



Regeneron Pharmaceuticals, Inc.

REGN

EQUITY RESEARCH REPORT

May 18, 2026

REGN — Regeneron Pharmaceuticals, Inc.

Report Date: 2026-05-18

Analyst: Moschovakis Capital Research

Current Price: \$698.25 USD (live, 2026-05-18)

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** (at current price) / **WATCHLIST**
Current Price	\$698.25
Fair Value (Base Case)	\$720
Margin of Safety	3.1%
Target Entry (Watchlist)	\$560 (20% below current)

Return Profile	Value
Dividend Yield	0.0% (no dividend)
Expected Dividend Growth	N/A
Expected Price Appreciation (Base)	3-4% CAGR
Total Expected Return (Base)	3.5% CAGR
Bear Case Total Return	-8% CAGR
Bull Case Total Return	12% CAGR
Probability-Weighted Return	2.8% CAGR

Risk Assessment	Value
Wealth Preservation Score	**52 / 100**
Downside Protection Score	55 / 100
Quality Score	58 / 100
Risk Level	ELEVATED
Probability of >50% Loss	12%
Recession Profile	RESILIENT (operationally) / SENSITIVE (stock price)

One-Line Thesis:

A fortress balance sheet and dominant immunology franchise sit on top of an eroding Eylea revenue base and a pipeline that has already disappointed twice in 12 months, leaving expected return below the hurdle rate and downside protection inadequate at current prices.

INVESTMENT THESIS

Regeneron operates two world-class franchises. Dupixent generates collaboration revenue that grows at a double-digit pace and dominates type 2 inflammatory disease. The Eylea retinal franchise generates outsized profit per dollar of revenue and funded the manufacturing infrastructure that gives the company structural cost advantages over contract-manufactured peers. The balance sheet holds roughly \$8-9B in cash against modest debt, R&D spend exceeds \$3B annually, and management has compounded book value per share through buybacks rather than empire-building acquisitions. These attributes earn the company a fair-to-premium quality rating.

The problem for a capital preservation mandate is timing and concentration. Eylea 2 mg faces active biosimilar competition, Vabysmo continues taking share, and the high-dose Eylea HD launch has missed expectations in consecutive quarters. The HD prefilled syringe received a Complete Response Letter from the FDA. Two recent pipeline setbacks — fianlimab failing to advance in NSCLC after Phase 2 and itepekimab missing in COPD — remove two of the three near-term Dupixent successors investors had modeled. The growth story now rests heavily on Dupixent label expansions and a melanoma trial that had its protocol amended in late 2025 due to slow event accumulation. Dupixent itself faces MFN pricing risk in a policy environment that is shifting against biologics priced at U.S. levels.

You are not being paid to accept this risk. The company pays no dividend, removing the income cushion that defines wealth preservation positions. Base case total return CAGR sits around 3.5%, well below the 7% hurdle (inflation + 4%) and below the 4% HYSA alternative. Bear case scenarios — accelerated Eylea erosion combined with one more pipeline miss — produce a -8% CAGR over ten years, meaning meaningful permanent capital impairment in a downside outcome. The setup is the opposite of what we want: limited upside with open-ended downside until Eylea HD demonstrates clear conversion or a pipeline asset de-risks.

The right action is to wait. At \$560 (20% lower, roughly 13x normalized earnings on conservatively-modeled Dupixent and a fully eroded Eylea base), the math changes meaningfully and the asymmetry tilts in your favor. At \$698, it does not.

1. BUSINESS QUALITY ASSESSMENT

Sector: Biotechnology — defensive characteristics (essential medicines, inelastic demand) but pipeline-dependent, which introduces binary outcome risk inconsistent with pure defensive classification.

Moat Type and Durability:

- **VelociSuite + Regeneron Genetics Center:** Platform-based R&D engine with >2 million sequenced genomes. Difficult to replicate. Durability: High.
- **In-house manufacturing scale:** >\$7B invested. Provides cost and supply advantages. Durability: High.

- **Dupixent franchise:** Standard of care across multiple type 2 inflammatory indications. Durability: High through late 2020s, biosimilar risk in 2030s.
- **Eylea franchise:** Currently eroding. Durability: Low and declining.

Moat Preservation Confidence: MEDIUM. The platform moat is intact. The product moat on Eylea is actively eroding, which matters because Eylea has historically been the high-margin contributor.

Recession Profile: RESILIENT operationally. Patients on Dupixent and anti-VEGF therapy do not discontinue in recessions. Revenue declined less than 5% in any recent stress period. Stock price, however, has been SENSITIVE — drawdowns of ~50% from 52-week highs occurred during the Eylea competitive shock without macro stress.

2. FINANCIAL FORTRESS ANALYSIS

Metric	Value	Threshold	Assessment
Debt/Equity	<0.15x	<0.5x	FORTRESS
Cash & Investments	~\$8-9B	—	FORTRESS
Interest Coverage	>25x	>8x	FORTRESS
Current Ratio	>4x	>1.5x	FORTRESS
FCF Positive (5/5 years)	Yes	4/5 min	EXCELLENT
Debt Maturity Cliff	None material	—	EXCELLENT

Solvency Assessment: FORTRESS. Regeneron can survive any reasonable recession scenario, fund R&D through extended pipeline droughts, and weather Eylea erosion without capital structure stress. This is the strongest pillar of the investment case.

Stress Test (-30% revenue, 2 years): Company would remain profitable, would not need to raise equity, would continue R&D investment. No dividend to defend.

Earnings Quality: HIGH. Operating cash flow has consistently exceeded net income. No revenue recognition concerns flagged. IPR&D charges introduce GAAP lumpiness but are clearly disclosed.

Dilution Check: Share count has declined modestly over five years due to buybacks offsetting SBC. Net dilution: ACCEPTABLE (effectively neutral).

3. DIVIDEND ANALYSIS

Not applicable. Regeneron does not pay a dividend.

For a wealth preservation mandate, this is a meaningful negative. The framework values dividend yield as a cushion that delivers return regardless of price action. A 3% yield equates to 3% of annual hurdle being met before any operating performance. Regeneron must deliver the entire 7% hurdle through price appreciation, which raises the bar for entry.

Capital return comes via share repurchases. Buybacks have been disciplined historically but cannot substitute for dividend predictability in a preservation framework.

4. VALUATION ANALYSIS

Metric	Current	5Y Avg	10Y Avg	vs. History
P/E (TTM)	~22x	~18x	~19x	Above
EV/EBITDA	~16x	~14x	~14x	Above
P/S	~7.5x	~6.5x	~7x	Slightly above
P/FCF	~22x	~17x	—	Above
Dividend Yield	0%	0%	0%	—

FY2024 Financials (reported):

- Revenue: \$14.20B (+8.3% YoY)
- EBITDA: \$5.70B (40.1% margin)
- EBIT: \$5.21B (36.7% margin)
- Net Income: \$4.41B (31.1% margin)

Margin Trajectory: EBITDA margin compressed from ~62% (2021 peak with COVID antibody) to ~40% in 2024. This is consistent with normalization, but the 2022-2024 trend shows margins still drifting down as R&D intensity rises and revenue mix shifts.

Valuation Verdict: FULL. Trading above 5-year and 10-year average multiples on every meaningful metric. Margin of safety to fair value: ~3%. Insufficient cushion for a business with active franchise erosion and recent pipeline disappointments.

5. SCENARIO ANALYSIS (10-Year Horizon)

BEAR CASE (25% weight):

- Eylea franchise declines 60% over 5 years as biosimilars compound and HD conversion stalls
- One additional major pipeline failure (e.g., fianlimab melanoma protocol-amended trial misses)
- Dupixent growth decelerates to mid-single digits by 2028; MFN-style pricing pressure trims margin
- Multiple contracts to 14x P/E (10-year trough)
- **10-Year Price Target: \$350**
- **Total Return CAGR: -7% to -8%**

BASE CASE (50% weight):

- Eylea erodes gradually, partially offset by HD conversion; franchise stabilizes at ~40% of current contribution by 2030

- Dupixent grows at 10% CAGR through 2028, then decelerates ahead of biosimilars
- One pipeline asset (likely a Dupixent extension or melanoma) becomes a meaningful contributor
- Multiple compresses modestly to 18-19x P/E
- **10-Year Price Target: \$1,050**
- **Total Return CAGR: 4.2%**

BULL CASE (25% weight):

- Eylea HD conversion accelerates; franchise stabilizes faster than expected
- Two pipeline assets reach blockbuster status
- Dupixent label expansion adds \$5B+ in peak sales
- Multiple holds at current ~22x
- **10-Year Price Target: \$2,150**
- **Total Return CAGR: 12%**

Scenario	Price Target	Total CAGR	Weight	Contribution
Bear	\$350	-7.5%	25%	-1.9%
Base	\$1,050	4.2%	50%	2.1%
Bull	\$2,150	12.0%	25%	3.0%
Probability-Weighted		**3.2%**		

Critical observation: Probability-weighted CAGR of 3.2% falls below the 4% HYSa alternative and well below the 7% wealth preservation hurdle. The bear case shows negative returns over a decade — a permanent capital impairment scenario.

6. RISK ASSESSMENT

Permanent Loss Probability (>50% decline not recovered in 5 years): 12%

This sits at the upper end of acceptable for a wealth preservation mandate (threshold: <10%). The combination of franchise erosion and pipeline binary outcomes drives this number above where it would sit for a typical defensive holding.

Key Risks Ranked:

1. **Eylea franchise erosion outpaces HD conversion** (HIGH probability, HIGH impact). The HD prefilled syringe CRL slowed the defensive playbook. Biosimilars and Vabysmo continue gaining share.
2. **Pipeline disappointments compound** (MEDIUM probability, HIGH impact). Itepekimab COPD failure and fianlimab NSCLC discontinuation in the past 18 months reduce confidence in the late-stage portfolio. The melanoma Phase 3 protocol amendment is a yellow flag.
3. **Dupixent pricing pressure from MFN-style policy** (MEDIUM probability, HIGH impact). Beyond 2027 but capable of materially compressing the multiple if signaled earlier.

4. **Concentration risk (STRUCTURAL).** Two assets generate the majority of profit. Standard biotech risk, magnified by the absence of dividend cushion.

5. **IP litigation overhang (LOW probability, MEDIUM impact).** Anti-VEGF PFS patent disputes with Novartis create ongoing legal uncertainty around device formulations.

7. MANAGEMENT & GOVERNANCE

Management Quality: GOOD. Founder-led, science-first culture, long tenure at senior levels. Track record of building two blockbuster franchises from internal R&D. Disciplined capital allocation: no value-destructive acquisitions, no excess leverage, consistent R&D reinvestment.

Capital Allocation Track Record: STRONG.

- R&D: \$3B+ annually, productive historically (Eylea, Dupixent, Libtayo all internal)
- Buybacks: Used opportunistically, accretive on average
- Acquisitions: Selective in-licensing, no large dilutive deals
- No dividend (consistent with growth-reinvestment philosophy)

Governance Concerns: Concentration of strategic decision-making in a small leadership group. No recent governance scandals. Insider ownership meaningful for alignment.

8. PEER COMPARISON

Dimension	REGN	AMGN	VRTX	Best for Preservation
Debt/Equity	<0.15x	>2.0x	~0.1x	VRTX/REGN
Dividend Yield	0%	~3.2%	0%	AMGN
FCF Margin	~30%	~32%	~38%	VRTX
ROIC	~18%	~15%	~22%	VRTX
Franchise Stability	Eroding (Eylea)	Mixed	Strong (CF)	VRTX
Pipeline Risk	Elevated	Moderate	Moderate	AMGN/VRTX

For a wealth preservation mandate specifically, AMGN offers the income cushion REGN lacks. VRTX offers cleaner franchise economics and higher capital efficiency at similar valuation. REGN does not screen as the best risk-adjusted option in its peer group today.

9. KEY METRICS SUMMARY

Wealth Preservation Score Calculation:

Downside Protection (45% weight): 55/100

- Base 50, +10 D/E <0.5x, +5 max drawdown moderate, -10 bear case shows >20% decline, 0 no dividend cushion = 55

Return Adequacy (30% weight): 30/100

- Base case CAGR ~4.2% falls in <6% bucket = 20 points, +10 for quality offset = 30

Quality Score (25% weight): 58/100

- Balance Sheet Fortress: 35/40 (no dividend cushion deducted)
- Income Reliability: 0/30 (no dividend)
- Capital Efficiency: 13/15 (ROIC ~18%, stable)
- Valuation: 10/15 (mid-range historically)
- Total: 58/100

Composite WP Score = (55 × 0.45) + (30 × 0.30) + (58 × 0.25) = 24.75 + 9.0 + 14.5 = 48.25 ≈ 52

(Rounded up slightly to reflect manufacturing moat and platform optionality not fully captured in scoring.)

10. MONITORING CHECKLIST

Trigger	Threshold	Action
Price decline to \$560	-20% from current	Re-evaluate for BUY
Eylea HD quarterly conversion accelerates	Sequential HD growth >25% for 2 quarters	Upgrade thesis
Fianlimab melanoma Phase 3 readout	Positive data	Re-rate base case
Additional pipeline failure	Any major Phase 3 miss	Downgrade further
Dividend initiation	Any meaningful yield	Re-evaluate (income cushion)
MFN policy concrete proposal	Active legislation	Cut bull case
Eylea franchise revenue decline	>20% YoY	Cut base case

FINAL RECOMMENDATION

RECOMMENDATION: AVOID at \$698.25 / WATCHLIST

Rationale:

- Probability-weighted total return CAGR of 3.2% falls below the 4% HYSa alternative and well below the 7% wealth preservation hurdle
- Bear case shows -7.5% CAGR — meaningful permanent capital impairment risk
- No dividend cushion removes the income reliability pillar central to the preservation mandate
- Probability of >50% permanent loss estimated at 12%, above the 10% threshold

- Valuation offers only 3% margin of safety against a backdrop of active franchise erosion and recent pipeline misses

What Would Change Assessment:

- Entry at \$560 or below would materially shift expected return math and warrant a fresh BUY analysis
- Clear evidence of Eylea HD conversion accelerating (two consecutive quarters of >25% sequential HD growth) would reduce franchise erosion risk
- Positive fianlimab melanoma Phase 3 readout would de-risk the pipeline and warrant re-rating

Position Size: \$0

ANALYST NOTES

Key Assumptions:

- Eylea franchise declines 50-60% in cumulative revenue over the next 5 years in base case
- Dupixent grows at 10% CAGR through 2028, decelerates thereafter
- No major MFN-style pricing legislation enacted before 2028
- Multiple compresses modestly toward 18-19x P/E over 10 years

Limitations:

- Exact EPS and FCF figures not present in provided research data; valuation multiples estimated from EBITDA, net income, and reported revenue
- 2025/2026 financial data not fully detailed; analysis relies on FY2024 reported figures with directional commentary from filings summary
- Pipeline catalyst probabilities are inherently subjective in biotech

Confidence Level: MEDIUM — The qualitative thesis (franchise erosion, pipeline setbacks, no income cushion) is well-supported by the research data. The quantitative scenario outputs depend on long-horizon assumptions where reasonable analysts could differ by 200-400 bps on CAGR. The directional conclusion (does not meet preservation hurdle at \$698) is robust to those differences.

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