

US Biopharmaceuticals

Day 2 Key Highlights from SF conference:
TGTX ERAS RVMD EXAI RGNX

Industry Overview

We summarize key takeaways of important presentations from the SF conference for our coverage companies including TGTX RVMD RGNX ERAS EXAI ([see our 2024 outlook report](#)).

TGTX: 2023 sales beat guidance, outlook still in question

We listened in on TG's presentation and noted key takeaways. \$40M sales in 4Q23e (cons: \$35.5M, BofA: ~\$36M), 1Q24 revenue guidance at \$41M-\$46M (cons: \$43M), and \$220M-\$260M in 2024e (cons: \$238M; BofA: \$174M) are likely to be viewed positively. That said, 2024 outlook is in-line with cons with relatively small increase from 4Q23e-1Q24e sales/est. likely due to pull-forward effects on sales (seasonality could be the driver). We therefore see the launch as hitting, but not exceeding, current expectations. Furthermore, while the application of azer-cel (allogeneic CD19 acquired from Precision) to auto-immune disease is an interesting field of investigation, the deal is unlikely to drive shares with investors remaining hyper-focused on the Briumvi launch near-term. With recent share momentum again starting to bake in high expectations particularly in light of overhangs including **1)** Ocrevus subq early 2025, **2)** stickiness of Ocrevus patients, and **3)** pre-established physician preference, we see the updates at the SF conference as good but certainly far from a home-run. Maintain Underperform, \$7 PO.

RVMD: RMC-6236 phase 3 to start in 2024, core focus

RVMD stock trading flat this year (-0.28%; NBI: -0.087%) following de-risking data from ESMO/Triple for 6236/6291 ([see our thoughts from ESMO, Triple meeting](#)). Company highlighted that the goal for 2024 is to allocate capital (company cash position bolstered through acquisition of EQRx, [see our thoughts here](#)) to **1)** expand reach of RMC-6236 by clinically assessing opportunities (1L, types, mutations), **2)** qualify mutant-selective inhibitors led by 6291/9805 for late-stage development, **3)** advancing 6236 into phase 3 pivotal trials (aiming to initiate 2024). While the company has not guided timelines for its pivotal trials, we see the preliminary gameplan for phase 3 trial as making sense (N>400; prior therapies: RAS- naïve), and therefore maintain Buy, \$34 PO.

RGNX: DMD key focus in 1H24, with litigation only upside

We met with the RGNX team and highlight our takeaways. We see many investors as surprised by the extent of the move down for RGNX (-17.4%, NBI: -0.087%) following announced negative decision in favor of Sarepta (covered by Tazeen Ahmad) for a number of reasons: **1)** chance of favorable litigation outcome purely upside, not a core bull thesis, **2)** new suit filed in June likely more important. We therefore see the sell off as overdone, with multiple points for value inflection in 2024: **1)** RGNX-202 pivotal dose selection 1H24e; study plans well underway, **2)** suprachoroidal final data to gating for pivotal studies with AbbVie (2H24e), **3)** full enrollment of ~1,200 patients in phase 3 subretinal studies for wAMD and topline readout expected early next year. With the narrative shifting to DMD/ suprachoroidal, we remain positive on RGNX; maintain Buy, \$35 PO.

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Biopharmaceuticals

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Abbreviations:

MS: Multiple sclerosis
NBI: Nasdaq biotech index
ORR: Overall response rate
RAS: Kirsten rat sarcoma
Q61X: Mutation on codon 61
ASCO: American Society of Clinical Oncology
AACR: American Association for Cancer Research
ROI: return on investment
ESMO: European Society for Medical Oncology
SCLC: small cell lung cancer
AML: acute myeloid leukemia
CDK7: cyclin dependent kinase 7
A2a: A2A adenosine receptor
LSD1: Lysine specific demethylase 1
AACR: American Association of Cancer Research
DMD: Duchene muscular dystrophy
wAMD: wet age-related macular degeneration
PDAC: pancreatic adenocarcinoma
NSCLC: non-small cell lung cancer
2L: second line
KRAS G12X: kirsten rat sarcoma viral factor
PD-(L)1: programmed death ligand-1
Subq: subcutaneous

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Refer to important disclosures on page 6 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 2.

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Timestamp: 09 January 2024 10:23PM EST

ERAS: 2024 fruitful with data, but focus likely on pivotal

ERAS stock has been trading down this past year (-2.76%; NBI: -0.087%), continuing the trend from last year given a pair of disappointing readouts ([see our downgrade note here](#)). We see the company as very much shifting to a naporafenib-focused story after the sub-par data presented at both ASCO/AACR 2023 (naporafenib was an asset acquired from Novartis, [see history here](#)). We listened in on Erasca's presentation at the SF conference and we do see management painting a compelling picture for 2024 including fruitful readouts expected **1)** SEACRAFT-1 napo phase 1b combo data 2Q24e to 4Q24e, **2)** ERAS-007 phase 1b combo data in EC-naïve BRAFm CRC 1H24e, and **3)** ERAS-801 phase 1 monotherapy data in glioblastoma 2024e; all of which can drive shares if positive. That said, while 2024 readouts can drive near-term value, they will likely not be significant enough to fully reverse negative sentiment with most of investors' focus remaining on phase 3 pivotal trial for SEACRAFT-2 (expected to initiate in 1H24), which is not expected to readout until 2025e. Maintain Neutral and \$6 PO.

EXAI: Automation a differentiator, attractive to partners

We had a chance to catch up with Exscientia management out in SF and highlight our takeaways from the meeting. The company's newly announced automation suite looks compelling, which should allow for bespoke assay development, decreased reliance on CROs, and increasingly rapid development cycles from target ID to pre-clinical studies for both internal and external drug candidates. Looking to the balance of 2024, we expect additional partnerships could be struck, with the recent deal with Sanofi in our view highlighting flexibility for the company to partner their AI platform for joint discovery (i.e. with Bristol-Myers) or for individual high-potential assets (i.e. with Sanofi). And while external validation through deals could move shares marginally over the next 12 months, we continue to see true value inflection from positive pipeline updates (CDK7, LSD1, MALT1) as likely still 1-2 years out, hence maintain our Neutral rating and \$9 PO.

Exhibit 1: Stocks mentioned

Prices and ratings for stocks mentioned in the report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ERAS	ERAS US	Erasca	US\$ 2.11	C-2-9
EXAI	EXAI US	Exscientia	US\$ 6.2	C-2-9
RGNX	RGNX US	Regenxbio	US\$ 14.67	C-1-9
RVMD	RVMD US	Revolution Medicines	US\$ 28.52	C-1-9
TGTX	TGTX US	TG Therapeutics	US\$ 21.01	C-3-9

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Erasca (ERAS)

Our \$6/share price objective is based on a probability adjusted NPV of naporafenib (\$2/sh), ERAS-007 (\$1/sh), ERAS-601 (\$0/sh), ERAS-1/4 (\$0/sh), ERAS-801/12 (\$0/sh), the discovery pipeline (\$1/sh), and cash (\$2/sh). We apply a WACC of 11-16% and -5% to 3% terminal growth rate.

Downside risks: 1) expanded clinical studies for ERAS-007 fail to replicate prior safety and efficacy data, 2) pipeline therapies fail to demonstrate activity as monotherapy, 3) competitors produce more convincing data for competing therapies, 4) funding is insufficient to move forward pipeline aspirations or manufacturing buildout, 5) MAPKlamp strategy still fails to address majority of cancer patients.

Exscientia (EXAI)

Our \$9 PO is based on a probability-adjusted net present value (NPV) of Exscientia's lead pipeline assets, as well as value assigned to the early-stage assets, the Bristol Myers Squibb collaboration, and the underlying technology platform itself. We apply a 15% weighted-average cost of capital (WACC, we project revenues out through 2040), in line with other biotech companies of similar size and stage of clinical development.

Upside risks would come from pipeline updates or further external validation of the platform.

Downside risks are competition, drug development uncertainty, revenue volatility, and lack of profitability/potential need for further capital.

Regenxbio, Inc. (RGNX)

Our \$35/share price objective is based on a probability-adjusted net present value (NPV) analysis of its four internal clinical programs, as well as royalties from partnered programs. We use a weighted-average cost of capital (WACC) of 10-12% and no terminal value (we project revenues through 2038), similar to other early-stage companies in our coverage universe. We ascribe \$7 for RGX-314 in wAMD, \$6 for RGX-202 in DMD, \$0/\$0 for MPS I/II, \$13 for partnered programs, and approximately \$9 for cash.

Downside risks: 1) failure of ongoing clinical trials, 2) emergence of untoward safety signals, 3) failure of partnered programs which reduces economics owed to Regenxbio, 4) difficulties in commercializing gene therapies, 5) manufacturing issues as capabilities are brought in house, 6) litigation risk that could jeopardize the NAV platform IP estate or cause undue legal/court fees.

Revolution Medicines (RVMD)

Our \$34/share price objective is based on a probability adjusted sum of the parts (SOTP) net present value (NPV) of RevMed's pipeline therapies targeting RAS (\$24/share), SHP2/ SOS1 (\$0/share), mTORC1/4EBP1 (\$3/share), the early pipeline, which includes other KRAS targets (i.e., G12R, G12V, G13D, Q61X, etc.) (\$0/share), and cash (\$7/share, 44%). We apply a weighted-average cost of capital (WACC) of 10-13%, -5% to 2% terminal growth rate, and probabilities of success ranging from 16% (RAS) to 6% (early pipeline).

Upside risks: 1) RMC-4630 (SHP2) shows meaningfully better activity in combination, 2) additional responses are demonstrated for RMC-5552 (mTORC1) in subsequent data updates, 3) RAS(ON) studies recruit faster than anticipated or find an accelerated path to market, 4) competing therapies show worse-than-expected efficacy/safety.

Downside risks: 1) lackluster SHP2 monotherapy data could expand to company's other pipeline assets, 2) RAS(ON) assets experience delays in clinical development slowing their path to market, 3) data from competing therapies is better than expected, 4) unexpected safety issues for mTORC1, SHP2, or RAS narrows the therapeutic window, 5) regulatory outlook worsens, slowing path to market (i.e. accelerated approval).

TG Therapeutics (TGTX)

Our \$7/share price objective is based on a probability adjusted NPV for ublituximab (\$6/sh), TG1801 (\$0/sh), and cash (\$1/sh). We apply a WACC of 10-13% and -3% (ublituximab) to -5% (TG1801) terminal growth rate.

Downside risks are: 1) ublituximab efficacy data not promising in comparison with control arm, 2) hour-long infusion time not a sufficient convenience differentiator, 3) vaccine tolerance and infection rate still a concern for anti-CD20s, 4) switch from current anti-CD20 unlikely, 5) discounted pricing feasibility diminishing, 6) lack of early pipeline value leaves uncertainty for 2023-2026, 7) complete oncology pipeline

disbandment may induce further concerns.

Upside risks are: 1) ublituximab launch could be stronger than expected, 2) ublituximab approval could induce more-than-expected strength in shares, 3) pipeline synergy means possibility for combos, 4) cost reduction/synergies with deleted oncology pipeline might yield positives.

Analyst Certification

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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
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	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
	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.	RXR	RXR 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
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky



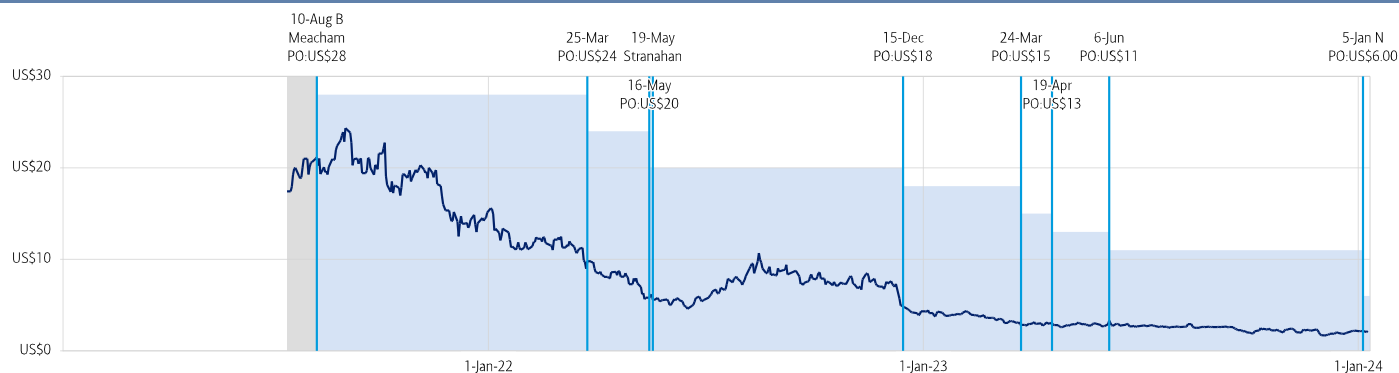
US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

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Important Disclosures

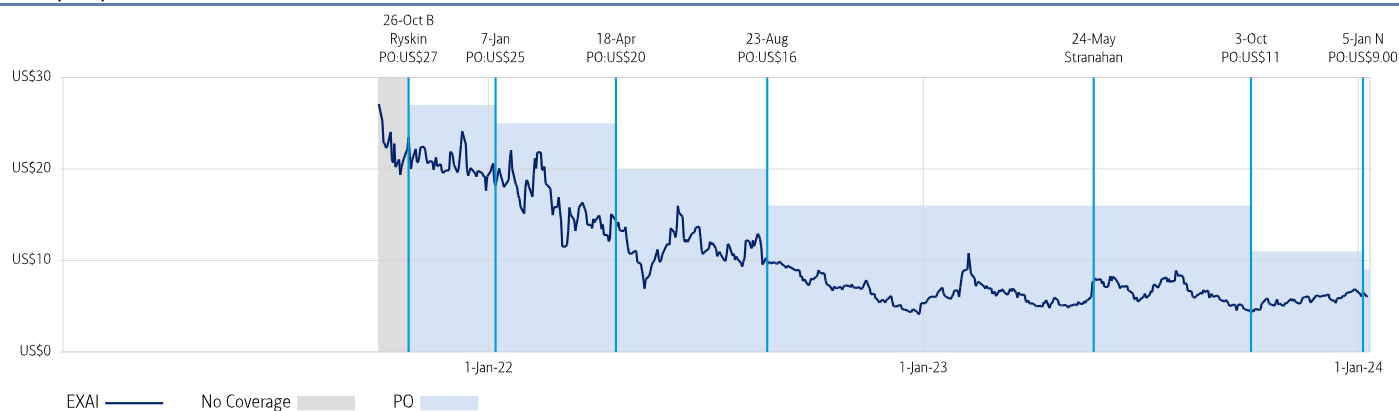
Erasca (ERAS) Price Chart



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

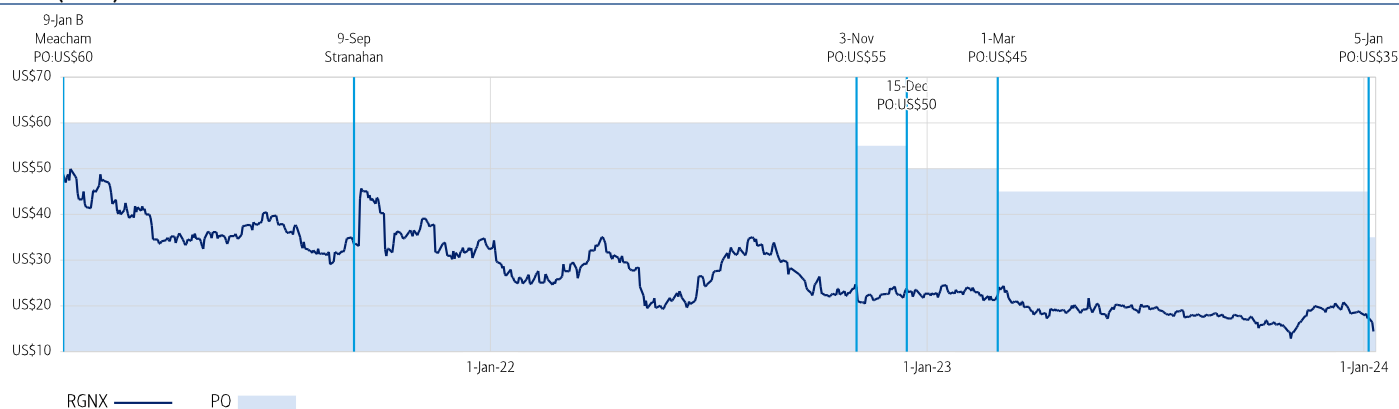
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Exscientia (EXAI) Price Chart



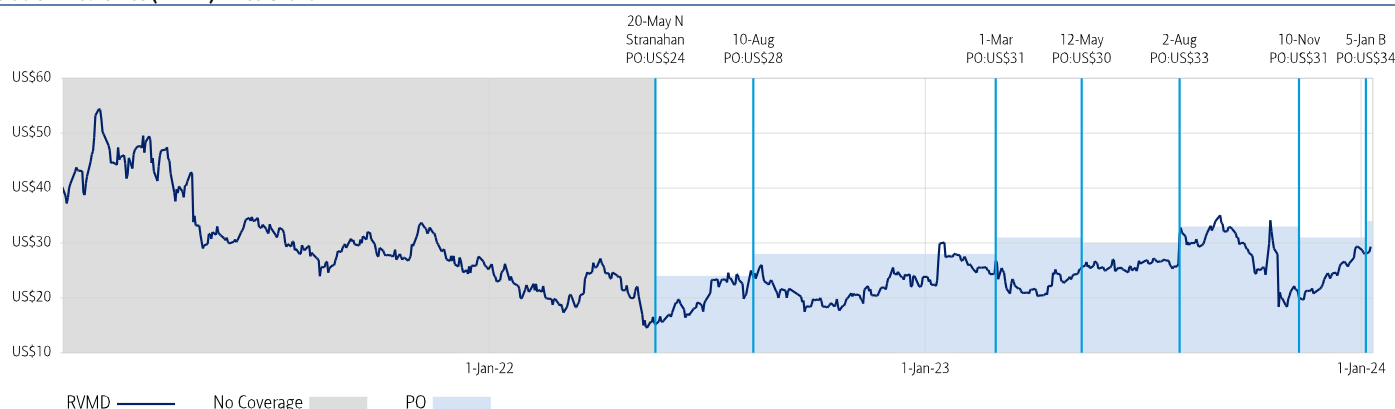
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Regenxbio (RGNX) Price Chart

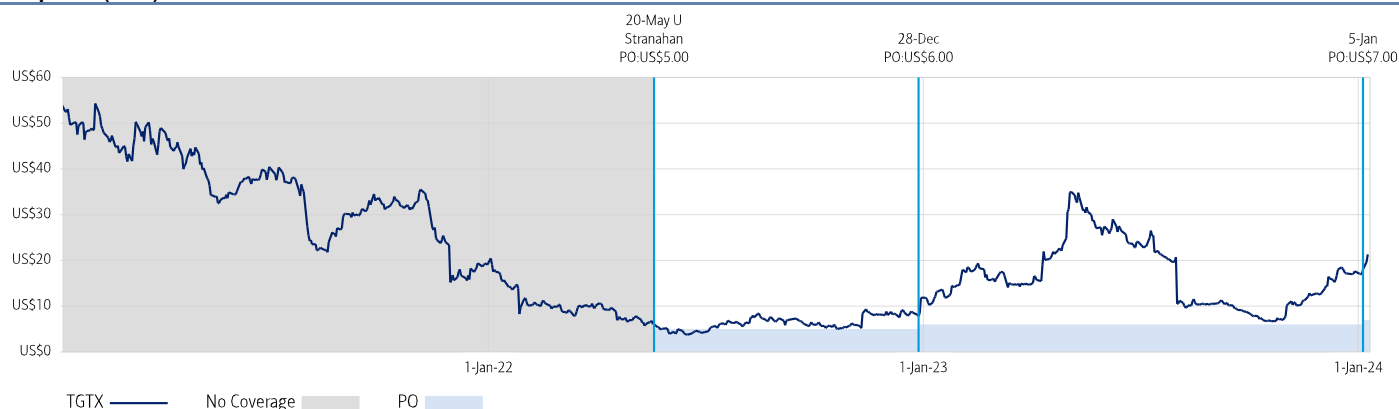
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Revolution Medicines (RVMD) Price Chart

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TG Therapeutics (TGTX) Price Chart

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

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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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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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