

Valuation

Comparable Companies Chart

Company	Ticker	Share Price	Market Value	Enterprise Value	Revenue	RG %	EV/ EBITDA
Reata	RETA	\$100.545	\$3.22B	\$2.95B	\$2.216M	-2.04%	-12.19
Arrowhead Pharmaceuticals	ARWR	\$57.15	\$3.83B	\$2.68B	\$243.23M	93%	-18.26
ACADIA Pharmaceuticals	ACAD	\$25.32	\$3.47B	2.58B	\$517.23M	6.83%	-11.64
Maravai LifeSciences	MRVI	\$21.56	\$3.36B	1.76B	\$883.00M	-16.7%	2.89

DCF Analysis and Analyst Estimates



Reata's revenue has changed by 7.7% in 2021 and -2.04% in 2022. Since Reata is a relatively new company and it is unsure how the earnings will grow, analysts estimate a conservative average revenue growth rate of 5% for the next 10 years, accounting for the fact that Reata Pharmaceuticals' revenue growth suffered from supply shortages in 2022. We also assume a conservative terminal growth rate of 2% after 2033. Entering this information in a DCF calculator brings the discounted cash flow valuation of Reata to \$62.6, displaying a gain of 102.9%

Risks and Mitigants



Risks

There is a risk of the possibility that Reata Pharmaceuticals are unable to keep up with their declining revenue % if it continues over the long run, making their business unsustainable.

This risk could be harmful to investments made in Reata Pharmaceuticals.

Mitigants

Reata Pharmaceuticals enjoy a high cash balance of \$388M, a substantial amount when compared to their decline in revenue of less than \$2M.

Moreover, Reata Pharmaceuticals enjoy a low debt to equity ratio of 0.6, hence they have room for additional leverage if required.



Thank You!

Any questions?