

Kura Oncology

Aggressive development plan comes into focus in otherwise quiet 4Q update

Reiterate Rating: BUY | PO: 33.00 USD | Price: 21.76 USD

Early updates favorable as progress remains on track

Despite a lack of major updates, we thought Kura's 4Q call was solid, with management continuing to lay out a solid case for lead asset ziftomenib (zifto) ahead of several major near-term catalysts. GAAP EPS was in-line, though focus was easily on clinical progress, where we continue to see encouraging signs. Shares of KURA have outperformed YTD (+51% vs. NBI +5%) following positive updates from the first zifto combo study (see [our KOMET-007 takes](#)). While we think the Street has become more comfortable with the MoA, at least as a monotherapy in R/R settings, less clear is how menin inhibitors would behave when added to SoC multi-drug regimens—key to unlocking management's forecasted >\$2-3B opportunity. While admittedly early, we thought zifto's initial tolerability data was very compelling when combined with "7+3" and ven/aza in 1L and R/R AML, marked thus far by a lack of 1) DS (though it's likely we see some sub-clinical rates develop over a longer follow-up); 2) QTc prolongation; 3) DDIs, and 4) additive myelosuppressive-related AEs—all of which together, in our view, position zifto favorably vs. competitors, supporting our long-term outlook (2028e BofA unadj. \$524M vs. \$402M cons). To be fair, today's call didn't provide many new insights apart from the update enrollment in 007's 1L "7+3" NPM1m DL2 cohort (400mg) is now underway. But with dosing in KOMET-008 (additional combos in R/R settings) also starting, overall enrollment/ interest reportedly robust across its ongoing/ planned studies, and Kura moving ahead aggressively, we think the company remains on track to achieve its key 2024 milestones (see below), driving towards possible commercialization in 2025. Given an overall opportunity that may eventually include ~50% of all of AML, we continue to see further upside to shares, even at current levels. Reiterate Buy and \$33 PO.

Multiple programs advancing, extending overall optionality

Among key upcoming milestones, Kura plans to initiate its post-transplant maintenance program in 1Q, with the additional goals of completing enrollment in the pivotal KOMET-001 in R/R NPM1m AML, determining the RP2D with ven/aza and with 7+3, and initiating an expansion cohort in non-NPM1m/non-KMT2Ar AML by mid-24. In addition, Kura's FTI program continues to advance, with data from tipifarnib with alpelisib PIK3CA-HNSCC capable of determining the OBAD expected by YE24 and the initiation of several early-studies of next-gen '2806 underway/ expected to begin by YE.

Model Updates

Following today's update, we have updated our model and now forecast 2024e EPS of (\$2.09) vs. (\$2.01) prior. See page 3 for further details.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(2.03)	(2.08)	(2.09)	(1.94)	(1.34)
EPS Change (YoY)	-3.0%	-2.5%	-0.5%	7.2%	30.9%
Consensus EPS (Bloomberg)			(2.19)	(2.31)	(1.80)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield (%)	-6.7	-7.5	-9.3	-7.7	-4.5

28 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2025E Rev (m)	91.6	49.3
2026E Rev (m)	239.8	142.0
2024E EPS	-2.01	-2.09
2025E EPS	-1.46	-1.94
2026E EPS	-0.29	-1.34

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Stock Data

Price	21.76 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
Mrkt Val (mn) / Shares Out (mn)	1,657 USD / 76.1
Free Float	89.0%
Average Daily Value (mn)	40.68 USD
BofA Ticker / Exchange	KURA / NAS
Bloomberg / Reuters	KURA US / KURA.OQ
ROE (2024E)	-43.5%
Net Dbt to Eqty (Dec-2023A)	-6.7%

Abbreviations:

R/R: relapsed/ refractory

1L: frontline

AML: acute myeloid leukemia

ALL: acute lymphoblastic leukemia

DS: differentiation syndrome

QTc: corrected QT interval

<cont. on page 3>

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 28 February 2024 12:25AM EST

iQprofileSM Kura Oncology

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-26.6%	-35.1%	-40.9%	-45.4%	-47.1%
Return on Equity	-29.3%	-37.3%	-43.5%	-47.8%	-48.0%
Operating Margin	NA	NA	NA	-366.0%	-94.3%
Free Cash Flow	(111)	(125)	(153)	(127)	(75)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.8x	0.2x	0.7x	0.5x	0.4x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-9.6%	-6.7%	-24.8%	-12.7%	-4.8%
Interest Cover	NM	NM	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	0	0	0	49	142
% Change	NA	NA	NA	NA	187.9%
Gross Profit	0	0	0	37	109
% Change	NA	NA	NA	NA	195.6%
EBITDA	(139)	(165)	(190)	(181)	(134)
% Change	-6.4%	-18.6%	-15.4%	5.2%	25.8%
Net Interest & Other Income	4	13	16	18	20
Net Income (Adjusted)	(136)	(153)	(174)	(163)	(114)
% Change	-4.1%	-12.4%	-14.1%	6.6%	29.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(136)	(153)	(174)	(163)	(114)
Depreciation & Amortization	1	1	0	0	0
Change in Working Capital	(3)	8	(11)	1	1
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	28	19	31	35	38
Capital Expenditure	(1)	0	0	0	0
Free Cash Flow	-111	-125	-153	-127	-75
% Change	-4.7%	-12.9%	-22.7%	17.2%	40.9%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	10	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	52	37	111	46	21
Trade Receivables	0	0	0	0	0
Other Current Assets	395	395	319	258	209
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	10	17	17	17	17
Total Assets	456	449	446	320	246
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	22	34	24	26	28
Long-Term Debt	11	11	11	11	11
Other Non-Current Liabilities	3	7	7	7	7
Total Liabilities	36	52	42	44	46
Total Equity	420	397	404	276	200
Total Equity & Liabilities	456	449	446	320	246

* For full definitions of iQmethodSM measures, see page 6.

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 1,869,505

Quarterly Earnings Estimates

	2023	2024
Q1	-0.50A	-0.44E
Q2	-0.53A	-0.51E
Q3	-0.50A	-0.54E
Q4	-0.55A	-0.60E

Model Updates

We've updated our Kura model to reflect the 4Q earnings update and management commentary (Exhibit 1).

Exhibit 1: Kura Model Changes for 2024E and 2025E

We've provided our model changes for 2024e and 2025e below

\$ in millions (ex. per share items)	2024E		2025E	
	Prior	Current	Prior	Current
product revenue	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ -	\$ -	\$ 92	\$ 49

\$ in millions (ex. per share items)	2024E		2025E	
	Prior	Current	Prior	Current
Revenue	\$ -	\$ -	\$ 92	\$ 49
COGS	-	-	23	14
Gross Profit	-	-	66	35
R&D	126	130	139	146
SG&A	59	60	66	70
Operating Income	(185)	(190)	(138)	(181)
Other income, net	9	16	10	18
Taxes	-	-	-	-
GAAP Net Income	(176)	(174)	(128)	(163)
GAAP EPS	(2.01)	(2.09)	(1.46)	(1.94)
Shares Outstanding - Diluted	87	83	88	84

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Abbreviations:

R/R: relapsed/ refractory

1L: frontline

AML: acute myeloid leukemia

ALL: acute lymphoblastic leukemia

DS: differentiation syndrome

QTc: corrected QT interval

AEs: adverse events

SoC: standard of care

FLT3: FMS-like tyrosine kinase 3

FLAG-IDA: combination chemo

LDAC: low dose cytarabine

EHA: European Hematology Association

ASH: American Society of Hematology

FTI: farnesyl transferase inhibitor

DDIs: drug-drug interactions

RP2D: recommended phase 2 dose

OBAD: optimal biologically active dose



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
BUY				
	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
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	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

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
NEUTRAL				
	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
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXR	RXR US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Alec W. Stranahan
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	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
RSTR				
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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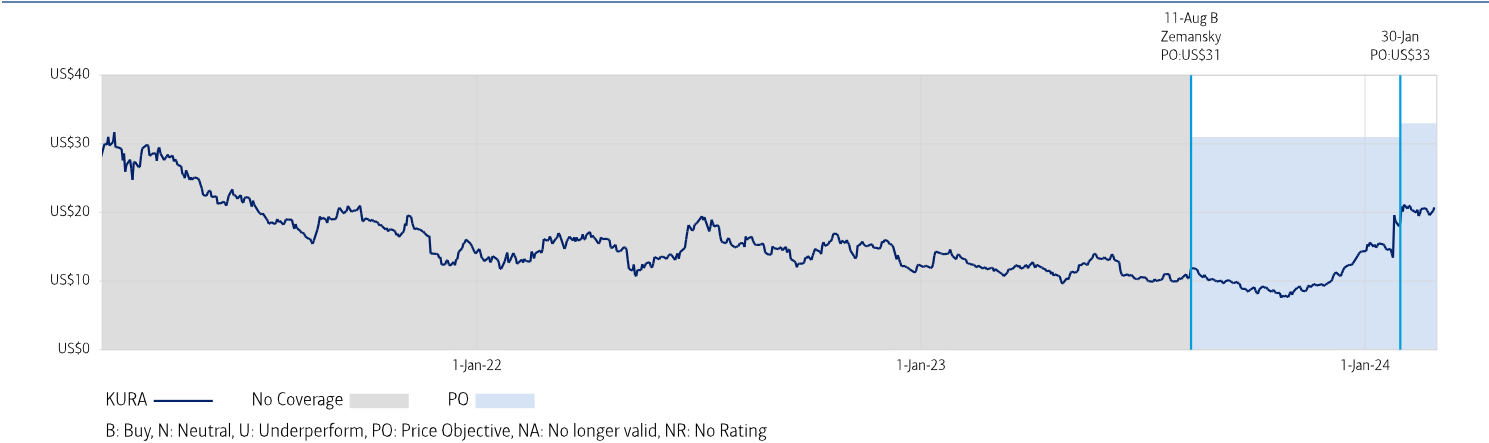
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Disclosures

Important Disclosures

Kura (KURA) Price Chart



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 ^{R1}	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 ^{R1}	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%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} 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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