

## Janux Therapeutics

## Valuation ceiling moving higher on positive data for cancer drugs; Raising PO to \$48

Reiterate Rating: BUY | PO: 48.00 USD | Price: 37.59 USD

## Seeking to make the most of good news

We are raising our price objective to \$48 (from \$24) after Janux bolstered optimism about its development of two promising cancer drugs. Enrollment to continue for phase 1 of clinical trials for JANX007 and JANX008 (additional data in 2H24e). Last month, Janux issued data that substantially increased the likelihood of success for both assets ([See our recent report on the data](#)). We also see the prospect that Janux will further bolster its pipeline after a successful capital raise in Feb. Maintain Buy on shares.

## Expectations are high for development of drugs

While Janux shares have surged this year (YTD: +242.83%; NBI: flat), we think the stock has more room to run. The company said in its 4Q print that **1)** emerging data for JANX007, which treats a form of prostate cancer, illustrates a potential best-in-class profile, and **2)** early data for its drug for advanced/metastatic solid tumors, JANX008, is also promising and safety continues to be robust. We think stock now bakes in expectations that both drugs can drive patient responses while maintaining Gr1/2 AEs.

## Potential for success becomes catalyst

We increased LoS for '007 from 28% to 34% and for '008 from 18% to 24% which contributes to our PO increase. Our model also projects higher US peak penetration, which could drive increased competitiveness against the standard of care (antibodies and cell therapy). While there's downside risk responses in the 2H may not meet expectations (especially given prior failures in the field), we think continued positive results, especially broadly across the platform, could raise the ceiling on valuation.

## Cash pile will fund clinical trials, preclinical programs

Net proceeds of approximately \$320.2 million raised in an underwritten offering of common stock and pre-funded warrants has bolstered the company's cash position. This should give Janux ample funds for key clinical/pre-clinical inflection points next 2 years. The company currently sits on a comfortable cash position at ~\$344M (>\$600M current cash including proceeds from the recent raise) with our model projecting OpEx to be ~\$100M for 2024 and 18%-20% YoY growth from 2024-2026. Therefore, the company's capital should extend past at least 2026.

**See more details on thoughts on JANX007/008 and model changes on page 3 >>>**

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.52)	(1.32)	(1.54)	(1.62)	(1.12)
EPS Change (YoY)	-9.4%	13.2%	-16.7%	-5.2%	30.9%
Consensus EPS (Bloomberg)			(1.40)	(1.75)	(2.19)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-2.5%	-2.7%	-3.0%	-1.4%	-6.0%

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

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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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12 March 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	24.00	48.00
2024E EPS	-1.60	-1.54
2025E EPS	-1.54	-1.62
2026E EPS	-0.83	-1.12

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## Stock Data

Price	37.59 USD
Price Objective	48.00 USD
Date Established	12-Mar-2024
Investment Opinion	C-1-9
52-Week Range	5.65 USD - 58.69 USD
Mkt Val (mn) / Shares Out (mn)	1,942 USD / 51.7
Free Float	52.3%
Average Daily Value (mn)	45.03 USD
BofA Ticker / Exchange	JANX / NAS
Bloomberg / Reuters	JANX US / JANX.OQ
ROE (2024E)	-18.3%
Net Dbt to Eqty (Dec-2023A)	-5.6%
ESGMeter™	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  
mCRPC: metastatic castration-resistant prostate cancer  
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  
DLT: dose limiting toxicity  
TRAE: treatment-related adverse events  
SOC: standard of care

# iQprofile<sup>SM</sup> Janux Therapeutics

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-15.9%	-14.7%	-15.6%	-13.0%	-8.3%
Return on Equity	-18.3%	-17.5%	-18.3%	-15.6%	-9.7%
Operating Margin	-779.0%	-902.9%	NA	NA	-237.2%
Free Cash Flow	(49)	(52)	(59)	(27)	(117)

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	7.7x	0.9x	2.9x	2.7x	2.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-16.0%	-5.6%	-19.7%	-69.6%	-71.5%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	9	8	0	0	42
% Change	136.8%	-6.1%	-100.0%	NA	NA
Gross Profit	9	8	0	0	36
% Change	136.8%	-6.1%	NM	NA	NA
EBITDA	(66)	(71)	(100)	(117)	(99)
% Change	-101.9%	-7.2%	-41.5%	-16.7%	15.6%
Net Interest & Other Income	2	17	16	18	20
<b>Net Income (Adjusted)</b>	<b>(63)</b>	<b>(58)</b>	<b>(85)</b>	<b>(100)</b>	<b>(81)</b>
% Change	-92.7%	7.8%	-46.1%	-18.1%	19.5%

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(63)	(58)	(85)	(100)	(80)
Depreciation & Amortization	1	2	1	1	1
Change in Working Capital	4	(7)	8	55	(55)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	15	12	20	20	20
Capital Expenditure	(6)	(2)	(2)	(2)	(2)
<b>Free Cash Flow</b>	<b>-49</b>	<b>-52</b>	<b>-59</b>	<b>-27</b>	<b>-117</b>
% Change	-167.5%	-6.2%	-11.8%	54.1%	-334.2%
Share / Issue Repurchase	1	60	303	204	304
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	51	19	115	492	679
Trade Receivables	0	0	0	0	0
Other Current Assets	281	330	481	291	281
Property, Plant & Equipment	7	7	8	10	11
Other Non-Current Assets	24	24	23	23	23
<b>Total Assets</b>	<b>364</b>	<b>380</b>	<b>628</b>	<b>815</b>	<b>995</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	17	13	16	40	16
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	2	0	0	0	0
<b>Total Liabilities</b>	<b>43</b>	<b>36</b>	<b>45</b>	<b>109</b>	<b>45</b>
<b>Total Equity</b>	<b>321</b>	<b>344</b>	<b>583</b>	<b>706</b>	<b>949</b>
<b>Total Equity &amp; Liabilities</b>	<b>364</b>	<b>380</b>	<b>628</b>	<b>815</b>	<b>995</b>

\* For full definitions of iQmethod<sup>SM</sup> 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 1,197,859

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.42A	-0.39E
Q2	-0.42A	-0.40E
Q3	-0.24A	-0.41E
Q4	-0.28A	-0.35E

## JANX007: further responses needed for 2H24 update

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). Management is guiding to further data readout/update on doses selected for expansion cohorts for JANX007 in 2H24e. In our view, we have guided to a benchmark of 40-50% of responsive patients with >PSA50 reduction considered a “gold standard” in-line with the efficacy of “second generation” TCE therapies (latest data did reach that bar). 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.

## JANX008: recent update promising, 2H24 data in focus

Safety of JANX008 has 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.

## Model Changes

### Exhibit 1: Model Changes

We adjusted LoS for JANX007/008, modified OpEx minimally to align with 2023 actuals projected trends

\$ in thousands	2024E		2025E		2026E	
	Prior	Current	Prior	Current	Prior	Current
PSMA-TRACTr (un-adj)	0	0	0	0	42,171	42,171
EGFR-TRACTr (un-adj)	0	0	0	0	0	0
TROP2-TRACTr (un-adj)	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,171</b>	<b>42,171</b>
Cost of revenue/good sold	0	0	0	0	6,326	6,326
Research and development	70,542	65,906	81,123	75,792	93,292	87,161
General and administrative	36,064	35,289	43,277	42,347	49,769	48,699
<b>Operating Income (loss)</b>	<b>(106,607)</b>	<b>(101,195)</b>	<b>(124,401)</b>	<b>(118,139)</b>	<b>(107,216)</b>	<b>(100,015)</b>
Interest income (expense)	15,967	16,155	27,143	17,770	46,144	19,547
Other income (expense)	0	0	0	0	0	0
<b>Consolidated net income</b>	<b>(90,640)</b>	<b>(85,041)</b>	<b>(97,257)</b>	<b>(100,369)</b>	<b>(61,072)</b>	<b>(80,468)</b>
<b>Net income (loss) per share</b>	<b>(1.60)</b>	<b>(1.54)</b>	<b>(1.54)</b>	<b>(1.62)</b>	<b>(0.83)</b>	<b>(1.12)</b>
Shares outstanding, diluted ('000)	56,529	55,123	63,218	61,911	73,242	72,045

Source: BofA Global Research Estimates

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## Price objective basis & risk

### Janux Therapeutics (JANX)

Our \$48 PO is based on a probability-adjusted NPV Janux's pipeline, including its PSMA-TRACTr program for prostate cancer (\$17/sh), its EGFR-TRACTr program for colorectal cancer (\$20/sh), and its TROP2-TRACTr program for triple-negative breast cancer (\$8/sh). We forecast revenue through 2038 and assume a -20% terminal growth rate. We apply a 17-18% WACC and 15%-34% 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
<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
	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
	Insmo 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
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham

## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Amylyx Pharmaceuticals	AMLX	AMLX 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.	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
<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
	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

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

*IQmethod*<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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# Disclosures

## Important Disclosures

Janux (JANX) 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 <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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