

Janux Therapeutics

Pipeline updates early, but add credence to TRACTr competitiveness

Reiterate Rating: BUY | PO: 24.00 USD | Price: 15.10 USD

A pair of positive readouts add incremental confidence

JANX stock trading up in 2024 (YTD: +37%; NBI: flat), with recent strength further underscored by encouraging safety/efficacy data presented for both JANX007 and JANX008. With the company remaining mostly quiet in 2023, we see the promising early data as likely to increase investor mindshare for the company heading into 2H24 updates. We note key data from the investor event include: **1)** emerging JANX007 data illustrates a potential best-in-class profile in heavily pretreated subjects with late-stage mCRPC (83% achieved PSA50 declines with first step does >0.2mg, no CRS greater than Gr2), **2)** early JANX008 data also promising (no CRS greater than Grade 1, no SAEs or DLTs, one subject with NSCLC achieved PR). We reiterate Buy and increase our PO to \$24 (\$21 prior) to reflect increasing LoS of JANX007 (from 25% to 28%) and '008 (from 15% to 18%) given promising data.

Implications of the JANX007 data: how good was it?

To put the data in perspective and as a reminder for investors, JANX007 last interim update (n=8) in phase 1a dose escalation study observed no DLTs or grade 3+ CRS. Furthermore, AEs (e.g., low-grade CRS) were consistent with PSA reductions, with 4/5 patients demonstrating 31-67% PSA reduction as best responses. In our view, a benchmark of 40-50% of responsive patients with >PSA50 reduction is considered a "gold standard" in-line with the efficacy of "second generation" TCE therapies. The update from the investor event, in our view, demonstrates positive evolution of data with **1)** 83% (5/6) of subjects achieved PSA50 declines with first step dose \geq 0.2mg, **2)** 56% (10/18) of subjects achieved PSA50 declines with first dose \geq 0.1mg, and **3)** No CRS greater than Grade 2 was observed in any cohort. We also note that the implications of good safety profile go beyond promising tolerability, but also potential for experimentation with higher dosage to optimize efficacy, which already meets our benchmark. That said, acknowledging many patients at the higher doses have <70 days of follow-up, key in the next update in our view will be linking the currently observed strong PSA reductions with RECIST responses.

See Page 3 for our thoughts on JANX008 >>>

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(1.39)	(1.52)	(1.49)	(1.60)	(1.54)
EPS Change (YoY)	81.2%	-9.4%	2.0%	-7.4%	3.8%
Consensus EPS (Bloomberg)			(1.53)	(1.75)	(1.97)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-2.6%	-7.1%	-6.5%	-11.5%	2.4%

* For full definitions of *IQmethod*SM measures, see page 5.

27 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	21.00	24.00
2023E Rev (m)	5.6	7.6
2023E EPS	-1.50	-1.49
2024E EPS	-1.85	-1.60
2025E EPS	-2.45	-1.54

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Stock Data

Price	15.10 USD
Price Objective	24.00 USD
Date Established	26-Feb-2024
Investment Opinion	C-1-9
52-Week Range	5.65 USD - 17.99 USD
Mkt Val (mn) / Shares Out (mn)	697 USD / 46.2
Free Float	44.5%
Average Daily Value (mn)	2.28 USD
BofA Ticker / Exchange	JANX / NAS
Bloomberg / Reuters	JANX US / JANX.OQ
ROE (2023E)	-21.8%
Net Dbt to Eqty (Dec-2022A)	-16.0%
ESGMeter TM	NLA

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Abbreviations:

PSA: Prostate specific antigen

CRS: Cytokine release syndrome

YTD: Year to date

SAE/AE: Severe adverse events

LoS: Likelihood of success

NSCLC: Non-small cell lung cancer

TCE: T-cell engager

RECIST: RECIST scale

PR: Partial response

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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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iQprofileSM Janux Therapeutics

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-15.5%	-15.8%	-17.4%	-17.2%	-12.8%
Return on Equity	-18.6%	-18.3%	-21.8%	-21.7%	-17.0%
Operating Margin	-905.4%	-779.0%	-1,019.7%	NA	NA
Free Cash Flow	(18)	(49)	(45)	(80)	17

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	13.1x	7.7x	10.0x	5.8x	4.3x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-9.7%	-16.0%	-53.6%	-45.6%	-104.8%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	4	9	8	0	0
% Change	NA	136.8%	-11.3%	-100.0%	NA
Gross Profit	4	9	8	0	0
% Change	NA	136.8%	-11.3%	NM	NA
EBITDA	(33)	(66)	(77)	(105)	(122)
% Change	-579.4%	-101.9%	-16.5%	-36.4%	-16.3%
Net Interest & Other Income	0	2	5	16	27
Net Income (Adjusted)	(33)	(63)	(69)	(90)	(97)
% Change	-382.3%	-92.7%	-9.5%	-31.0%	-7.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(33)	(63)	(69)	(91)	(97)
Depreciation & Amortization	0	1	1	1	2
Change in Working Capital	9	4	30	17	121
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	7	15	0	0	0
Capital Expenditure	(1)	(6)	(7)	(8)	(9)
Free Cash Flow	-18	-49	-45	-80	17
% Change	-322.5%	-167.5%	8.0%	-76.1%	NM
Share / Issue Repurchase	387	1	61	301	201
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	36	51	167	238	655
Trade Receivables	0	0	0	0	0
Other Current Assets	341	281	185	338	155
Property, Plant & Equipment	1	7	13	20	27
Other Non-Current Assets	1	24	24	24	24
Total Assets	380	365	391	621	865
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	13	16	28	35	85
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	1	2	4	5	12
Total Liabilities	13	43	76	95	231
Total Equity	366	321	312	522	626
Total Equity & Liabilities	380	363	388	618	856

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Biotechnology

Company Description

Janux Therapeutics is a biopharmaceutical company leveraging their TRACTr platform that prevents activity of bispecific molecules outside the tumor, potentially improving safety and allowing for dosing to therapeutic levels. Initial programs targeting PSMA, EGFR, and TROP2 will enter the clinic in 2022/3.

Investment Rationale

Janux is approaching the clinic with a differentiated platform of masked bispecific T cell engagers, and has the potential to be among the first to capitalize on the promise of the class. While each lead asset approaches markets with significant unmet need in themselves, validation of lead assets would validate the platform. Follow-on TRAClr platform would seek to build on that validation by combining masking technology with immune modulation in oncology.

Stock Data

Average Daily Volume 151,282

Quarterly Earnings Estimates

	2022	2023
Q1	-0.32A	-0.42A
Q2	-0.41A	-0.42A
Q3	-0.39A	-0.24E
Q4	-0.39A	-0.48E

JANX008 shows promising safety, initial signs of efficacy

Safety of JANX008, in our view, has been less of a potential concern, with most investors focused on efficacy as the box unchecked. While we see the data presented at the event as still early stage, we do note that it is extremely promising for a NSCLC patient to achieve a RECIST PR maintained through 18-weeks with 100% target lung lesion reduction and elimination of liver metastasis (also no CRS or TRAEs). Furthermore, no CRS greater than Grade 1 observed in any cohort and no treatment related SAEs or DLTs have been observed which in our view continues JANX008's clean safety profile. While the data presented remains early, the results are very encouraging and creates a favorable setup heading into 2H24 updates which we expect will now receive heightened attention from investors. That said, we expect additional responses, particularly at the higher 0.5mg dose, will be needed for continued investor buy-in.

Price objective basis & risk

Janux Therapeutics (JANX)

Our \$24 PO is based on a probability-adjusted NPV Janux's pipeline, including its PSMA-TRACTr program for prostate cancer (\$9/sh), its EGFR-TRACTr program for colorectal cancer (\$7/sh), and its TROP2-TRACTr program for triple-negative breast cancer (\$2/sh). We forecast revenue through 2038 and assume a -20% terminal growth rate. We apply a 17-18% WACC and 15%-25% PoS for each program based on the early stage of development. Additional indications for EGFR-TRACTr and TROP2-TRACTr, as well as value for Janux's TRAClr platform are included in a pipeline value (\$1/sh), and the remaining value from net cash. Downside risks are: 1) failure of clinical trials, 2) limited commercial uptake, 3) strengthening competitive space.

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Analyst Certification

I, Alec W. Stranahan, 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
	Agiros 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
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan
	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
	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

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRJ	RXRJ 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

iQmethodSM 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

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

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
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + 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
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

Valuation Toolkit

Numerator

Denominator

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Janux (JANX) Price Chart



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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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