



ANALYST QUICK NOTES

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Regeneron Pharmaceuticals Inc. (NGS: REGN: BUY)

Target Price: \$450

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On Tuesday, June 29, we attended a Bloomberg pharma event, featuring a Q&A with Regeneron CEO Dr. Leonard Schleifer and opening remarks from Bloomberg CEO and former mayor Michael Bloomberg.

- Michael Bloomberg opened with a story of his early ambitions of being a doctor. In college, after he became a physics major, he realized that a prerequisite was taking a semester of German. After three days of taking German, he dropped the class and switched his major to engineering.
- Dr. Schleifer spoke about the conundrum facing drug makers on prices: affordability vs. encouraging investment. He said drug development must provide incentives to scientists and doctors. He applauded the fact that most pharma advances take place in the U.S. – where the incentives are best. He also said drugs should be priced on how much value they offer – not how much they cost to make.
- He expressed concern about Pharma being among the most-hated sectors among politicians and the public, despite that the industry saves lives and treats conditions.
 - Separately, the company's new cholesterol drug, Praluent is seeing strong prescription growth, indicating strong demand. However, 85% of patients have been rejected for coverage by insurers due to the \$14,600 cost. Dr. Schleifer sees 2017 cardiovascular outcomes data as a catalyst to gaining more coverage and thus higher sales – if the drug can show a decrease in the risk of death.
 - Besides the Praluent trial outcomes, the pipeline includes:
 - A potential FDA approval and launch of sarilumab, for rheumatoid arthritis, in late 2016.
 - Phase 2 data for dupilumab, which treats atopic dermatitis. Approval could come in 1H17.
 - Phase 2 data for a combination of PDGFR and Eylea, the company's principal product, for age-related macular degeneration.

- Highlights of the Bloomberg presentation included the following.
 - Valuation: Among nine Bloomberg industries, Large Pharma ranked “dead last” with a P/E of 15.7.
 - Growth is expected in immunotherapies, drugs that use the body’s own system to fight cancer cells, such as Pfizer’s breast cancer drug, Ibrance. Also, despite politic rhetoric, drug prices are expected to continue to rise, including 9% in 2016.
 - The FTC reviewed M&A deals in Pharma three times as much as other industries by the FTC in 2015 on concerns that the companies’ drug prices will rise to justify an expensive acquisition.
 - As pharma and biotech stocks have fallen 18% and 23%, respectively, year-to-date. The industry’s fundamentals are intact – price and volume increases are continuing – and we feel the sector warrants a look.
 - REGN is trading at \$358. We see a 25% upside.
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