

## Kura Oncology

## Soaring on KOMET with wins on safety and efficacy; PO to \$33

Reiterate Rating: BUY | PO: 33.00 USD | Price: 20.85 USD

## Data exceed expectations, positioning zifto ahead of pack

KURA shares traded up today on the back of solid updates from KOMET-007, the phase 1 of menin inhibitor ziftomenib + SoC ("7+3" or ven/ aza) combos in 1L and R/R AML. Overall, we'd characterize the combo data as quite positive, exceeding already elevated expectations, with the initial safety/ efficacy insights auguring well for broad clinical success and comparing favorably to likely commercial rivals (see [our first '007 takes](#)). To be fair, contextualizing early data has limitations, with pitfalls in ascribing too much to small samples (n=20)/ short durations (likely ~2-3 cycles). That said, on DS and myelosuppression, arguably the biggest investor questions on the story, we thought the signals were particularly de-risking and should go a long way in assuaging concerns over ziftomenib's broader commercial potential. Greater insights are certainly needed (see below), with many questions currently unanswerable; but with positive efficacy trends also boosting confidence in opportunities in other mutational subclasses (esp KMT2A) and earlier lines of therapy, we are increasing our overall, blended LoS risk-adjustment to 53% from 49% prior in our model: Reiterate Buy and raise our PO to \$33 from \$31.

## DS data removes an overhang, despite lingering questions

Arguably one of the bigger overhangs on zifto has been DS, though Kura was steadfast combos could meaningfully lower rates, re-opening opportunities to treat KMT2A AML by debulking tumors ahead of treatment. For these reasons, the lack of any DS was a win, and with events 1) not dose-dependent, and 2) seen by cycle 1-2 in monotherapy typically, we don't expect significant clinically meaningful DS to appear in higher dose cohorts. Still, with DS also a marker of activity, it's unclear why no events were observed at all—and we wouldn't be surprised if low grade DS is seen in longer-duration updates.

## Efficacy signals positive, though questions over subgroups

Zifto's efficacy looked similarly robust. Cross-trial comparison caveats aside, we thought the 56% CR/CRh in R/R menin-naïve patients compare favorably to Syndax's SAVE (44% CR/CRh), even as more ven-experienced (a notably challenging to treat population) were included in KOMET-007 (67% vs. 56% ven-relapsed in SAVE). Still, we believe activity in menin-experienced patients—40% of R/R cohort in '007—is likely to be a key focus in future updates given implications for the overall addressable market.

## Safety profile lends well to combinability/commercial opty

Beyond DS, zifto's tolerability also impressed, with no additive myelosuppressive-related AEs, QTc prolongation, or DDIs—resulting in no discontinuations/ down-titrations. We've long felt zifto's profile was especially amenable to combos, and while these data need to be confirmed, we continue to see a solid foundation for longer-term upside.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(1.97)	(2.03)	(2.06)	(2.01)	(1.46)
EPS Change (YoY)	-16.6%	-3.0%	-1.5%	2.4%	27.4%
Consensus EPS (Bloomberg)			(2.07)	(2.31)	(2.40)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield (%)	-6.8	-7.1	-7.8	-9.2	-5.9

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Timestamp: 30 January 2024 04:38PM EST

30 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	31.00	33.00
2024E EPS	-2.09	-2.01
2025E EPS	-1.29	-1.46

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## Stock Data

Price	20.85 USD
Price Objective	33.00 USD
Date Established	30-Jan-2024
Investment Opinion	C-1-9
52-Week Range	7.41 USD - 22.92 USD
Mkt Val (mn) / Shares Out (mn)	1,549 USD / 74.3
Free Float	93.5%
Average Daily Value (mn)	36.37 USD
BofA Ticker / Exchange	KURA / NAS
Bloomberg / Reuters	KURA US / KURA.OQ
ROE (2023E)	-36.2%
Net Dbt to Eqty (Dec-2022A)	-9.6%

## Abbreviations:

SoC: standard of care

1L: first-line

R/R: relapsed/ refractory

AML: acute myeloid leukemia

DS: differentiation syndrome

LoS: likelihood of success

KMT2Ar/ NPM1m: mutant subgroups

CR/CRh: complete response/ with incomplete hematologic recovery

AEs: adverse events

QTc: corrected QT interval

DDIs: drug-drug interactions

# iQprofile<sup>SM</sup> Kura Oncology

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-20.8%	-26.6%	-33.9%	-38.6%	-32.1%
Return on Equity	-23.3%	-29.3%	-36.2%	-42.1%	-34.3%
Operating Margin	NA	NA	NA	NA	-151.0%
Free Cash Flow	(106)	(111)	(121)	(143)	(91)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	2.1x	0.8x	0.8x	0.7x	0.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-17.9%	-9.6%	-26.9%	-42.9%	-42.4%
Interest Cover	NM	NM	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	0	0	0	0	92
% Change	NA	NA	NA	NA	NA
Gross Profit	0	0	0	0	69
% Change	NA	NA	NA	NA	NA
EBITDA	(131)	(139)	(162)	(184)	(138)
% Change	-42.5%	-6.4%	-16.2%	-13.9%	25.2%
Net Interest & Other Income	1	4	11	9	10
<b>Net Income (Adjusted)</b>	<b>(130)</b>	<b>(136)</b>	<b>(151)</b>	<b>(176)</b>	<b>(128)</b>
<b>% Change</b>	<b>-45.6%</b>	<b>-4.1%</b>	<b>-11.2%</b>	<b>-16.2%</b>	<b>27.0%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(130)	(136)	(151)	(176)	(128)
Depreciation & Amortization	1	1	1	1	1
Change in Working Capital	(3)	(3)	1	0	2
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	29	28	29	32	35
Capital Expenditure	(1)	(1)	(1)	0	0
<b>Free Cash Flow</b>	<b>-106</b>	<b>-111</b>	<b>-121</b>	<b>-143</b>	<b>-91</b>
<b>% Change</b>	<b>-46.8%</b>	<b>-4.7%</b>	<b>-9.5%</b>	<b>-17.9%</b>	<b>36.4%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(7)	10	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	91	52	123	192	150
Trade Receivables	0	0	0	0	0
Other Current Assets	432	395	318	256	208
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	12	10	10	9	9
<b>Total Assets</b>	<b>534</b>	<b>456</b>	<b>450</b>	<b>457</b>	<b>367</b>
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	22	22	23	23	26
Long-Term Debt	0	11	11	11	11
Other Non-Current Liabilities	5	3	3	3	3
<b>Total Liabilities</b>	<b>27</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>40</b>
<b>Total Equity</b>	<b>507</b>	<b>420</b>	<b>413</b>	<b>420</b>	<b>327</b>
<b>Total Equity &amp; Liabilities</b>	<b>534</b>	<b>456</b>	<b>450</b>	<b>457</b>	<b>367</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Biotechnology

## Company Description

Kura Oncology is a clinical stage, oncology-focused, biopharmaceutical company. Their lead asset, ziftomenib, is a menin inhibitor in phase 2 trials for R/R NPM1m AML, with optionality to expand earlier in the treatment paradigm and more broadly in other forms of AML. The early stage platform consists of two FTIs, tipifarnib and next-gen asset KO-2806, the prior being studied in combination with Novartis' PIK3CA inhibitor alpelisib (Piqray) for R/M HNSCC.

## Investment Rationale

In our view, the recent financing deal supports the development of ziftomenib as well as the early stage portfolio. We see the likelihood of approval of ziftomenib in NPM1m R/R AML as high given the unmet need. And, with robust efficacy and good safety/ tolerability, we see potential for expansion into frontline/maintenance settings. Ultimately, coupled with downside support from the early clinical stage engine we see the risk/ reward as positive and supportive of our Buy rating.

## Stock Data

Average Daily Volume 1,744,261

## Quarterly Earnings Estimates

	2022	2023
Q1	-0.49A	-0.50A
Q2	-0.52A	-0.53A
Q3	-0.53A	-0.50A
Q4	-0.49A	-0.53E

## Price objective basis & risk

### Kura Oncology (KURA)

Our 12-month price objective (PO) is based on our NPV analysis of revenue forecasts and estimated margin assumptions. We model ziftomenib with the first approval in NPM1m R/R AML in 2025 (LOS 65%), followed by 1L NPM1m in 2028 (LOS 45%), and 1L KMT2Am in 2029 (LOS 40%). We also model tipifarnib in HNSCC with a LOS of 40%. We assume a collective value for the pipeline. Given a WACC of 10%, in line with peers of similar size and risk, and a terminal growth rate between -25% and -50%, based on the timeline, we estimate a value of \$33/ share PO, supporting our Buy rating.

#### Upside Risks to our PO

1) initial approval of ziftomenib in R/R NPM1m AML, 2) by robust efficacy in frontline, 3) favorable efficacy/ safety profile in 1L KMT2Ar AML, 4) durable response in maintenance AML 4) competitive safety and administrative profile, 5) tolerable safety profile of tipifarnib combinations, with no evidence of overlapping TEAEs, and 6) strong commercial support from payers/ community-based providers to broadly administer portfolio candidates.

#### Downside Risks to our PO

1) failure to achieve approval for ziftomenib in R/R NPM1m AML, 2) poor risk/ benefit of KMT2Ar AML beyond R/R, especially due to emergence of meaningful DS, 3) lack of clinically meaningful efficacy in frontline and/ or maintenance settings, 4) limited differentiation between ziftomenib and revumenib, 5) DLTs associated with tipifarnib combos, 6) regulatory delays, and 7) commercial pushback from payers and providers.

## Analyst Certification

I, Jason Zemansky, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmid Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham



## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
<b>NEUTRAL</b>				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Reursion Pharmaceuticals, Inc.	RXRX	RXRX US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
<b>UNDERPERFORM</b>				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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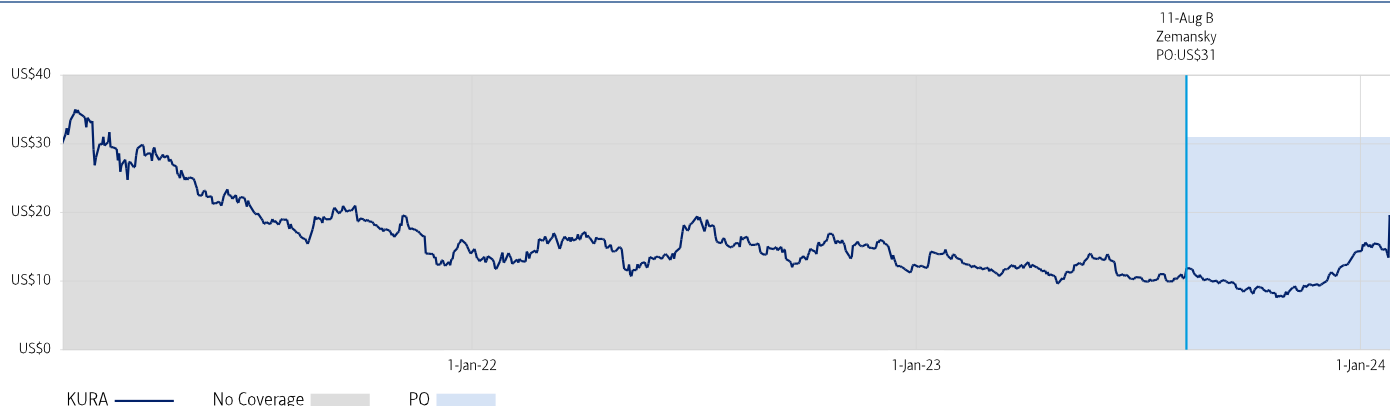
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# Disclosures

## Important Disclosures

### Kura (KURA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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