

Inozyme Pharma, Inc.

Topline ENPP1 and ABCC6 phase 1/2 data expected in early April

Reiterate Rating: BUY | PO: 16.00 USD | Price: 5.77 USD

Several data readouts expected in 2024

Inozyme (INZY) reported FY23 R&D and G&A expenses of \$54.8mn and \$20.8mn, respectively. The company announced that topline results from the phase 1/2 trials evaluating INZ-701 in adults with ENPP1 (Ectonucleotide pyrophosphatase/phosphodiesterase 1) and ABCC6 (ATP Binding Cassette Subfamily C Member 6) deficiency are expected in early April. The company also expect to report topline phase 1b data from ENERGY-1 and initiate the ENERGY-2 pivotal trial evaluating INZ-701 in infants with ENPP1 deficiency in 2H. Additionally, topline data from the pivotal trial ENERGY-3 in pediatric ENPP1 deficiency patients is expected in mid-25. On next steps for ABCC6 deficiency, the company noted they anticipate initiation of a phase 3 clinical trial in 1Q25 but this will be dependent on regulatory alignment and sufficient funding. We continue to look for color on potential phase 3 trial design including primary endpoint for ABCC6 deficiency and await the upcoming data to further provide validation for the program. The company also expects to report interim data for the SEAPORT-1 phase 1 trial evaluating INZ-701 in end-stage kidney disease patients on hemodialysis in 4Q. We are encouraged by INZ-701's potential in different indications with no approved therapies and await the upcoming readout to provide further clinical validation. In our DCF-based model, we update for FY23 results, cash and share count and adjust our op ex estimates based on recent trend. We reiterate our Buy rating and \$16 PO.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.78)	(1.37)	(1.46)	(1.44)	(1.05)
EPS Change (YoY)	25.8%	23.0%	-6.6%	1.4%	27.1%
Consensus EPS (Bloomberg)			(1.38)	(1.55)	(1.64)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-16.3%	-19.9%	-23.2%	-26.8%	-22.3%

* For full definitions of *IQmethod*SM measures, see page 4.

13 March 2024

Equity

Key Changes

(US\$)	Previous	Current
2026E Rev (m)	NA	22.0
2024E EPS	-1.40	-1.46
2025E EPS	-1.39	-1.44
2026E EPS	NA	-1.05

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Stock Data

Price	5.77 USD
Price Objective	16.00 USD
Date Established	26-Sep-2023
Investment Opinion	C-1-9
52-Week Range	2.59 USD - 7.33 USD
Mrkt Val (mn) / Shares Out (mn)	356 USD / 61.8
Free Float	81.4%
Average Daily Value (mn)	3.01 USD
BofA Ticker / Exchange	INZY / NAS
Bloomberg / Reuters	INZY US / INZY.OQ
ROE (2024E)	-59.3%
Net Dbt to Eqty (Dec-2023A)	7.9%
ESGMeter TM	Medium

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".

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Timestamp: 13 March 2024 07:43PM EDT

iQprofileSM Inozyme Pharma, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-50.8%	-41.2%	-40.9%	-43.3%	-32.5%
Return on Equity	-58.9%	-55.0%	-59.3%	-61.6%	-45.3%
Operating Margin	NA	NA	NA	NA	-399.6%
Free Cash Flow	(58)	(71)	(83)	(96)	(79)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	-0.4x	-0.1x	0.4x	0.5x	0.9x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-22.7%	7.9%	-4.2%	-6.9%	-16.7%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	0	0	0	0	22
% Change	NA	NA	NA	NA	NA
Gross Profit	0	0	0	0	22
% Change	NA	NA	NA	NA	NA
EBITDA	(70)	(80)	(93)	(105)	(88)
% Change	-24.7%	-15.3%	-15.6%	-13.0%	16.6%
Net Interest & Other Income	2	5	5	5	6
Net Income (Adjusted)	(67)	(71)	(89)	(100)	(82)
% Change	-18.4%	-6.1%	-24.8%	-13.2%	18.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(67)	(71)	(89)	(100)	(82)
Depreciation & Amortization	(1)	(5)	1	1	1
Change in Working Capital	2	(3)	(2)	(4)	(7)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	8	8	8	9	9
Capital Expenditure	0	0	0	0	0
Free Cash Flow	-58	-71	-83	-96	-79
% Change	-19.8%	-22.0%	-16.7%	-15.3%	16.8%
Share / Issue Repurchase	73	126	100	100	100
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	33	35	52	57	78
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	98	162	165	171	180
Property, Plant & Equipment	2	1	1	0	0
Other Non-Current Assets	6	3	2	2	2
Total Assets	139	201	221	231	260
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	15	15	16	18	20
Long-Term Debt	6	46	46	46	46
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Total Liabilities	21	60	62	64	65
Total Equity	118	140	159	167	195
Total Equity & Liabilities	139	201	221	231	260

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Biotechnology

Company Description

Inozyme Pharma (INZY) is a biotechnology company focused on developing enzyme replacement therapy (ERT) for specific genetic diseases. Lead asset INZ-701 has demonstrated the ability to restore target enzyme levels in pre-clinical models. Early clinical data for ENPP1 deficiency and ABCC6 deficiency shows promising increases to PPI, a biomarker for clinical efficacy. INZY also has follow-on programs for 2nd generation ERT and gene therapy to treat the same disorders.

Investment Rationale

We rate INZY shares Buy. We believe its enzyme replacement therapy (ERT) approach is a validated method for treating genetic diseases. Preclinical data from lead asset INZ-701 demonstrated proof of concept and the potential to improve survival and function. Programs to expand into non-genetic diseases are in early pre-clinical testing, but provide potential for upside.

Stock Data

Average Daily Volume 521,666

Quarterly Earnings Estimates

	2023	2024
Q1	-0.40A	-0.37E
Q2	-0.35A	-0.37E
Q3	-0.29A	-0.38E
Q4	-0.38A	-0.40E

Price objective basis & risk

Inozyme Pharma, Inc. (INZY)

Our price objective (PO) of \$16 is based on a probability-adjusted NPV analysis. Our valuation includes INZ-701 in ENPP1 deficiency (\$7/sh) and ABCC6 (\$5/sh). The remainder of our valuation (\$4/sh) comes from pipeline and net cash. Our DCF-based model goes out to 2039. We model 11% WACC for ENPP1 and 13% for ABCC6. We have no terminal value.

Upside risks to the PO are: 1) positive clinical data from INZ-701 in lead indications, 2) positive pre-clinical data for non-genetic indications for INZ-701, 3) better than expected uptake for INZ-701 when launched, and 4) visibility on patient identification.

Downside risks to the PO are: 1) negative data from clinical programs in lead indications, 2) negative data from preclinical studies in non-genetic indications, 3) slower than expected enrollment of clinical studies, and 4) smaller than expected identified patient population.

Analyst Certification

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US - Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	4D Molecular Therapeutics, Inc.	FDMT	FDMT US	Tazeen Ahmad
	Alnylam Pharmaceuticals	ALNY	ALNY US	Tazeen Ahmad
	Amicus Therapeutics	FOLD	FOLD US	Tazeen Ahmad
	Annexon Biosciences	ANNX	ANNX US	Tazeen Ahmad
	Apellis Pharmaceuticals	APLS	APLS US	Tazeen Ahmad
	Argenx SE	ARGX	ARGX US	Tazeen Ahmad
	Arvinas	ARVN	ARVN US	Tazeen Ahmad
	Ascendis Pharma	ASND	ASND US	Tazeen Ahmad
	Biocryst Pharmaceuticals Inc	BCRX	BCRX US	Tazeen Ahmad
	BioNTech	BNTX	BNTX US	Tazeen Ahmad
	Denali Therapeutics	DNLI	DNLI US	Tazeen Ahmad
	Inozyme Pharma, Inc.	INZY	INZY US	Tazeen Ahmad
	Merus	MRUS	MRUS US	Tazeen Ahmad
	Neurocrine Biosciences	NBIX	NBIX US	Tazeen Ahmad
	Ocular Therapeutix	OCUL	OCUL US	Tazeen Ahmad
	PepGen Inc	PEPG	PEPG US	Tazeen Ahmad
	Rhythm Pharmaceuticals	RYTM	RYTM US	Tazeen Ahmad
	Sarepta Therapeutics	SRPT	SRPT US	Tazeen Ahmad
	Ultragenyx Pharmaceuticals	RARE	RARE US	Tazeen Ahmad
NEUTRAL				
	Acadia Pharmaceuticals	ACAD	ACAD US	Tazeen Ahmad
	Incyte Corporation	INCY	INCY US	Tazeen Ahmad
	Prothena Corporation	PRTA	PRTA US	Tazeen Ahmad
	SAGE Therapeutics	SAGE	SAGE US	Tazeen Ahmad
UNDERPERFORM				
	Achilles Therapeutics	ACHL	ACHL US	Tazeen Ahmad
	Fate Therapeutics	FATE	FATE US	Tazeen Ahmad
	Fulcrum Therapeutics	FULC	FULC US	Tazeen Ahmad
	Pharvaris	PHVS	PHVS US	Tazeen Ahmad
	PTC Therapeutics	PTCT	PTCT US	Tazeen Ahmad



US - Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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

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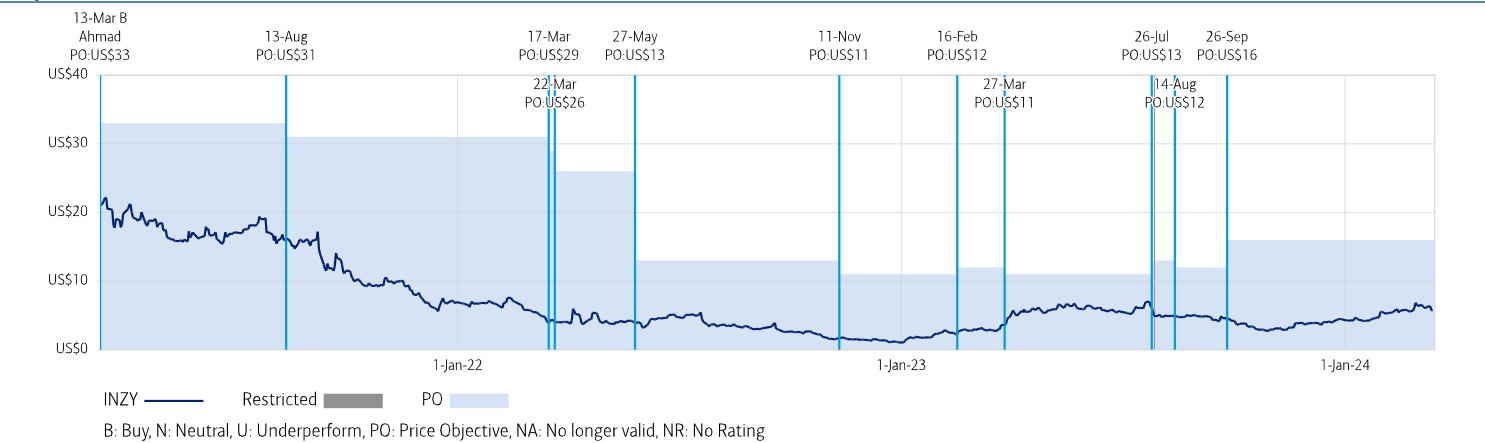
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Inozyme Pharma, Inc. (INZY) Price Chart



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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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