Regeneron Pharma (REGN)

$604.04 (As of 06/08/20)

Price Target (6-12 Months): **$634.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/06/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: B | Momentum: D	

Summary

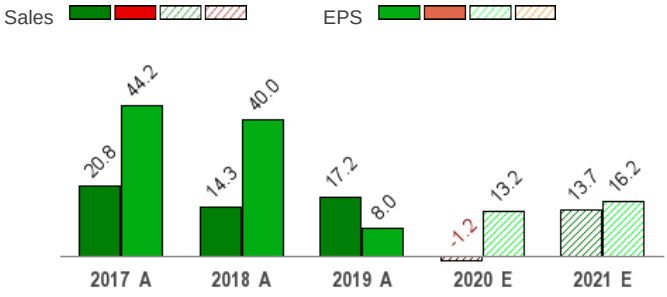
Regeneron's performance has been impressive in the year so far, driven by the label expansion of Eylea, and strong Dupixent and Libtayo sales. The company's efforts to expand the label of its approved drugs and concurrently develop the pipeline are encouraging. Its efforts to develop REGN-COV2 are encouraging as well and a positive outcome should drive growth. While the first quarter was not materially impacted by the coronavirus pandemic, the overall demand for Eylea in the United States was lower on a year-over-year basis in April. Moreover, the drug is likely to face stiff competition from recently-approved Beovu. Regeneron is highly dependent on Eylea for growth. Pipeline setbacks are concerning as well. Shares have outperformed the industry in the past year.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$618.71 - $271.37**
20 Day Average Volume (sh)	**1,975,882**
Market Cap	**$66.5 B**
YTD Price Change	**60.9%**
Beta	**0.57**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Top 13% (32 out of 252)**
Last EPS Surprise	**15.2%**
Last Sales Surprise	**8.3%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**08/04/2020**
Earnings ESP	**-1.6%**
P/E TTM	**22.6**
P/E F1	**21.6**
PEG F1	**1.1**
P/S TTM	**8.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,158 E	2,255 E	2,364 E	2,452 E	8,837 E
2020	1,828 A	1,825 E	2,002 E	2,114 E	7,772 E
2019	1,712 A	1,934 A	2,048 A	2,170 A	7,863 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$7.59 E	$8.39 E	$8.77 E	$9.44 E	$32.46 E
2020	$6.60 A	$6.47 E	$7.77 E	$8.37 E	$27.93 E
2019	$4.45 A	$6.02 A	$6.67 A	$7.50 A	$24.67 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/08/2020. The reports text is as of 06/09/2020.

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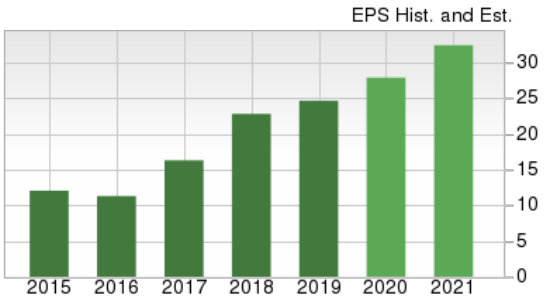
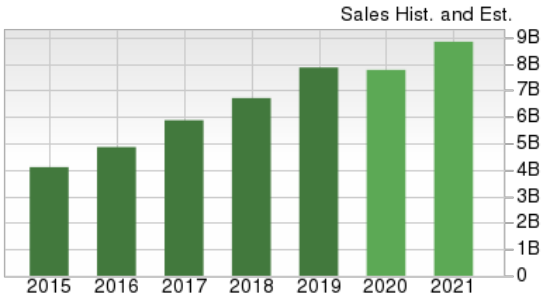
Overview

Tarrytown, NY-based Regeneron is a biopharmaceutical company focused on the discovery, development and commercialization of treatments targeting serious medical conditions. The company's portfolio boasts about seven marketed drugs — Eylea (for several eye diseases), Dupixent (asthma, atopic dermatitis, and chronic rhinosinusitis with nasal polyposis), Praluent (heterozygous familial hypercholesterolemia), Kevzara (moderately-to-severely active rheumatoid arthritis), Libtayo (metastatic or locally advanced cutaneous squamous cell carcinoma), Arcalyst and Zaltrap.





While Regeneron has co-developed Eylea with Bayer's HealthCare unit, Praluent was co-developed with Sanofi. Recently, the company restructured its agreement with Sanofi for the development of two candidates.

Regeneron has been actively collaborating with other companies to fortify its portfolio. It collaborated with Bayer for the joint development and commercialization of co-formulated combinations of Eylea, rinucumab and nesvacumab for the treatment of ocular diseases or disorders outside the United States. Also, Regeneron has an immuno-oncology agreement with Sanofi. In September 2016, Regeneron and Teva announced a global agreement for the development and commercialization of the former's experimental nerve growth factor (NGF) antibody, fasinumab. Regeneron recently initiated an underwritten public secondary offering of its common stock, whereby its long-standing partner Sanofi will offload its stake in the former. Sanofi held approximately 23.2 million shares and plans to sell approximately 12.8 million. Regeneron will also repurchase approximately $5 billion of common stock directly from Sanofi, following the close of the secondary offering.

Regeneron's revenues comprise collaboration revenues, net product sales and technology licensing and other revenues. Total revenues of $7.9 billion in 2019 were up 17% from that in 2018. Eylea sales came in at $4.6 billion in the United States.

Reasons To Buy:

> Regeneron's Eylea and Dupixent have been performing well. Label expansion into additional indications should further increase the commercial potential of the drugs.

- **Share Price Performance**: Regeneron's stock has outperformed the industry in the past year. Price has surged in the past few days as the company is one of the few biotech companies working on drugs and vaccines for coronavirus, as more and more cases are being reported every day. Regeneron expanded its agreement with the U.S. Department of Health and Human Services (HHS) to develop new treatments combating the novel coronavirus, which has been declared a global public health emergency by the World Health Organization. The HHS and Regeneron's Other Transaction Agreement (OTA) is focused on the discovery, research, development and manufacturing of a portfolio of antibodies targeting up to 10 pathogens that pose significant risk to public health, now including the Influenza virus and 2019-nCoV.

- **Impressive Performance by Eylea***:* Regeneron's key growth driver, Eylea, continues to generate revenues for the company. Eylea is approved in the United States, EU, Japan and other countries for the treatment of neovascular age-related macular degeneration (wet AMD), diabetic macular edema (DME), and macular edema following retinal vein occlusion that includes macular edema following central retinal vein occlusion and macular edema following branch retinal vein occlusion. Growth in the U.S. markets is being driven by demographic trends with an aging population and an overall increase in the prevalence of diabetes. Meanwhile, Regeneron is working on expanding the drug's label into additional indications. The FDA recently approved a 12-week dosing interval of Eylea injection in patients with wet AMD based on physician's assessment. Consequently, it is now the only anti-VEGF drug for the treatment of wet AMD that offers the flexibility to optimally treat patients, regardless of whether they require fixed-interval dosing of 4, 8 or 12 weeks. The FDA also approved the drug for the treatment of diabetic retinopathy on the basis of encouraging results from the phase III PANORAMA study. The FDA has also approved Eylea Injection in a prefilled syringe. The company has also initiated a phase II study exploring less frequent dosing intervals using a high-dose formulation in wet AMD. A phase III study in retinopathy of prematurity was initiated. Label expansion into additional indications would give Eylea access to a higher patient population and increase its commercial potential.

- **Strong Uptake of Dupixent**: The approval of Dupixent injection for the treatment of adults with moderate-to-severe atopic dermatitis (AD) was a significant boost for the company. Per the company, this is the first and only biologic medicine approved for the treatment of adults suffering from AD. The uptake has been strong for both AD and asthma. The drug is now annualizing more than $1billion in net product sales in the United States alone. The drug was approved in Europe as well. Continued label expansion of the drug has boosted sales further. The FDA approved the drug as an add-on maintenance therapy in patients aged 12 years or older with moderate-to-severe asthma with an eosinophilic phenotype or oral corticosteroid-dependent asthma. Dupixent is also approved in the United States for adolescent patients aged 12-17 years with moderate-to-severe atopic dermatitis. The FDA also approved the drug as an add-on maintenance treatment for adults with inadequately-controlled severe chronic rhinosinusitis with nasal polyps (CRSwNP). The drug was also approved in Europe for the same. Regeneron is also working to expand Dupixent's label. The FDA recently approved Dupixent for the indication of moderate-to-severe AD in children aged 6-11 yearsThe FDA recently approved Dupixent for the indication of moderate-to-severe AD in children aged 6-11 years. In addition, a Marketing Authorization Application (MAA) for the same was recently submitted in the European Union. A phase II/III study in bullous pemphigoid and phase III studies in prurigo nodularis and chronic spontaneous urticaria were initiated.

  Dupixent has also been approved for various indications in Europe — add-on maintenance treatment for severe asthma with type 2 inflammation and add-on maintenance treatment for severe asthma. The EC also approved the drug for use in adolescents aged 12-17 years with moderate-to-severe AD, who are candidates for systemic therapy. The drug is also being evaluated for the chronic obstructive pulmonary disease (COPD) indication.

- **New Drug Approvals To Boost Sales**: We are impressed by Regeneron's efforts to bring additional products to the market following its success with Eylea. Kevzara (sarilumab), an anti-interleukin (IL)-6 receptor monoclonal antibody was approved in the United States for the treatment of adult patients with moderate to severely active rheumatoid arthritis, who have an inadequate response to or intolerance to one or more biologic or non-biologic Disease-Modifying Anti-Rheumatic Drugs. In September 2018, the FDA approved Libtayo for the treatment of patients with metastatic or locally advanced cutaneous squamous cell carcinoma (CSCC) who are not candidates for curative surgery or curative radiation. The initial uptake of the drug is strong and Regeneron is working to expand its label further which should further boost sales. It is also being developed for non-small cell lung cancer (NSCLC). The primary endpoint was met in the phase III study of Libtayo as monotherapy in first-line NSCLC. The Independent Data Monitoring Committee recommended stopping the study early due to highly significant improvement in overall survival. The data from the study will form the basis of regulatory submissions in the United States and the EU in the second half of 2020. A possible approval will be a significant boost, given the market potential. A phase II neoadjuvant study in CSCC was initiated.

- **Developing Treatments For Coronavirus**: Regeneron has identified antibodies, which can possibly treat COVID-19. The company has isolated hundreds of virus-neutralizing, fully-human antibodies from its VelocImmune mice, which have been genetically-modified to have a human immune system. The company also isolated antibodies from humans who have recovered from COVID-19 to maximize the pool of potent antibodies. The company plans to select the top two antibodies for a 'cocktail' treatment based on potency and binding ability to the SARS-CoV-2 spike protein as well as other desirable qualities. Regeneron and partner Sanofi have also initiated studies to evaluate their RA drug, Kevzara, to treat patients hospitalized with severe infection of COVID-19. A positive outcome will be a significant boost, given the emergency stemming from this contagious outbreak.

- **Pipeline Looks Promising**: Regeneron has a deep pipeline including fully human monoclonal antibodies generated using the Velociumune technology. Promising candidates in the pipeline include fasinumab (osteoarthritis pain and phase III for chronic low back pain), and evinacumab (homozygous familial hypercholesterolemia and severe forms of hyperlipidemia and HoFH). In August, Regeneron announced positive top-line results from the phase III study of evinacumab in patients with homozygous familial hypercholesterolemia (HoFH). Regeneron plans to submit a BLA in mid-2020. In December 2019, Regeneron announced positive top-line results on pozelimab from a phase II study in paroxysmal nocturnal hemoglobinuria (PNH).

  Meanwhile, a randomized, controlled trial evaluating four investigational therapies for the Ebola virus infection was stopped early because REGN-EB3 was superior to ZMapp (the control arm of the trial since it was considered standard-of-care) in preventing death. The successful

development and commercialization of these candidates will be a significant boost for the company.

- **Deals and Collaborations***:* We are encouraged by Regeneron's strategy of signing deals to boost its portfolio and pipeline. The company is collaborating with Bayer for the global development and commercialization of Eylea outside the United States. Bayer markets and records revenue on sales of Eylea outside the United States, and in countries other than Japan, the companies share profits and losses equally from Eylea's sales. Regeneron has a global strategic collaboration with Sanofi for the discovery, development and commercialization of fully human monoclonal antibodies. Under the agreement, Regeneron has exercised the option to co-promote Praluent, Dupixent and Kevzara in the United States. While profits and losses on sales within the United States will be shared equally, Regeneron is entitled to receive sales milestone payments.

  Moreover, Regeneron expanded its agreement with the U.S. Department of Health and Human Services ("HHS"). Per the new agreement, the company will develop treatments for the coronavirus, named 2019-nCoV, found in China.

  The company also collaborated with Alnylam Pharmaceuticals, Inc. to discover, develop and commercialize new RNA interference (RNAi) therapeutics for a broad range of diseases by addressing disease targets expressed in the eye and central nervous system (CNS), in addition to a select number of targets expressed in the liver. The collaboration with Alnylam will give Regeneron an option to have a pipeline based on RNAi technology. The company recently restructured its agreement with Sanofi for the development of two candidates. In September 2016, Regeneron and Teva struck a collaboration agreement for the development and commercialization of fasinumab globally. The deal saw Regeneron receiving an upfront payment of $250 million. Regeneron is further eligible to receive development and regulatory milestone payments, plus additional payments based on net sales.

  The company also expanded its existing collaboration with Intellia Therapeutics, Inc. Per the terms, the companies will co-develop potential hemophilia A and B treatments using their jointly-owned targeted transgene insertion capabilities. Regeneron will gain rights to develop products for additional in vivo CRISPR/Cas9-based therapeutic targets. The company will also get non-exclusive rights to independently develop and commercialize ex vivo gene-edited products. In exchange, Intellia will receive an upfront payment of $70 million. Regeneron will make an additional equity investment in Intellia of $30 million at $32.42 per share.

- **Praluent Holds Long-Term Potential**: Regeneron received a major boost when Praluent became the first PCSK9 inhibitor to be approved (July 2015) in the United States. The drug has also been approved in the EU (September 2015). The FDA has also approved Praluent to reduce the risk of heart attack, stroke and unstable angina requiring hospitalization of adults with an established cardiovascular disease. The phase III study in adult patients with homozygous familial hypercholesterolemia (HoFH) met its primary endpoint and Regeneron plans to submit an sBLA in mid-2020.

- **Favorable Debt Profile**: As of Mar 31, 2020, Regeneron's total debt to total capital ratio stood at 5.6X, which compares favorably to the industry's 50.9X. A lower ratio indicates lower financial risk and vice versa. The company has a sound cash position too with cash, equivalents and marketable securities of $7.2 billion without any long-term debt. Moreover, the board authorized an additional $1-billion share repurchase program and the company had $473 million available under this program as of Mar 31, 2020.

Reasons To Sell:

- **Overdependence on Eylea***:* With Eylea accounting for the majority of revenues, Regeneron relies heavily on the drug for growth. Moreover, it is likely to face stiff competition from Novartis' Beovu. Sub-par performance of the product will hurt the stock as Eylea is Regeneron's key growth driver.

> Regeneron depends heavily on Eylea for sales growth. Pipeline setbacks are a concern too.

- **Pipeline Setbacks***:* Regeneron is no stranger to pipeline setbacks and has in fact suffered a string of pipeline setbacks. In Sep 2016, Regeneron reported disappointing top-line data from a phase II study (CAPELLA) evaluating Eylea, in combination with rinucumab, in patients with wet AMD. In Oct 2016, Regeneron and Sanofi suffered a regulatory setback with the FDA issuing a complete response letter (CRL) for sarilumab. Similar setbacks will weigh on the company's shares.

- **Competition May Affect Sales***:* Regeneron's key product, Eylea, faces competition from other drugs like Novartis/Roche's Lucentis and Roche's Avastin (off-label). Competitors are also developing eye-drop formulations, oral therapies and gene/cell therapies for various indications that, if approved, may weigh on Eylea sales in the future. Although Praluent is the first PCSK9 drug for hypercholesterolemia to get FDA approval, Amgen's Repatha is also approved in the United States, the EU and Japan. Dupixent faces competition from Eucrisa, Xolair and Fasenra, among others. Kevzara faces competition from Actemra and Orencia, among others.

- **Praluent Sales Disappointing***:* Prospects of PCSK9 inhibitors, a new class of cholesterol-lowering treatments with blockbuster potential, gained instant popularity even before hitting the market, However, sales of Praluent have failed to impress as the drug is facing significant payer utilization management restrictions in the United States. and limited market access in Europe, which is resulting in a low volume of prescriptions being dispensed.

Last Earnings Report

Regeneron's Q1 Earnings & Sales Surpass Estimates

Quarter Ending	03/2020
Report Date	**May 05, 2020**
Sales Surprise	**8.32%**
EPS Surprise	**15.18%**
Quarterly EPS	**6.60**
Annual EPS (TTM)	**26.79**

The company reported earnings of $6.60 per share in the first quarter, comfortably beating the Zacks Consensus Estimate of $5.73 and increasing from $4.45 in the year-ago quarter.

Total revenues in the reported quarter jumped 33% year over year to $1.8 billion and comfortably beat the Zacks Consensus Estimate of $1.7 billion. However, revenues were down sequentially from $2.2 billion. The year-over-year growth was driven by strong Eylea and Dupixent sales.

Quarterly Highlights

Net product sales increased to $1.2 billion in the quarter, up from $1.1 billion in the year-ago quarter. Majority of sales in the United States came from Eylea ($1.17 billion, up from $1.07 billion in the year-ago quarter).

We note that Regeneron co-developed Eylea with the HealthCare unit of Bayer AG. The company is solely responsible for sales of this eye drug and entitled to profits in the United States. However, it shares profits and losses from the ex-U.S. Eylea sales equally with Bayer, except in Japan where the company receives a royalty on net sales.

Total revenues also included Sanofi and Bayer's collaboration revenues of $528 million compared with $246 million in the year-earlier quarter. The increase was primarily owing to higher net product sales of Dupixent.

We note that sale proceeds from drugs like Praluent, Dupixent and Kevzara are garnered by Sanofi, while Regeneron earns profits or incurs losses from the commercialization of the drugs.

Dupixent's sales summed $855.2 million, up from $373.7 million in the year-ago quarter and $751.5 million in the previous quarter. Kevzara recorded sales of $60.1 million, up from $33.7 million in the year-earlier quarter.

Praluent's global net sales totaled $79.8 million in the reported quarter, up from $63.9 million in the prior-year quarter.

Libtayo sales in the quarter totaled $74.8 million, up from $26.8 million in the prior-year quarter.

R&D expenses increased to $527.2 million from $427.4 million, while SG&A expenses increased to $5306.8 million during the quarter from $242.3 million in the year-ago quarter.

Update on Sanofi Agreement

Regeneron and partner Sanofi restructured their antibody collaboration for Praluent. In the United States, Regeneron will be solely responsible for the development and commercialization of Praluent and record net product sales. Sanofi will have sole responsibility for the development and commercialization of the drug outside the United States and pay Regeneron a 5% royalty on net product sales.

The agreement related to Kevzara is pending in light of the recently-launched clinical programs evaluating Kevzara in patients hospitalized with COVID-19.

COVID-19 Update

Regeneron is advancing REGN-COV2, a novel investigational antibody "cocktail" treatment designed to prevent and treat the SARS-CoV-2 virus. In April, Regeneron moved its leading neutralizing antibodies into pre-clinical and clinical-scale cell production lines and plans to begin clinical studies in June 2020.

Regeneron and Sanofi are also evaluating Kevzara for COVID-19. In April 2020, Regeneron provided an update on the adaptively-designed phase II/III U.S. study evaluating Kevzara in patients hospitalized with COVID-19 infection. An Independent Data Monitoring Committee recommended continuing the ongoing phase III trial only in the more advanced "critical" group with the 400 mg dose of Kevzara and discontinuing the study in the less advanced "severe" group, based on initial phase II results.

Pipeline Update

In February 2020, Regeneron announced positive two-year results from the phase III PANORAMA study evaluating Eylea in patients with moderately severe to severe non-proliferative diabetic retinopathy (NPDR), wherein Eylea reduced the likelihood of developing vision-threatening events by at least 75% in patients with NPDR. The FDA accepted for priority review the supplemental Biologics License Application (sBLA) for Dupixent for the indication of moderate-to-severe atopic dermatitis in children aged 6 to 11 years, with a target action date of May 26, 2020. In addition, a Marketing Authorization Application (MAA) for the same indication has also been submitted in the European Union (EU).

The primary endpoint was met in the phase III study of Libtayo as monotherapy in first-line non-small cell lung cancer (NSCLC). The Independent Data Monitoring Committee recommended stopping the study early due to highly significant improvement in overall survival. The data from the study will form the basis of regulatory submissions in the United States and the EU in the second half of 2020.

Recent News

Collaboration with Intellia – Jun 1

Regeneron has completed the secondary offering of 13,014,646 shares of its common stock held by Sanofi, which includes the exercise in full of the underwriters' option to purchase additional shares from Sanofi, at a public offering price of $515.00 per share. The Company also announced the completion of its repurchase of 9,806,805 shares directly from Sanofi at a price of $509.85 per share (representing the price paid by the underwriters in the offering), for an aggregate purchase amount of $5 billion. Pursuant to the offering and repurchase, Sanofi has disposed of all of its shares of common stock in Regeneron, other than 400,000 shares that it is retaining.

The expansion allows the companies to better leverage their jointly-developed targeted transgene insertion capabilities and potentially accelerate efforts to discover and develop new therapeutics, including products for hemophilia A and B.

Regeneron Presents Data on Libtayo – May 29

Regeneron and partner Sanofi announced new, longer-term data for PD-1 inhibitor Libtayo (cemiplimab-rwlc) in advanced cutaneous squamous cell carcinoma (CSCC) from a mid-stage study at ASCO. Results from the phase II study showed that 46% of patients experienced substantial tumor shrinkage following Libtayo treatment, with a median time to response of two months (interquartile range: two-four months) with up to three years of follow-up. Moreover, 16% of the patients saw their tumors disappear completely over time compared to previous analyses. Results demonstrated both longer durability and higher complete response (CR) rates than previously reported. In fact, 20% of patients have achieved a CR among those with metastatic disease, who had the longest available follow-up, an increase from 7% in the 2017 primary analysis. Median time to CR was 11 months (interquartile range: 7-15 months) in patients who achieved a CR in any group.

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Label Expansion of Dupixent – May 26

Regeneron and Sanofi announced that the FDA has approved its blockbuster drug Dupixent for treating children (aged between six and 11 years) with moderate-to-severe atopic dermatitis (AD) or eczema whose disease is not adequately controlled with topical prescription therapies. Following this nod, the drug became the first and the only biologic medicine to be approved for the given patient population.

Dupixent is being jointly marketed by Sanofi and Regeneron under a global collaboration agreement. The medicine is already approved to treat moderate-to-severe atopic dermatitis in adults as well as two other type II inflammatory diseases, namely severe chronic rhinosinusitis with nasal polyposis and severe asthma in both the United States and Europe.

Regeneron to Buy Back Part of Its Stake Held by Sanofi – May 22

Regeneron announced that it has initiated an underwritten public secondary offering of its common stock, whereby its long-standing partner Sanofi will offload its stake in the former raising close to $7.3 billion (as calculated on the closing price of $569.91 on May 22).

As of now, Sanofi holds approximately 23.2 million Regeneron shares and plans to sell approximately 12.8 million shares in an underwritten public offering. Sanofi also expects to grant the underwriters a 30-day option to purchase an additional 10% of the shares provided in the base offer.

Regeneron will also repurchase approximately $5 billion of common stock directly from Sanofi, following the close of the secondary offering. The purchase will be funded with a combination of $3.5 billion of cash in hand and $1.5 billion of fully-committed bridge financing from Goldman Sachs Bank USA.

Consequently, Sanofi will have disposed of all of its shares, other than 400,000 shares it intends to retain.

The above-mentioned proceedings will not impact the ongoing collaboration between Regeneron and Sanofi.

Collaboration with Colorado Center – May 11

Regeneron and the Colorado Center for Personalized Medicine (CCPM) at the University of Colorado Anschutz Medical Campus announced a large-scale research collaboration designed to advance the field of human genetics and precision medicine through the sharing of 450,000 DNA samples and corresponding health records from de-identified, consented patient participants in the expansive UCHealth system.

Data in Libtayo – May 5

Regeneron and Sanofi announced top-line data from a pivotal, single-arm, open-label study on Libtayo in patients with advanced basal cell carcinoma (BCC) who had progressed on or were intolerant to prior hedgehog pathway inhibitor (HHI) therapy. Libtayo demonstrated clinically meaningful and durable responses in this group of patients, for whom there are currently no approved treatments. Regeneron and Sanofi plan regulatory submissions in 2020.

NSCLC Stopped Early – Apr 27

Regeneron announced that the primary endpoint was met in the phase III study of Libtayo as monotherapy in first-line non-small cell lung cancer (NSCLC). The Independent Data Monitoring Committee recommended stopping the study early due to highly significant improvement in overall survival. The data from the study will form the basis of regulatory submissions in the United States and the EU in the second half of 2020.

FDA Accepts BLA For Ebola Candidate – Apr 16

Regeneron announced that the FDA has accepted for Priority Review a new Biologics License Application (BLA) for REGN-EB3, an investigational triple antibody cocktail treatment for the Ebola virus infection. A decision from the FDA is expected on Oct 25, 2020. The BLA is supported by data from the randomized, controlled PALM clinical study conducted in the Democratic Republic of Congo.

Collaboration WithZai Lab – Apr 6

Regeneron announced a strategic collaboration with ZaiLab Limited for the development and commercialization of REGN1979 (CD20xCD3 bispecific antibody) in mainland China, Hong Kong, Taiwan and Macau. Both companies will support the global clinical development for REGN1979, starting with the ongoing potentially registrational phase II program in B-cell non-Hodgkin lymphoma (B-NHL).

Upon approval, Zai Lab will leverage its capabilities to commercialize REGN1979 in these regions.

Per the terms, Regeneron will receive a $30-million upfront payment and is also eligible to receive up to $160 million in additional regulatory and sales milestones. Zai Lab will contribute to the global development costs for REGN1979 for certain studies and receive the rights to develop and exclusively commercialize the candidate in oncology in mainland China, Hong Kong, Taiwan and Macau.

In exchange, Zai Lab will make certain payments to Regeneron as part of profit sharing. Regeneron will be responsible for the manufacture and supply of REGN1979 for development and commercialization in the region.

Valuation

Regeneron's shares are up 62.1% in the year-to-date period and 100% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 8.2% and 1.1%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is up 13.3% while the sector is up 3.3%. The S&P 500 Index is up 1.1% in the year-to-date period and 11.8% in the past year.

The stock is currently trading at 22.19X forward 12-month earnings per share which compares to 269.31X for the Zacks sub-industry, 23.31X for the Zacks sector and 23.35X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 71.96X and as low as 13.74X, with a 5-year median of 27.25X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $634.00 price target reflects 23.3X forward 12-month earnings per share.

The table below shows summary valuation data for REGN

Valuation Multiples -REGN

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.19	269.31	23.31	23.35
	5-Year High	71.96	640.48	23.31	23.35
	5-Year Low	13.74	20.63	15.94	15.23
	5-Year Median	27.25	44.9	19.04	17.49
P/S F12M	Current	8.07	3.23	2.82	3.63
	5-Year High	14.73	3.23	3.74	3.63
	5-Year Low	3.69	2.27	2.21	2.53
	5-Year Median	6.63	2.63	2.91	3.02
P/B TTM	Current	5.48	4.32	4.32	4.41
	5-Year High	18.53	5.46	5.05	4.56
	5-Year Low	2.87	2.45	2.92	2.83
	5-Year Median	6.8	3.33	4.28	3.65

As of 06/08/2020

Industry Analysis **Zacks Industry Rank:** Top 13% (32 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Vertex Pharmaceuticals Incorporated **(VRTX)**	Outperform	1
Alexion Pharmaceuticals, Inc. **(ALXN)**	Neutral	3
Amgen Inc. **(AMGN)**	Neutral	3
BioMarin Pharmaceutical Inc. **(BMRN)**	Neutral	3
CSL Limited Sponsored ADR **(CSLLY)**	Neutral	3
Illumina, Inc. **(ILMN)**	Neutral	2
Incyte Corporation **(INCY)**	Neutral	3
SINO PHARMACEUT **(SBMFF)**	Neutral	3

Industry Comparison Industry: Medical - Biomedical And Genetics

	REGN	X Industry	S&P 500	ALXN	AMGN	VRTX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	B	-	-	A	B	A
Market Cap	66.46 B	241.05 M	23.56 B	26.44 B	132.80 B	68.71 B
# of Analysts	11	3	14	13	14	11
Dividend Yield	0.00%	0.00%	1.8%	0.00%	2.84%	0.00%
Value Score	B	-	-	A	B	B
Cash/Price	0.06	0.23	0.06	0.09	0.06	0.06
EV/EBITDA	23.66	-4.05	13.19	10.10	12.25	41.69
PEG Ratio	1.14	1.92	3.18	0.88	1.92	1.06
Price/Book (P/B)	5.48	4.35	3.19	2.26	14.00	10.63
Price/Cash Flow (P/CF)	24.94	14.16	12.52	10.25	11.94	55.61
P/E (F1)	21.80	28.64	23.31	11.11	14.49	29.75
Price/Sales (P/S)	8.33	15.79	2.51	4.99	5.54	14.26
Earnings Yield	4.62%	-13.16%	4.15%	9.00%	6.90%	3.36%
Debt/Equity	0.06	0.02	0.76	0.21	3.16	0.08
Cash Flow ($/share)	24.22	-1.06	7.01	11.68	18.91	4.77
Growth Score	B	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	30.82%	16.29%	10.87%	24.55%	10.16%	197.31%
Proj. EPS Growth (F1/F0)	13.20%	9.52%	-10.76%	2.39%	5.13%	67.15%
Curr. Cash Flow Growth	10.30%	13.92%	5.48%	28.27%	-2.47%	52.02%
Hist. Cash Flow Growth (3-5 yrs)	23.75%	7.77%	8.55%	20.68%	5.06%	31.70%
Current Ratio	4.21	5.17	1.29	4.35	1.59	3.54
Debt/Capital	5.57%	4.34%	44.75%	17.58%	75.98%	7.62%
Net Margin	28.56%	-203.29%	10.59%	44.83%	32.03%	31.35%
Return on Equity	24.94%	-63.33%	16.26%	21.96%	90.75%	25.69%
Sales/Assets	0.55	0.19	0.55	0.33	0.40	0.61
Proj. Sales Growth (F1/F0)	-1.16%	0.00%	-2.62%	7.89%	8.32%	37.08%
Momentum Score	D	-	-	C	A	B
Daily Price Chg	1.18%	1.68%	1.55%	3.93%	0.04%	-0.26%
1 Week Price Chg	-2.58%	0.00%	7.51%	-3.91%	-1.75%	-7.73%
4 Week Price Chg	5.21%	4.51%	15.61%	18.16%	-7.00%	-7.11%
12 Week Price Chg	37.02%	57.75%	38.10%	58.47%	19.65%	32.66%
52 Week Price Chg	98.53%	0.50%	3.66%	2.85%	28.57%	53.33%
20 Day Average Volume	1,975,882	331,673	2,648,536	2,058,417	2,904,476	2,032,934
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
(F1) EPS Est 12 week change	-9.90%	0.75%	-15.97%	-0.73%	0.22%	14.91%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	-0.16%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	D
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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