

Liquidia Corporation

Yutrepia market opportunity elevated with growth seen from competitor

Reiterate Rating: BUY | PO: 17.00 USD | Price: 14.27 USD

Liquidia remains ready to launch Yutrepia

As we await for the [anticipated approval of Yutrepia in PAH and potentially PH-ILD \(see report\)](#), we reevaluate the market opportunity for Yutrepia in new PAH patients. As we saw with [United Therapeutics' Tyvaso DPI growth \(see report\)](#), we see a strong market interest in a treprostinil DPI and we increase our market penetration assumptions for Yutrepia in PAH, resulting in a new PO of \$17 (from \$15). We also note the PH-ILD market is a strong opportunity for Liquidia, and [we look for the FDA to complete the review process \(see report\)](#) to add to our model. In line with management commentary, we think Liquidia is well prepared to launch Yutrepia when possible and we anticipate future updates to further reevaluate our model. Given the anticipated approval and launch of Yutrepia we reiterate our Buy rating, new PO \$17.

Focus on PH-ILD decision and lifted injunction for PAH

After the favorable '793 legal decision, we look for the injunction to be lifted in order to launch Yutrepia in PAH. We also anticipate the FDA to make a decision regarding the approval of Yutrepia in PH-ILD, which would allow for a launch after United loses exclusivity on March 31. We continue to see a new 30 month stay as an unlikely event and look for updates surrounding United's efforts to delay the launch further by suing the FDA.

Model updates

Given the notable market opportunity of a treprostinil DPI in PAH, we increase our revenue expectations for Yutrepia in PAH, resulting in a new PO of \$17 (from \$15).

See our catalyst calendar below (Exhibit 1):

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.70)	(0.67)	(1.00)	(1.15)	(0.40)
EPS Change (YoY)	60.2%	4.3%	-49.3%	-15.0%	65.2%
Consensus EPS (Bloomberg)			(1.02)	(0.97)	(0.33)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-3.5%	-3.0%	-4.7%	-7.1%	-3.2%

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

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	15.00	17.00

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Stock Data

Price	14.27 USD
Price Objective	17.00 USD
Date Established	21-Feb-2024
Investment Opinion	C-1-9
52-Week Range	5.71 USD - 15.15 USD
Mrkt Val (mn) / Shares Out (mn)	979 USD / 68.6
Free Float	65.0%
Average Daily Value (mn)	14.60 USD
BofA Ticker / Exchange	LQDA / NAS
Bloomberg / Reuters	LQDA US / LQDA.OQ
ROE (2023E)	-89.1%
Net Dbt to Eqty (Dec-2022A)	-81.2%
ESGMeter™	Low

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PAH: pulmonary arterial hypertension

PH-ILD: pulmonary hypertension and interstitial lung disease

DPI: dry powder inhaler

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Timestamp: 21 February 2024 04:05PM EST

iQprofileSM Liquidia Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-34.9%	-32.8%	-43.2%	-50.9%	-15.1%
Return on Equity	-50.7%	-52.7%	-89.1%	-136.7%	-58.1%
Operating Margin	-262.9%	-243.3%	-338.6%	-175.5%	-21.5%
Free Cash Flow	(34)	(29)	(46)	(70)	(31)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0x	0.2x	0.2x	0.2x	0.2x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-72.1%	-81.2%	-88.7%	-93.3%	-64.3%
Interest Cover	-41.5x	-16.6x	-10.0x	-23.8x	-4.8x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	13	16	18	46	127
% Change	1,637.8%	24.0%	12.7%	156.8%	175.9%
Gross Profit	10	13	15	38	103
% Change	NM	33.0%	17.1%	147.5%	171.7%
EBITDA	(28)	(35)	(57)	(80)	(27)
% Change	49.6%	-24.6%	-62.7%	-40.0%	66.1%
Net Interest & Other Income	(1)	(2)	(6)	(2)	(4)
Net Income (Adjusted)	(35)	(41)	(66)	(83)	(31)
% Change	42.1%	-18.6%	-61.9%	-24.9%	62.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(35)	(41)	(66)	(83)	(31)
Depreciation & Amortization	6	4	4	1	0
Change in Working Capital	(12)	(2)	7	2	(12)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	7	11	10	11	11
Capital Expenditure	0	(1)	(1)	0	0
Free Cash Flow	-34	-29	-46	-70	-31
% Change	37.8%	14.6%	-56.9%	-52.4%	55.2%
Share / Issue Repurchase	22	56	24	76	1
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	9	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	57	93	104	146	116
Trade Receivables	3	5	0	3	10
Other Current Assets	1	2	2	4	12
Property, Plant & Equipment	5	4	1	0	0
Other Non-Current Assets	27	25	25	25	25
Total Assets	94	129	132	178	163
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	7	9	11	18	22
Long-Term Debt	10	20	52	87	87
Other Non-Current Liabilities	11	10	10	10	10
Total Liabilities	28	39	74	115	119
Total Equity	65	90	59	63	44
Total Equity & Liabilities	94	129	132	178	163

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

Company Sector

Biotechnology

Company Description

Liquidia is a near-commercial stage biotechnology company developing treatments for pulmonary arterial hypertension. The lead product, Yutrepia, is currently tentatively approved by the FDA.

Investment Rationale

Our Buy rating is based on the anticipated full approval and launch of Yutrepia. Liquidia developed Yutrepia for the treatment of PAH which is currently tentatively approved by the Food and Drug Administration (FDA). With approval, we believe Liquidia could have a differentiated DPI product in PAH and capture market share.

Stock Data

Average Daily Volume

1,023,301

Quarterly Earnings Estimates

	2022	2023
Q1	-0.28A	-0.18A
Q2	-0.15A	-0.36A
Q3	-0.14A	-0.24A
Q4	-0.12A	-0.24E

Exhibit 1: Liquidia Catalyst Calendar
We look for a launch of Yutrepia in 2024.

Company Asset		Indication	Event	Timing	Importance
Liquidia	Yutrepia	PAH	Anticipated launch	2024	High
Liquidia	L606	PH-ILD	Initiate PH-ILD trial	late 2024	Low

Source: BofA Global Research, company reports

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Price objective basis & risk

Liquidia Corporation (LQDA)

Our \$17/share price objective is based on an net present value (NPV) analysis of Yutrepia (\$14/share), collaboration revenues (\$1/share), and net cash (\$2/share). We use a weighted average cost of capital (WACC) of 13%, in line with similar companies in our coverage universe and a -50% terminal growth rate.

Downside risks: 1) additional competition in the market, 2) delayed full approval of Yutrepia.

Upside risk: 1) higher-than-expected uptake of Yutrepia once approved

Analyst Certification

I, Greg Harrison, CFA, 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
	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	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
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	Kymera 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

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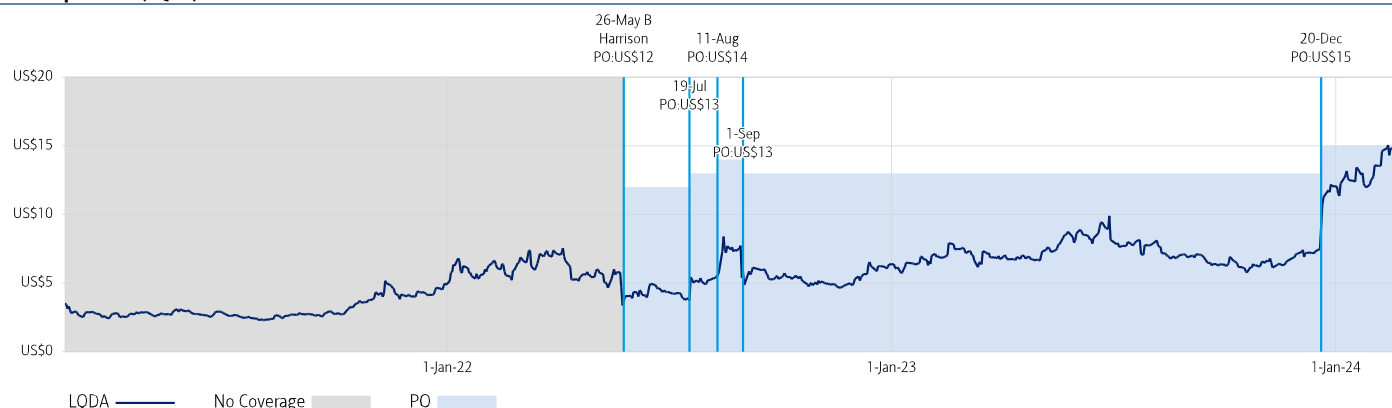
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Liquidia Corporation (LQDA) Price Chart



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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%

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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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