



THE HEALTHCARE SECTOR TAKES ON COVID-19

THE MONTHLY RESEARCH CONFERENCE CALL

MODERATOR:

Jim Kelleher, CFA

Director of Research

Wednesday, June 3, 2020

11:00 a.m. ET

61 Broadway • NYC, N.Y. 10006

Telephone: (212) 425-7500

■ **The Healthcare Sector Takes On COVID-19**

- **John Eade: President of Argus**
- **David Toung: Over two decades experience in equity analysis**
- **Jasper Hellweg: Healthtech, BPOS, Fintech and more**

■ **Argus Quick Notes**

- **New Coverage: UBER, PTON, W, LYFT, BYND**
- **Mid-Cap Stocks**
- **Focus List Changes**
- **Top Tech stocks**
- **Find these on the homepage of our website**

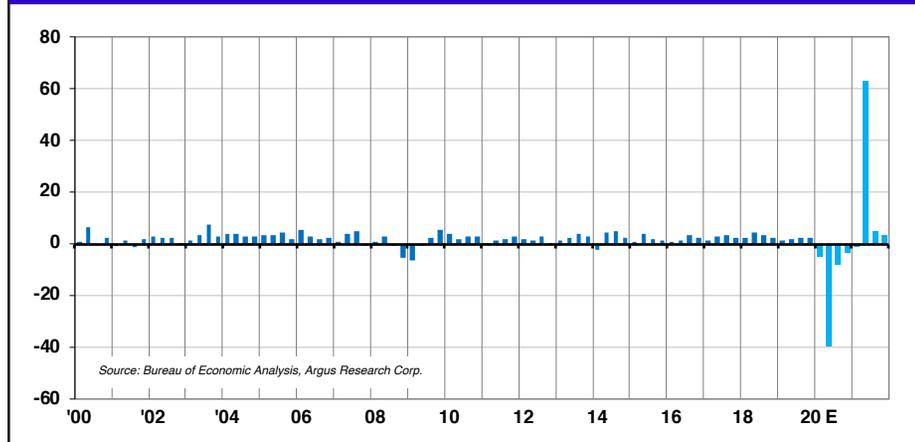
■ **Argus Mid-Cap Portfolio**

- **Lagging small-/mid-caps may be positioned to outperform**
- **Since 2000, small-caps have beaten large-caps**
- **Many small-caps of 2000 have evolved into mid-caps**
- **Small-/mid-caps should be 15%-20% of a diversified equity portfolio**
- **Find our Theme Portfolios under Portfolio Strategy on our website**

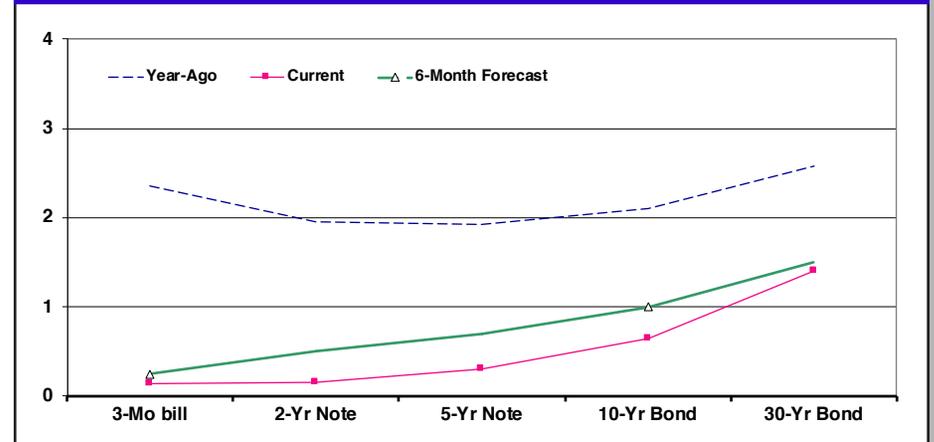
MACRO FORECASTS



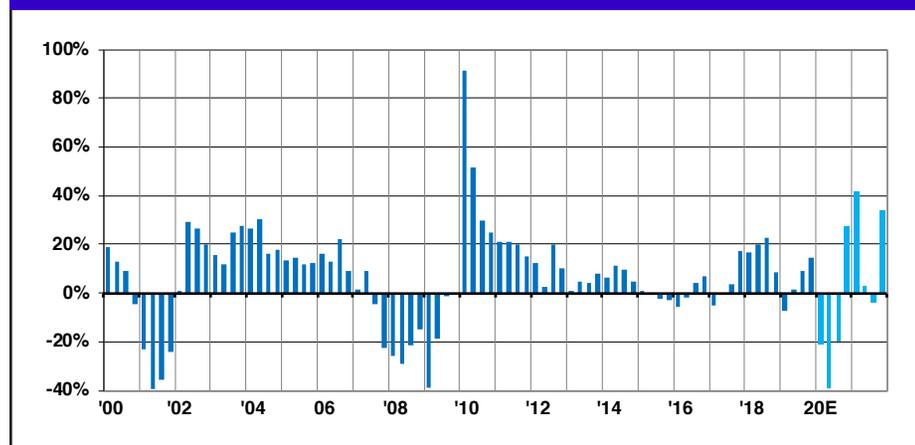
REAL GDP W/FORECASTS (%)



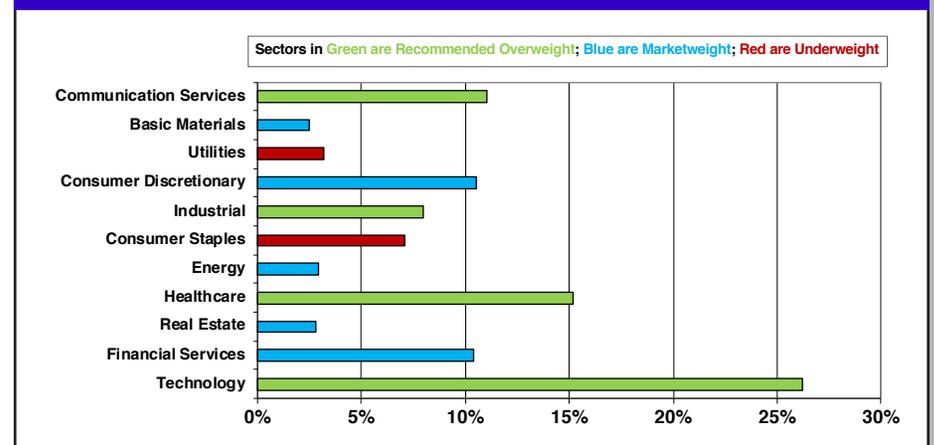
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH

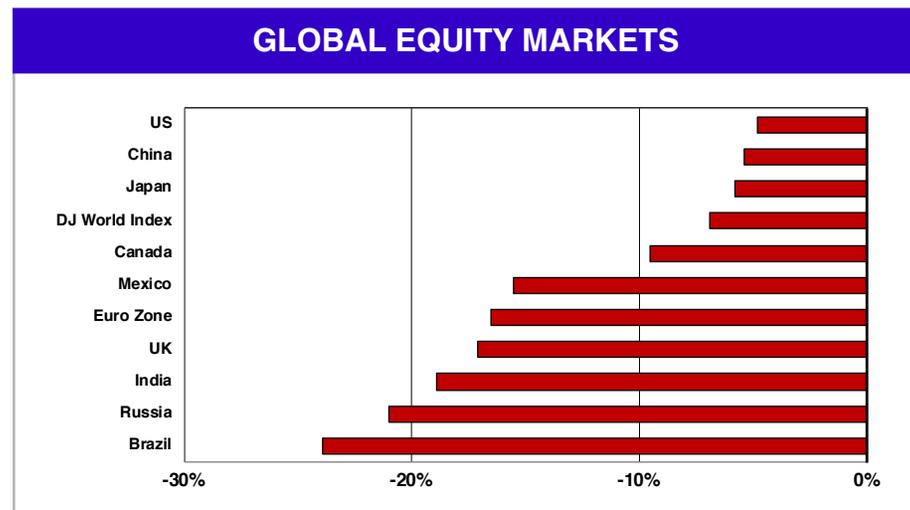
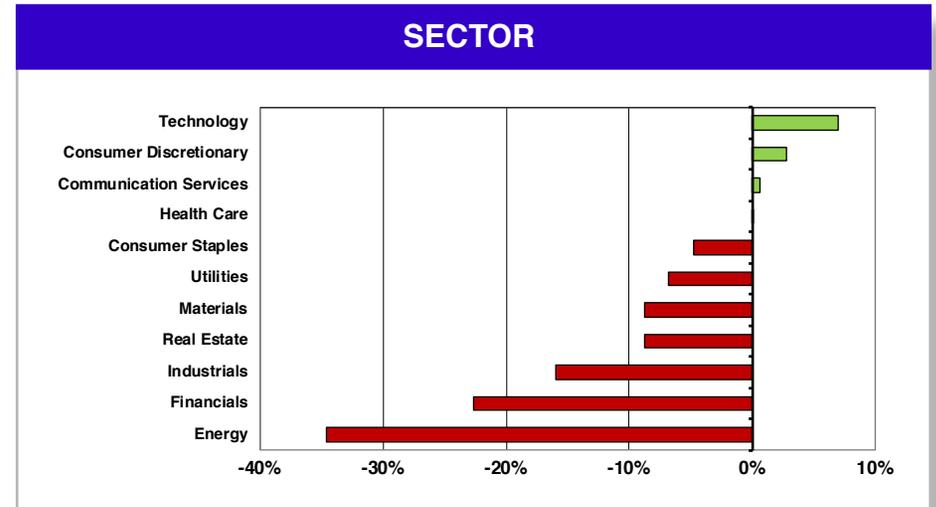
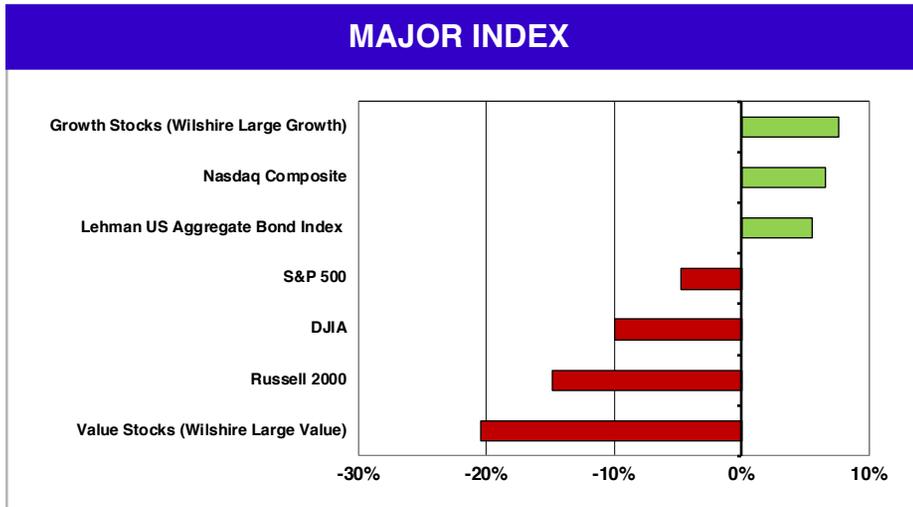


MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



MARKET PERFORMANCE

DATA AS MAY 29, 2020



■ Merck (MRK: BUY)

- **Three shots on goal - developing two vaccines and one treatment to fight COVID-19.**
 - » Acquiring Themis to develop its vaccine that will enter clinical trials later this year.
 - » Partnering with IAVI, a non-profit, to develop a vaccine that uses the same recombinant virus technology used in Merck's Ebola vaccine, which is approved in the U.S. and Europe. Merck's expertise with the Ebola vaccine could speed clinical studies on the COVID vaccine.
 - » Both vaccine candidates are single-dose drugs, which could be more effective than two-dose vaccines, such as the one under development by Moderna.
 - » Merck is licensing a treatment for COVID-19 from Ridgeback.
- **Merck is leveraging its long expertise in vaccines and its manufacturing capability that could scale to produce millions of doses of vaccines.**
- **Aside from Covid, Keytruda, an immunoncology drug, is an important growth driver for the company. Keytruda is the leading drug to treat non-small cell lung cancer and is approved in multiple cancer indications.**
- **Price target \$95**

■ **Johnson & Johnson (JNJ: BUY)**

- **Developing COVID-19 vaccine that will enter clinical trials by September. Plan is to have safety and immunogenicity data by year-end and then**
- **Obtain Emergency Authorization Use for vaccine distribution by early 2021.**
- **J&J's goal is to have 1 billion vaccine doses by end of 2021.**
- **J&J has contracted with Emergent BioSolutions (EBS) to offer drug substance manufacturing services and reserve capacity to supplement J&J's own commercial manufacturing.**
- **Company's pharmaceutical products are likely to see strong demand in 2Q20 while its medical devices segment will see significant impact from COVID-19 in the current quarter before stabilizing in 3Q and improving in 4Q**
- **Price target is \$155.**

■ **Bio-Techne (TECH: BUY)**

- **TECH provides reagents and instruments to developers of COVID-19 testing, therapeutics and vaccines.**
- **It offers comprehensive solutions to academic research centers and to the biotech and pharmaceutical industries.**
- **Company is leveraged to rising overall spending to combat COVID-19 and is not dependent on success or failure of any drug or vaccine.**
- **Price target is \$335.**

■ Danaher (DHR: BUY)

- Danaher is addressing strong demand for its solutions amidst accelerated research and development into antivirals, vaccines, immune-modulators and testing to combat COVID-19.
- The integration of the GE BioPharma acquisition expands the products and solutions offered to the biotech and pharma industries.
- Apart from COVID-related activities, the company also saw strong sales for its filtration, chromatography, and cell and gene therapy products.
- Price target of \$185

■ Emergent BioSolutions Inc. (EBS: BUY)

- Emergent is conducting significant contract development and manufacturing services activity for companies developing potential treatments and vaccines for the COVID-19 virus.
- It is also directly working with the U.S. government to develop a plasma-derived therapy for patients with the virus, and recently signed a contract to boost its manufacturing capacity for a vaccine.
- Outside of COVID, it continues to advance its Chikungunya Virus VLP vaccine candidate and influenza candidates, while working closely with the U.S. government to provide access to other life-saving products.
- Target price: \$90

■ **Regeneron Pharmaceuticals Inc. (REGN: BUY)**

- **Using its proprietary VelociSuite platform, the company is working to identify and develop potent COVID-19 antibody candidates.**
 - » The platform has been utilized in the past to respond to outbreaks of MERS-CoV and Ebola.
 - » Management expects that the platform can hasten its development to produce a treatment at a much faster rate than with traditional processes.
 - » It hopes to launch a “cocktail therapy” by late summer or early fall 2020.
- **It is also working with Sanofi on a trial of hospitalized COVID-19 patients.**
- **Outside of COVID, the company has shown promising developments for its Ebola antibody, while potential competition for Eylea appears to have subsided.**
- **Target price: \$620**

■ **Incyte Corp. (INCY: BUY)**

- **The Lancet has highlighted the potential of certain JAK inhibitors as treatments for patients suffering from COVID-19.**
 - » Incyte is conducting two Phase III trials of ruxolitinib as a treatment for COVID-19.
 - One trial evaluates the drug as a treatment for patients with COVID-19 associated cytokine storm.
 - The other trial studies its use for patients on mechanical ventilation who have acute respiratory distress syndrome (ARDS).
 - » Incyte's partner, Eli Lilly, entered an agreement with the National Institute of Allergy and Infectious Diseases (NIAID) to study baricitinib.
- **Unrelated to the coronavirus, Incyte has a strong pipeline with multiple late-stage product candidates, which we believe could produce several additional blockbuster drugs over the next few years.**
- **Target Price: \$124**

■ **Astrazeneca PLC (AZN: BUY)**

- **Products/processes fighting COVID-19**
 - » Masks & Testing
 - » Partnering with Oxford Univ on vaccine
 - » Identifying antibodies for treatment
 - » Calquence to treat lungs
 - » Farxiga to prevent organ failure
- **Earnings Expected to rise 15% this year**
- **Target price: \$60**
- **Yield: 3.6%**

■ **Sanofi SA (SNY: BUY)**

- **Products/processes fighting COVID-19**

- » Kevzara for severe cases
- » Hydroxychloroquine studies initiated. The company has committed to donating 100 million doses
- » Vaccines segment is in three separate partnerships to develop a novel COVID-19 vaccine. Sanofi has been leveraging development work for a SARS vaccine.
- » Also developing self-testing solution

- **Earnings Expected to Rise 5- 8% over next two years**

- **Selling REGN stock; may look to M&A**

- **Target price: \$56**

- **Yield: 3.5%**

■ **Novartis Inc. (NVS: BUY)**

- COVID-19 drove sales \$400 million in 1Q
- Company expects to see sales reversal during balance of year
- FDA Priority Review for Capmatinib for NSCLC
- Kymriah received FDA Regenerative Medicine Advanced Therapy designation for treatment of patients with follicular lymphoma
- Closed \$9.6 billion deal of The Medicines Co., with new drug for elevated LDL-C
- Double-digit EPS growth expected next 2 years
- Target Price: \$100
- Yield: 3.6%

■ GlaxoSmithkline PLC (GSK: BUY)

- **Products/processes fighting COVID-19**

- » Company's primary aim is to develop multiple adjuvanted COVID-19 vaccines, and it is collaborating with seven companies and institutions across the world. Adjuvants can reduce amount of vaccine required per dose.
- » Exploring therapeutic options. Has entered into a collaboration with Vir Biotechnology to identify and accelerate new anti-viral antibodies that could be used as therapeutic or preventative options for COVID-19

- **Earnings Expected to Rise LSD over next two years**

- **Target price: \$50**

- **Yield: 4.6%**

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