

BioMarin

Thoughts post the 4Q23 call

Reiterate Rating: BUY | PO: 130.00 USD | Price: 89.97 USD

Voxzogo remains in focus; PO to \$130 (from \$150)

BioMarin's 4Q print was in-line with expectations, in our view, with the focus of the call on Voxzogo's (achondroplasia) 2023 performance (\$470M; +178% y/y) and label expansion opportunities (e.g., hypochondroplasia). While Voxzogo remains a bright spot in BioMarin's new product cycle (2024 BofA \$687M, +46% y/y; cons \$651M), Roctavian's (curative intent gene therapy for hemophilia A) 2023 performance creates a challenging backdrop (\$3.5M) with investors skeptical on the commercial opportunity, particularly given the broader strategic importance of the asset. We're still of the view that Roctavian's clinical profile is impressive; but that said, following the commercial hurdles, both in the US and EU, we've lowered our 2024-2026 forecasts to \$75M, \$239M, and \$416M, respectively.

Given investor concerns on Roctavian + the clinical pipeline, it wasn't surprising to us that BioMarin's Investor Day (sometime in 3Q) was a hot topic. We didn't get a lot of clarity on the review as its ongoing, but we do know that BioMarin will likely 1) prioritize its R&D assets, and 2) provide long-term financial targets + cost efficiencies. That said, when we caught up with management post the call, they stressed the financial guidance + cost efficiencies are unlikely to impact 2024; moreover, they highlighted the long-term financial goals could require further investments. We think this makes a lot of sense and sets BioMarin up favorably looking to 2025+, especially as we don't include Voxzogo label expansion opportunities in our model. However, as we've lowered our Roctavian forecasts, we've adjusted our PO to \$130 (from \$150). Reiterate Buy.

Voxzogo label expansion opportunities provide upside

We suspect that BioMarin will be a "show me" story as we await the Investor Day later this year, but in the meantime, we'll receive updated results from Dr. Dauber's investigator led trial of Voxzogo in GSS at the PES meeting (May 2-5). We expect these results will support additional phase 3 trials for Voxzogo, particularly in terms of prioritizing which indications BioMarin will target. Recall, based on the initial results, FDA supported Voxzogo's development in hypochondroplasia (initiating in mid-24).

Model changes

Following the 4Q print, we have adjusted our model to reflect 2023 actuals and we now forecast 2024 revenues of \$2.8B and non-GAAP EPS of \$2.85. *See page 3 for full details.*

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.53	2.12	2.85	3.65	5.05
GAAP EPS	0.75	0.87	1.75	2.51	3.88
EPS Change (YoY)	101.3%	38.6%	34.4%	28.1%	38.4%
Consensus EPS (Bloomberg)			2.93	4.28	5.49
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	58.8x	42.4x	31.6x	24.6x	17.8x
GAAP P/E	120.0x	103.4x	51.4x	35.8x	23.2x
EV / EBITDA*	61.5x	52.8x	29.4x	20.7x	14.0x
Free Cash Flow Yield*	0.3%	4.3%	2.4%	3.4%	-3.6%

* For full definitions of *IQmethod*SM 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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Timestamp: 22 February 2024 09:44PM EST

22 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	150.00	130.00
2024E Rev (m)	3,049.6	2,800.7
2025E Rev (m)	3,481.5	3,210.6
2026E Rev (m)	4,069.4	3,784.5
2024E EPS	3.40	2.85
2025E EPS	5.05	3.65
2026E EPS	6.60	5.05

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Stock Data

Price	89.97 USD
Price Objective	130.00 USD
Date Established	22-Feb-2024
Investment Opinion	B-1-9
52-Week Range	76.02 USD - 103.98 USD
Mrkt Val (mn) / Shares Out (mn)	16,947 USD / 188.4
Free Float	99.1%
Average Daily Value (mn)	120.21 USD
BofA Ticker / Exchange	BMNR / NAS
Bloomberg / Reuters	BMNR US / BMNR.OQ
ROE (2024E)	10.9%
Net Dbt to Eqty (Dec-2023A)	-7.8%
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

iQprofileSM BioMarin

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	2.6%	2.9%	6.5%	8.8%	12.1%
Return on Equity	6.5%	8.4%	10.9%	12.5%	15.2%
Operating Margin	7.7%	7.7%	14.6%	19.3%	25.6%
Free Cash Flow	55	734	414	584	(617)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	2.2x	1.0x	1.0x	-0.4x
Asset Replacement Ratio	3.5x	2.5x	2.0x	1.6x	1.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	7.5%	-7.8%	-14.4%	-22.1%	-10.6%
Interest Cover	14.1x	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,096	2,419	2,801	3,211	3,784
% Change	13.5%	15.4%	15.8%	14.6%	17.9%
Gross Profit	1,593	1,887	2,208	2,529	2,979
% Change	15.8%	18.5%	17.0%	14.6%	17.8%
EBITDA	263	307	550	781	1,157
% Change	925.2%	16.6%	79.4%	42.1%	48.1%
Net Interest & Other Income	(11)	3	31	14	20
Net Income (Adjusted)	289	405	574	738	1,029
% Change	108.0%	40.2%	41.7%	28.5%	39.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	158	209	529	762	1,186
Depreciation & Amortization	102	121	140	160	189
Change in Working Capital	(96)	390	(129)	(133)	(1,620)
Deferred Taxation Charge	(52)	0	0	0	0
Other Adjustments, Net	65	158	28	(46)	(183)
Capital Expenditure	(121)	(145)	(154)	(161)	(189)
Free Cash Flow	55	734	414	584	-617
% Change	-73.7%	NM	-43.6%	41.1%	NM
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(3)	0	(486)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	725	1,458	1,386	1,970	1,353
Trade Receivables	461	532	616	707	833
Other Current Assets	1,566	946	1,006	1,070	2,648
Property, Plant & Equipment	1,073	1,098	1,112	1,112	1,113
Other Non-Current Assets	2,550	2,495	2,514	2,535	2,639
Total Assets	6,375	6,529	6,634	7,393	8,585
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	589	447	478	518	704
Long-Term Debt	1,072	1,072	586	586	586
Other Non-Current Liabilities	100	29	31	33	36
Total Liabilities	1,761	1,548	1,095	1,138	1,327
Total Equity	4,614	4,982	5,539	6,256	7,259
Total Equity & Liabilities	6,375	6,530	6,634	7,393	8,585

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

Company Sector

Biotechnology

Company Description

BioMarin is a biopharmaceutical company focused on the development and commercialization of drugs for the treatment of serious rare and ultra-rare diseases.

Investment Rationale

We rate BioMarin a Buy on above-average growth from the base business with potential for further acceleration from Voxzogo and Roctavian.

Stock Data

Average Daily Volume 1,351,422

Quarterly Earnings Estimates

	2023	2024
Q1	0.60A	0.85E
Q2	0.54A	0.83E
Q3	0.47A	0.89E
Q4	0.49A	0.67E

Model Updates

Exhibit 1: BioMarin 4Q23 Model Updates

We have modestly adjusted our 2024e and 2025e forecasts

\$ in millions	2024E		2025E	
	Prior	Current	Prior	Current
Kuvan	123	123	85	85
Palynziq	414	372	462	415
Naglazyme	457	433	475	446
Vimizim	727	727	759	759
Voxzogo	711	687	906	876
Roctavian	248	75	454	239
Total Revenue	3,050	2,801	3,481	3,211
COGS	647	593	749	681
R&D	846	799	870	897
SG&A	927	937	804	951
GAAP Net Income	471	353	801	508
Non-GAAP Net Income	684	574	1,022	738
Non-GAAP EPS - Diluted	3.40	2.85	5.05	3.65
Shares Outstanding - Diluted	201	201	202	202

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

We now assume a weighted average cost of capital (WACC) of 7% (6% prior).

Abbreviations:

PES: pediatric endocrine society

GSS: genetic causes of short stature

MoA: mechanism of action

FDA: Food and Drug Administration



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 \$130 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 7% and terminal growth rate of -5.5%. Under our assumptions, our NPV analysis suggests a legacy product value of \$65/share, Roctavian and Voxzogo of \$45/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.

Analyst Certification

I, Geoff Meacham, 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
	Insmid 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.	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
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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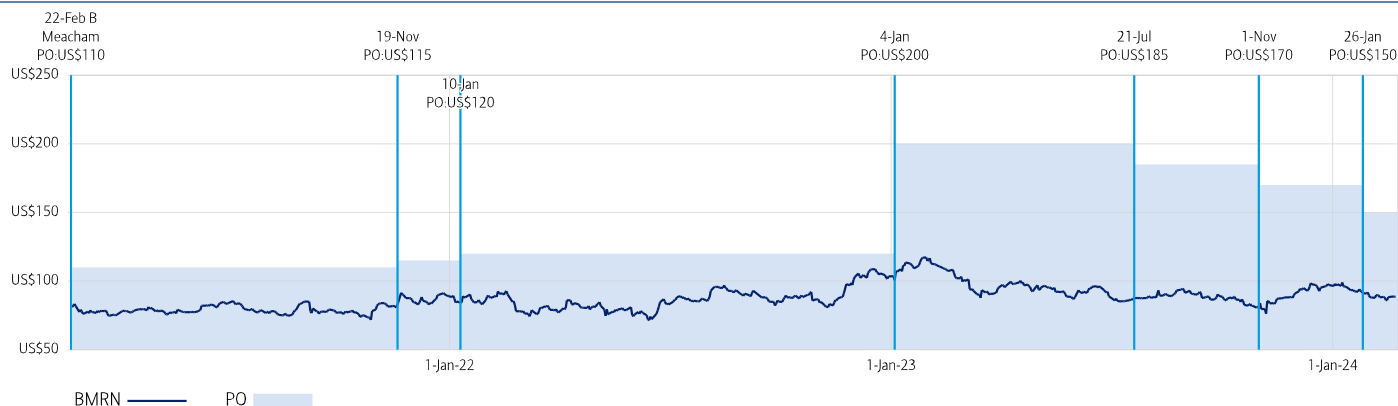
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Important Disclosures

BioMarin (BMRN) 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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