

## Immunovant, Inc.

# F3Q: '1402 incremental updates '24-'25; near-term focus on competitor IgG data

Reiterate Rating: BUY | PO: 51.00 USD | Price: 35.50 USD

## F3QEPS: '24+ piecemeal updates for 1402 strategy

This morning, Immunovant (IMVT) reported F3Q results that were largely a reiteration of prior updates, though the company disclosed specific plans to advance '1402 into 4-5 pivotal trials by year-end and start studies in 10 indications in the next 2-years. While the updates were not surprising, it's clear the company is planning a bold/ambitious set of programs for its next-gen FcRn ('1402). While IMVT's current ~\$690m cash position will likely need to be bolstered in the next 12-18 months to support broad R&D initiatives, we believe the company has a wide range of options to access capital. In our view, a few indications (Graves', CIDP) are obvious Ph3 indications while others like refractory RA are likely candidates for small Ph2 pilot studies. Based on our discussions with the company, '1402 trial updates could be offered piecemeal on quarterly updates, post-FDA interactions. While IMVT shares have been weak YTD (-17% vs +3% XBI), we believe the stock's breakout performance (mid'22 to '23; +950% vs +35% XBI) may have made the company susceptible to some profit taking in a catalyst-light '24E. We update our model for quarterly financials + smooth OpEx; Reiterate Buy & \$51 PO on attractive FcRn opportunity in autoimmune disorders on addit'l de-risking catalysts.

## Competitor IgG Ph1 SAD update near-term

In 1Q (imminently), a pipeline competitor (Biohaven) plans to report Ph1 SAD data in healthy volunteers for its IgG degrader (BHV-1300) with the goal of establishing a dose-response, deep (75-80%) and selective IgG reduction over a several week evaluable period. Recall, IMVT saw its stock double in '23 based on Ph1 data which we believe speaks to the highly de-risking nature of IgG biomarker data in select disease indications. For Immunovant, BHV-1300 represents a potential competitive risk, assuming the drug can show good safety data, simple subQ dosing and competitive IgG reductions. However, we believe the '1300 SAD update may not tell the entire story and we thus we believe investors should look to subsequent multiple ascending dose updates for a more complete picture on clinical profile including dosing and safety.

## CIDP dose-response in mid-'24; Graves update in 2H24

Immunovant's Ph2 CIDP and Graves' programs, both for first-gen '1401, will offer key data updates in 2024. In its F3Q PR, IMVT slightly pushed out its timeline for CIDP Period 1 data (now 2Q/3Q24 vs. prior 1H24). The CIDP timeline tweak was due to rate-limiting wash-out period where patients are flaring at a slower rate (than previously projected), per management. **Note continued on page 3.**

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.43)	(1.71)	(1.78)	(0.83)	1.55
EPS Change (YoY)	NA	-19.6%	-4.1%	53.4%	NM
Consensus EPS (Bloomberg)			(1.92)	(1.88)	(1.68)
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	NM	NM	NM	NM	22.9x
EV / EBITDA*	NM	NM	NM	NM	22.4x
Free Cash Flow Yield*	-2.1%	-3.7%	-3.1%	-0.8%	5.2%

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

12 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E EPS	-1.65	-1.78
2025E EPS	-0.67	-0.83
2026E EPS	1.69	1.55

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### Stock Data

Price	35.50 USD
Price Objective	51.00 USD
Date Established	20-Dec-2023
Investment Opinion	C-1-9
52-Week Range	14.05 USD - 45.58 USD
Mkt Val (mn) / Shares Out (mn)	5,135 USD / 144.7
Free Float	42.5%
Average Daily Value (mn)	45.69 USD
BofA Ticker / Exchange	IMVT / NAS
Bloomberg / Reuters	IMVT US / IMVT.OQ
ROE (2024E)	-53.5%
Net Dbt to Eqty (Mar-2023A)	-103.6%
ESGMeter™	Low

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".

#### Acronyms:

CIDP: chronic inflammatory demyelinating neuropathy  
FcRn: immune receptor (target)  
FDA: Food & Drug Administration  
IgG: immunoglobulin G  
LDL: low density lipoprotein  
MoA: mechanism of action  
OpEx: operating expenses

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Timestamp: 12 February 2024 01:29PM EST

# iQprofile<sup>SM</sup> Immunovant, Inc.

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	NA	-45.4%	-47.6%	-20.2%	32.8%
Return on Equity	-66.9%	-50.6%	-53.5%	-22.8%	37.1%
Operating Margin	NA	NA	NA	-67.3%	29.0%
Free Cash Flow	(106)	(188)	(160)	(39)	269

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	1.3x
Asset Replacement Ratio	2.0x	1.0x	0x	26.5x	5.6x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-104.9%	-103.6%	-110.7%	-121.8%	-117.9%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	0	0	0	181	696
% Change	NA	NA	NA	NA	285.4%
Gross Profit	0	0	0	154	585
% Change	NA	NA	NA	NA	280.9%
EBITDA	(156)	(218)	(248)	(121)	203
% Change	NA	-39.9%	-13.7%	51.0%	NM
Net Interest & Other Income	1	8	11	11	11
<b>Net Income (Adjusted)</b>	<b>(157)</b>	<b>(210)</b>	<b>(239)</b>	<b>(112)</b>	<b>211</b>
<b>% Change</b>	<b>NA</b>	<b>-34.1%</b>	<b>-13.6%</b>	<b>53.1%</b>	<b>NM</b>

## Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(157)	(211)	(239)	(112)	211
Depreciation & Amortization	0	0	0	0	1
Change in Working Capital	15	(11)	47	45	33
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	36	33	32	30	29
Capital Expenditure	0	0	0	(2)	(6)
<b>Free Cash Flow</b>	<b>-106</b>	<b>-188</b>	<b>-160</b>	<b>-39</b>	<b>269</b>
<b>% Change</b>	<b>NA</b>	<b>-77.1%</b>	<b>14.9%</b>	<b>75.9%</b>	<b>NM</b>
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	494	377	592	556	827
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	19	28	30	10	5
Property, Plant & Equipment	0	0	0	0	1
Other Non-Current Assets	2	1	1	1	1
<b>Total Assets</b>	<b>515</b>	<b>406</b>	<b>623</b>	<b>567</b>	<b>834</b>
Short-Term Debt	1	2	4	8	15
Other Current Liabilities	43	42	88	109	130
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	1	0	0	0	0
<b>Total Liabilities</b>	<b>46</b>	<b>44</b>	<b>92</b>	<b>117</b>	<b>145</b>
<b>Total Equity</b>	<b>469</b>	<b>362</b>	<b>531</b>	<b>450</b>	<b>689</b>
<b>Total Equity &amp; Liabilities</b>	<b>515</b>	<b>406</b>	<b>623</b>	<b>567</b>	<b>834</b>

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

## Company Sector

Biotechnology

## Company Description

Immunovant is a clinical stage biotech company that develops monoclonal antibodies against the FcRn receptor to reduce pathogenic immunoglobulin autoantibodies that are the drivers of autoimmune disorders. It has two assets, batoclimab (1401) in late/mid-stage development for 3 disorders and a Ph1 next-gen asset 1402.

## Investment Rationale

We rate IMVT a Buy on upside potential for IMVT's clinical-stage FcRn portfolio. Catalysts include: 1) clinical data for TED and Graves', which are FcRn white spaces, 2) broad applicability in autoimmune diseases that provide further upside beyond crowded markets (MG, CIDP). Keys to the IMVT thesis: 1) broad FcRn commercial opportunity-set, 2) ability of IMVT to differentiate on dosing convenience and potential efficacy differentiation with next-gen drug possessing a favorable therapeutic index.

## Stock Data

Average Daily Volume 1,287,077

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.35A	-0.57A
Q2	-0.41A	-0.45A
Q3	-0.49A	-0.36A
Q4	-0.46A	-0.42E

We view IMVT's CIDP period 1 with strong dose-response as a key '24 catalyst along with detailed Ph2 Graves' Disease data which could come in 2H24 along with Ph3 initiation. Other near-term readouts for batoclimab include: 1) Ph3 Myasthenia Gravis topline in 2H24 and 2) Ph3 Thyroid Eye Disease topline in 1H25.



## Price objective basis & risk

### Immunovant, Inc. (IMVT)

Our \$51 price objective (PO) is based on a risk-adjusted sum-of-the-parts analysis. 1) batoclimab launches in 2025 and total FcRn nominal sales reach \$4.5bn by 2035e, 2) 75% POS for Myasthenia Gravis and Thyroid Eye Disease indications, 2) 65% POS for CIDP, 3) 50% POS for Graves' Disease, 4) no terminal value beyond batoclimab's 2040 LOE and 1402's 2043 LOE, 5) 11% discount rate.

Downside risks to our PO: 1) inability for batoclimab/1401 to adequately mitigate LDL safety signal in clinical trials, 2) less competitive 1402 product profile, and 3) failure to demonstrate efficacy in future clinical trials.

Upside risks to our PO: 1) better than expected outcomes in MG, CIDP, and TED clinical trials, 2) clinical success in trials leading to a steeper market ramp and/or penetration.

## Analyst Certification

I, Jason M. Gerberry, 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 - Specialty Pharma & Biotechnology Coverage Cluster

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<b>BUY</b>				
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	Arrowhead Pharmaceuticals	ARWR	ARWR US	Jason M. Gerberry
	bluebird bio	BLUE	BLUE US	Jason M. Gerberry
	Exelixis	EXEL	EXEL US	Jason M. Gerberry
	Immunovant, Inc.	IMVT	IMVT US	Jason M. Gerberry
	Intra-Cellular Therapies	ITCI	ITCI US	Jason M. Gerberry
	Ionis	IONS	IONS US	Jason M. Gerberry
	Jazz Pharmaceuticals	JAZZ	JAZZ US	Jason M. Gerberry
	Lyra Therapeutics	LYRA	LYRA US	Jason M. Gerberry
	Oculus Holding AG	OCS	OCS US	Jason M. Gerberry
	Relay Therapeutics	RLAY	RLAY US	Jason M. Gerberry
	Tarsus Pharmaceuticals	TARS	TARS US	Jason M. Gerberry
	Teva Pharmaceuticals	TEVA	TEVA US	Jason M. Gerberry
	Vaxcyte Inc	PCVX	PCVX US	Jason M. Gerberry
	Xenon Pharmaceuticals	XENE	XENE US	Jason M. Gerberry
<b>NEUTRAL</b>				
	Alkermes	ALKS	ALKS US	Jason M. Gerberry
	Amphastar Pharmaceuticals	AMPH	AMPH US	Jason M. Gerberry
	Axsome Therapeutics	AXSM	AXSM US	Jason M. Gerberry
	Galapagos	GLPG	GLPG US	Jason M. Gerberry
	ProKidney Corp	PROK	PROK US	Jason M. Gerberry
	Roivant	ROIV	ROIV US	Chi M. Fong
<b>UNDERPERFORM</b>				
	Bausch Health Cos Inc	BHC	BHC US	Jason M. Gerberry
	FibroGen Inc.	FGEN	FGEN US	Jason M. Gerberry
	Harmony Biosciences	HRMY	HRMY US	Jason M. Gerberry
	Organon	OGN	OGN US	Jason M. Gerberry
	Viatis Inc.	VTRS	VTRS US	Jason M. Gerberry

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### 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

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### 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

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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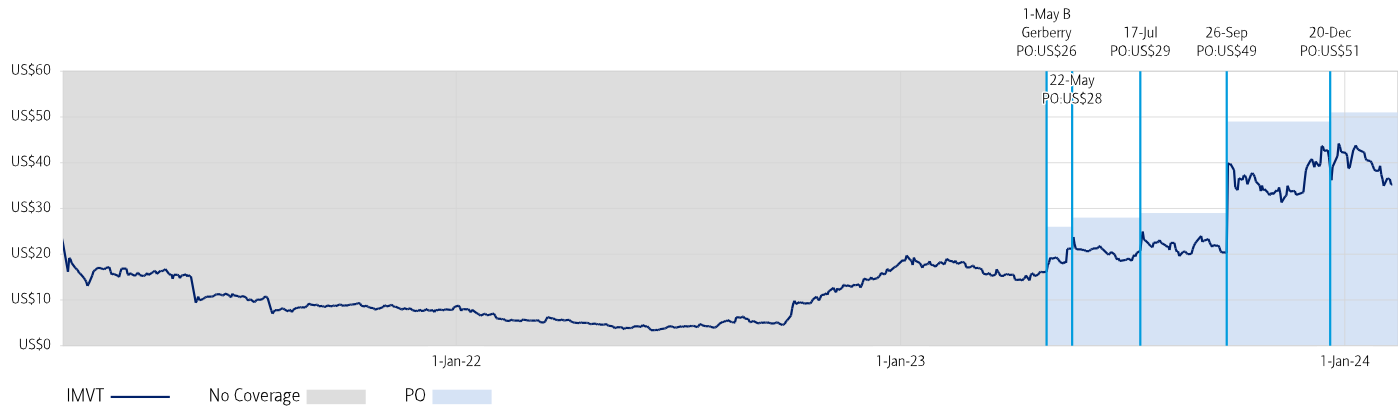
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### Immunovant, (IMVT) Price Chart



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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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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
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