

## BioMarin

## Our Conference Takeaways

Maintain Rating: BUY | PO: 170.00 USD | Price: 98.22 USD

## Can a new CEO lead BMRN shares to new highs?

This year's conference marked the first time BioMarin's new CEO, Alex Hardy (from Roche), who took over in December, presented his vision and strategic priorities for leading BioMarin into its next phase. Our top takeaways from the presentation were: 1) Voxzogo expansion is the top opportunity (pivotal programs to start in 1H24); 2) BioMarin treated the first US patient with Roctavian in December; 3) Voxzogo manufacturing will be fully unconstrained by mid-2024 (6k patients can be dosed by 2024 + 8k by 2025); 4) focus on disciplined spend through early programs; and 5) Roctavian value proposition with US + German reimbursement is complete. Overall, we thought there was a lot to like from the presentation, particularly on the commercial progress for Roctavian (gene therapy for severe hemophilia A) as we'd say one of the main reasons BMRN shares have traded range bound for the past 5 years is due to regulatory/ commercial uncertainty for Roctavian, even with Voxzogo's strong global launch. Indeed, based on BioMarin's new strategic focus, strong fundamentals, and investment from an activist fund (Elliott see [our thoughts on the investment here](#)), we'd argue BMRN is well positioned for outperformance in 2024, hence, we're maintaining our Buy rating and \$170 PO.

## Focus remains on new products: Roctavian + Voxzogo

While Mr. Hardy provided his new vision for BioMarin, in terms of strategies priorities, focus quickly turned to expectations for Roctavian + Voxzogo. Indeed, BioMarin expects the label expansion into younger patient populations, excitement from pediatric endos, and referrals from pediatricians will continue to grow the commercial opportunity in achondroplasia, which together with increased supply adds upside to the Street's forecasts, in our view. Moreover, the investigator led study increased BioMarin's confidence in label expansion opportunities for patients with severe growth disorders, which encompasses an additional potential 600k patients, according to management. In terms of next steps, BioMarin is focusing on hypochondroplasia and will start enrolling the 52-week treatment arm of the pivotal study in mid-2024, with additional pivotal programs set to initiate in idiopathic short stature, Noonan syndrome, and Turner syndrome in 1H24. On Roctavian, BioMarin stressed that the launch ramp will take time and they continue to make good progress, but the value proposition remains strong.

## Thesis Impact

Based on our first interaction with BioMarin's new CEO, Alex Hardy, our view that 2024 will be a transformation year for BioMarin remains intact, particularly given the strategic interest following investment by Elliott. This, together with BioMarin's new focus on disciplined spend, supports our thesis that growth will accelerate (2024-2027 CAGR: revenue: +25%; EPS: +44%) looking to the back half of the decade. That said, we do acknowledge the potential competitive threats for Voxzogo (BridgeBio- covered by Harrison, Ascendis- covered by Ahmad) and Roctavian (namely Pfizer), but we'd argue BioMarin's first-to-market status provides a point of differentiation.

08 January 2024

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## Stock Data

Price	98.22 USD
Price Objective	170.00 USD
Date Established	1-Nov-2023
Investment Opinion	B-1-9
52-Week Range	76.02 USD - 117.77 USD
Mrkt Val (mn) / Shares Out (mn)	18,483 USD / 188.2
Free Float	99.2%
Average Daily Value (mn)	160.29 USD
BofA Ticker / Exchange	BMRN / NAS
Bloomberg / Reuters	BMRN US / BMRN.OQ
ROE (2023E)	8.7%
Net Dbt to Eqty (Dec-2022A)	7.5%
ESGMeter™	Medium

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Timestamp: 08 January 2024 02:21PM EST

## Price objective basis & risk

### BioMarin (BMRN)

Our valuation approach for BMRN shares employs a discounted cash flow analysis of approved and pipeline products reflected in our \$170 price objective. We value BioMarin shares using a sum-of-the-parts net present value (NPV) analysis of approved assets, which assumes a weighted average cost of capital (WACC) of 4.5% and terminal growth rate of -5.5%. Under our assumptions, our NPV analysis suggests a legacy product value of \$55/share, Roctavian and Voxzogo of \$95/share, early stage pipeline of \$11/share and cash value of \$9/share.

Risks to our price objective are 1) faster-than-expected revenue runoff from Kuvan, 2) competition from other orphan drug developers, 3) slower-than-expected growth of new drug launches, and 4) clinical trial failures.

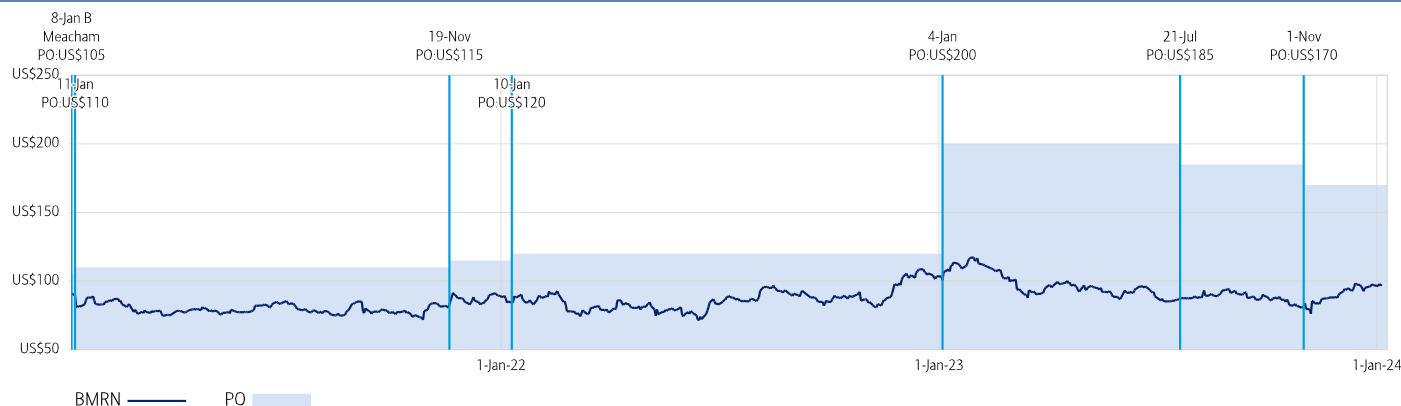
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### BioMarin (BMRN) Price Chart



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 <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%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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