

Roivant

FY3Q: capital deployment in focus, possible update by next earnings call

Reiterate Rating: NEUTRAL | PO: 12.00 USD | Price: 10.70 USD

Cap deployment: incremental color, possible update by 4Q

As with prior calls, ROIV's FY3Q was largely focused on management's commentary around capital deployment. ROIV continues to evaluate business development (BD) opportunities and options for returning capital to shareholders, with a possible update on capital deployment by next earnings call (expected in June). There was no meaningful update on the pipeline front. Model wise, we raise FY23E EPS_e on inclusion of one-time proceeds from sales of Telavant and reduce FY24E EPS_e on lower VTAMA sales and higher OpEx based on FY3Q print. We reiterate Neutral on ROIV on balanced risk/reward.

Management framing interests in business development

For BD, ROIV framed partnership or in-licensing of late-stage assets (multiple) as a more likely outcome than acquiring another company. ROIV remains agnostic to therapeutic area but noted the company is less gravitated towards oncology and gene/cell therapy. Lastly, ROIV continues to evaluate best options for diversifying shareholder base.

In position to fund IMVT for clinical trial plans

Yesterday, subsidiary Immunovant (IMVT) announced plans to initiate/advance IMVT-1402 in 10 indications over the next 2 years, including 4-5 pivotal trials over next year. ROIV framed multiple options to fund these trials beyond existing IMVT cash balance, including partnership, strategic options, and investments from ROIV. We expect investors to look to competitor Biohaven's first-in-human data of IgG degrader in 1Q for read-across. ROIV did not field questions on the competitor readout, besides framing the market opportunity sets as large enough for multiple players in the prepared remarks.

VTAMA: another slow quarter in sales

Net sales of VTAMA (topical cream for psoriasis) were \$21m, slightly below consensus (\$23m) driven by lower than expected gross-to-net (GTN) yield. ROIV expects "slow and steady" improvement in GTN over the course of 2024. ROIV reaffirmed 1Q24 sNDA submission for atopic dermatitis, followed by potential label expansion toward YE24.

Other corporate updates

We note: 1) OpEx: ROIV expects OpEx to stay relatively flat over the next quarters, 2) pipeline: ROIV continues to expect first-in-human brepo data in uveitis in 1Q, while the company discontinued RVT-2001 based on an interim data analysis, 3) LNP litigation: mgmt. was encouraged with the outcome of the claim construction hearing vs MRNA. ROIV expects Markman hearing vs PFE later this year, though there is no set date.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(1.26)	(1.42)	5.34	(0.93)	(0.67)
EPS Change (YoY)	1.6%	-12.7%	NM	NM	28.0%
Consensus EPS (Bloomberg)			(1.51)	(1.32)	(1.07)
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	2.0x	NM	NM
Free Cash Flow Yield*	-8.0%	-7.5%	52.0%	-9.9%	-7.1%

* For full definitions of *IQmethod*SM measures, see page 5.

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13 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	125.0	135.0
2024E Rev (m)	151.2	144.3
2023E EPS	-1.30	5.34
2024E EPS	-0.85	-0.93

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Stock Data

Price	10.70 USD
Price Objective	12.00 USD
Date Established	2-Jan-2024
Investment Opinion	C-2-9
52-Week Range	6.59 USD - 13.24 USD
Mrkt Val (mn) / Shares Out	8,602 USD / 803.9 (mn)
Free Float	55.4%
Average Daily Value (mn)	58.57 USD
BofA Ticker / Exchange	ROIV / NAS
Bloomberg / Reuters	ROIV US / ROIV.OQ
ROE (2023E)	115.1%
Net Dbt to Eqty (Dec-2022A)	-78.5%
ESGMeter TM	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".

IgG: immunoglobulin G
sNDA: supplemental new drug application
MRNA, PFE: Moderna, Pfizer (covered by Geoff Meacham)
LNP: lipid nanoparticle

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iQprofileSM Roivant

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-51.0%	-47.8%	-21.9%	-10.8%	-6.9%
Return on Equity	-41.0%	-57.4%	115.1%	-10.7%	-6.8%
Operating Margin	-2,444.8%	-1,917.9%	-802.0%	-723.7%	-194.2%
Free Cash Flow	(695)	(657)	4,540	(865)	(617)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	1.1x	NM	NM
Asset Replacement Ratio	NA	0.7x	1.0x	1.0x	1.0x
Tax Rate	NM	0.4%	NM	NM	NM
Net Debt-to-Equity Ratio	-89.8%	-78.5%	-94.5%	-96.0%	-95.3%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	55	61	135	144	417
% Change	132.3%	10.8%	120.3%	6.9%	189.2%
Gross Profit	46	48	124	127	360
% Change	113.1%	4.0%	157.1%	2.5%	183.6%
EBITDA	(1,352)	(1,157)	(1,071)	(1,033)	(798)
% Change	-26.2%	14.4%	7.5%	3.6%	22.7%
Net Interest & Other Income	428	(50)	5,237	0	0
Net Income (Adjusted)	(845)	(1,009)	4,294	(868)	(671)
% Change	-4.4%	-19.5%	NM	NM	22.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(924)	(1,220)	4,165	(1,045)	(810)
Depreciation & Amortization	0	18	12	12	12
Change in Working Capital	16	0	0	(84)	(43)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	231	557	375	264	237
Capital Expenditure	(17)	(12)	(12)	(12)	(12)
Free Cash Flow	-695	-657	4,540	-865	-617
% Change	-24.6%	5.5%	NM	NM	28.7%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	15	131	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,060	1,553	6,092	10,228	9,611
Trade Receivables	0	0	0	21	58
Other Current Assets	86	119	119	181	188
Property, Plant & Equipment	26	37	37	37	37
Other Non-Current Assets	413	519	519	519	519
Total Assets	2,585	2,228	6,768	10,985	10,414
Short-Term Debt	0	38	38	38	38
Other Current Liabilities	184	207	191	190	192
Long-Term Debt	210	375	375	375	375
Other Non-Current Liabilities	129	156	156	156	156
Total Liabilities	524	776	761	759	761
Total Equity	2,061	1,452	6,007	10,226	9,653
Total Equity & Liabilities	2,585	2,228	6,768	10,985	10,414

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

Company Sector

Biotechnology

Company Description

Roivant (ticker: ROIV) is a commercial stage biopharma focused on developing and commercializing therapeutics for autoimmune and other human diseases. ROIV has multiple subsidiaries (called "Vant") in which individual Vant specializes on its own niche of asset and/or therapeutic focus. ROIV's portfolio is highlighted by: 1) Immunovant's FcRn (autoimmune diseases), 2) VTAMA: a topical cream for dermatological indications.

Investment Rationale

We rate ROIV Neutral on balanced risk/reward. We like IMVT's FcRn franchise and see upside potential from positive development updates, though upside magnitude to ROIV would be reduced by non-controlling interest (ROIV owns about 55% of IMVT). Conversely, ROIV is not yet profitable and continued cash outflow could lead to the Street's discounting ROIV's valuation on cash. We are below consensus on VTAMA sales forecast driven by our more cautious view on the topical psoriasis market opportunity.

Stock Data

Average Daily Volume 5,473,858

Quarterly Earnings Estimates

	2022	2023
Q1	-0.48A	-0.38A
Q2	-0.42A	-0.40A
Q3	-0.48A	6.04A
Q4	-0.21A	-0.25E



Price objective basis & risk

Roivant (ROIV)

Our PO of \$12 assumes 1) a discount rate of 11% for hybrid biotech with mid-to-late stage pipeline and a commercial product, 2) POS of 95% for VTAMA atopic dermatitis, 3) risk-adjusted forecast for FcRn franchise, 4) loss of exclusivity of lead programs in 2038E+.

Downside risks to our PO: 1) clinical trial failure or clinical data come in below expectation, 2) product sales underperform our forecast, 3) dilutive capital raise

Upside risks to our PO: 1) clinical data come in above expectation, 2) product sales outperform our forecast, 3) acquisition at a premium

Analyst Certification

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US - Specialty Pharma & Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Arcellx, Inc.	ACLX	ACLX US	Jason M. Gerberry
	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
	Oculis 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
NEUTRAL				
	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
UNDERPERFORM				
	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

iQmethodSM 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 & 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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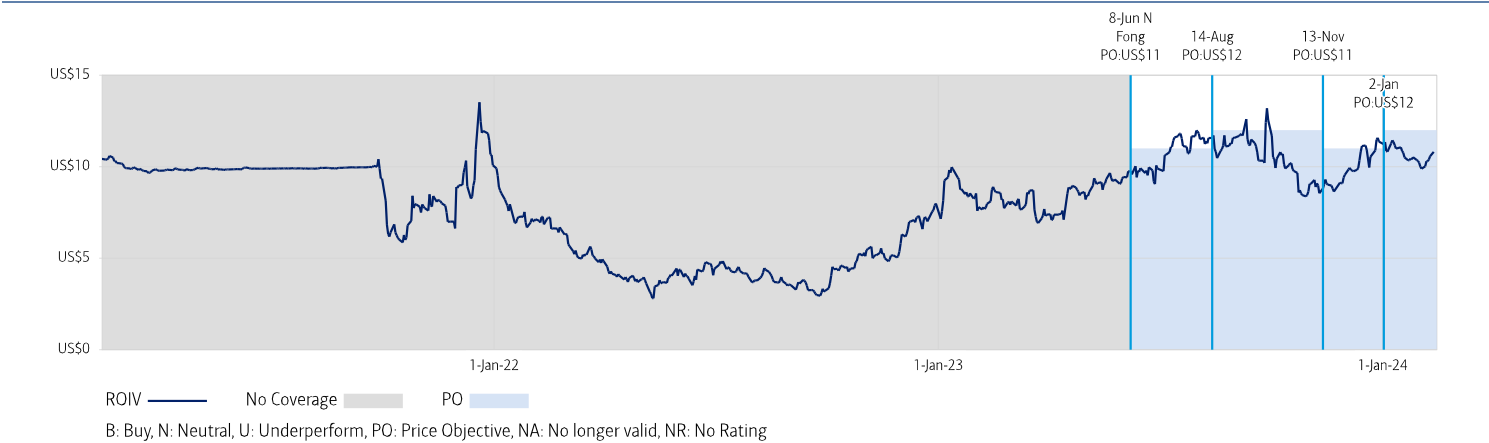
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Roivant (ROIV) Price Chart



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

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