

## Sarepta Therapeutics

# Peter Marks reiterates FDA commitment to bring more gene therapies to patients

Maintain Rating: BUY | PO: 164.00 USD | Price: 102.61 USD

## Stabilizing non-ambulatory DMD pts could be “huge win”

Peter Marks, Director of the FDA Center for Biologics Evaluation and Research (CBER), presented yesterday at the Informa Biotech Showcase in San Francisco to discuss FDA's commitment to facilitate the approval of more gene therapies, particularly for rare diseases. He highlighted how approved gene therapies like Zolgensma for spinal muscular atrophy (SMA) have been transformational emphasizing the potential for gene therapy. He specifically commented that in Duchenne muscular dystrophy (DMD) having something that could help stabilize a non-ambulatory or almost non-ambulatory patient could be “a huge win”. We highlight that Dr. Marks has been a long-standing proponent of gene therapy. We think these comments reinforce our view that a label expansion for Elevidys is likely and could signal that a broad label inclusive of all DMD patients regardless of age or ambulatory status is not out of the question. Recall, SRPT submitted the efficacy supplement requesting a broad label expansion and conversion to traditional approval in December. The company expects a PDUFA (Prescription Drug User Fee Act) date in August based on standard regulatory timelines but has noted a more expedited review is possible. We are encouraged by FDA leadership's continued support in the approval of gene therapies and commentaries on non-ambulatory patients, which has been a topic of discussion given no data is available yet in this patient population. We maintain our Buy rating on the shares with \$164 PO.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(5.15)	(8.03)	(7.58)	0.67	13.37
EPS Change (YoY)	27.6%	-55.9%	5.6%	NM	NM
Consensus EPS (Bloomberg)			(3.37)	3.86	9.27
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	NM	153.1x	7.7x
EV / EBITDA*	NM	NM	NM	74.8x	8.2x
Free Cash Flow Yield*	-5.0%	-3.7%	-4.4%	3.5%	16.0%

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

09 January 2024

### Equity

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### Stock Data

Price	102.61 USD
Price Objective	164.00 USD
Date Established	30-Oct-2023
Investment Opinion	C-1-9
52-Week Range	55.25 USD - 159.89 USD
Mrkt Val (mn) / Shares Out (mn)	9,599 USD / 93.5
Free Float	95.6%
Average Daily Value (mn)	116.54 USD
BofA Ticker / Exchange	SRPT / NAS
Bloomberg / Reuters	SRPT US / SRPT.OQ
ROE (2023E)	-350.9%
Net Dbt to Eqty (Dec-2022A)	150.0%
ESGMeter™	Medium

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# iQprofile<sup>SM</sup> Sarepta Therapeutics

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-15.7%	-18.5%	-13.1%	3.8%	35.0%
Return on Equity	-49.6%	-107.2%	-350.9%	32.8%	106.8%
Operating Margin	-65.5%	-57.5%	-27.2%	5.4%	42.6%
Free Cash Flow	(482)	(356)	(421)	334	1,536

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	6.1x	1.3x
Asset Replacement Ratio	1.0x	0.7x	0.7x	0.7x	0.7x
Tax Rate	0%	NM	NM	0.8%	0%
Net Debt-to-Equity Ratio	-109.8%	150.0%	NM	137.9%	-44.5%
Interest Cover	-6.7x	-15.3x	-9.6x	2.7x	36.4x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	702	933	1,234	1,792	2,999
% Change	30.0%	32.9%	32.3%	45.2%	67.3%
Gross Profit	605	793	1,078	1,611	2,723
% Change	26.9%	31.1%	35.9%	49.5%	69.0%
EBITDA	(422)	(494)	(290)	147	1,332
% Change	21.8%	-17.2%	41.3%	NM	806.8%
Net Interest & Other Income	41	(154)	(320)	(35)	(35)
<b>Net Income (Adjusted)</b>	<b>(419)</b>	<b>(703)</b>	<b>(673)</b>	<b>61</b>	<b>1,241</b>
<b>% Change</b>	<b>24.4%</b>	<b>-68.0%</b>	<b>4.4%</b>	<b>NM</b>	<b>NM</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(419)	(703)	(673)	61	1,241
Depreciation & Amortization	38	42	46	51	56
Change in Working Capital	(98)	(39)	(16)	(22)	(30)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	36	376	256	282	310
Capital Expenditure	(38)	(31)	(34)	(37)	(41)
<b>Free Cash Flow</b>	<b>-482</b>	<b>-356</b>	<b>-421</b>	<b>334</b>	<b>1,536</b>
<b>% Change</b>	<b>NM</b>	<b>26.1%</b>	<b>-18.1%</b>	<b>NM</b>	<b>360.2%</b>
Share / Issue Repurchase	549	0	0	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Change in Debt	0	202	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,116	967	738	1,032	2,413
Trade Receivables	153	215	258	309	371
Other Current Assets	335	1,376	1,250	1,358	1,586
Property, Plant & Equipment	191	180	168	155	140
Other Non-Current Assets	353	390	390	390	390
<b>Total Assets</b>	<b>3,148</b>	<b>3,128</b>	<b>2,804</b>	<b>3,245</b>	<b>4,900</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	453	620	682	750	825
Long-Term Debt	1,097	1,544	1,544	1,544	1,544
Other Non-Current Liabilities	670	580	580	580	580
<b>Total Liabilities</b>	<b>2,220</b>	<b>2,743</b>	<b>2,805</b>	<b>2,874</b>	<b>2,949</b>
<b>Total Equity</b>	<b>928</b>	<b>385</b>	<b>(1)</b>	<b>371</b>	<b>1,952</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,148</b>	<b>3,128</b>	<b>2,804</b>	<b>3,245</b>	<b>4,900</b>

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

## Company Sector

Biotechnology

## Company Description

Sarepta (SRPT) is a biopharmaceuticals company developing exon-skipping therapeutics and gene therapy for the treatment of Duchenne muscular dystrophy (DMD) and Limb Girdle muscular dystrophy (LGMD). The company's approved assets include Exondys, approved for DMD amenable to exon 51 skipping, Vyondys, approved for DMD amenable to exon 53 skipping, and Amondys, approved for DMD amenable to exon 45 skipping. SRPT also has a next-gen PPMO platform and gene therapy programs in DMD and LGMD.

## Investment Rationale

We rate SRPT shares Buy. We believe SRPT's assets address the current under-met need in the treatment of rare muscular dystrophies. The exon skipping assets, in our view, should continue to provide floor valuation and generate sustained revenue streams. We believe the company is well positioned to drive upside potential and deliver shareholder value over time given existing assets and strategic partnerships in gene therapy programs with Nationwide, Lacerta, and Lysogene.

## Stock Data

Average Daily Volume 1,135,780

## Quarterly Earnings Estimates

	2022	2023
Q1	-1.20A	-5.85A
Q2	-2.65A	-0.27A
Q3	-2.94A	-0.46A
Q4	-1.24A	-1.03E



## Price objective basis & risk

### Sarepta Therapeutics (SRPT)

Our \$164 PO is based on a probability-adjusted net present value (NPV) analysis that includes \$17/share for Exondys, \$8/share for Vyondys, \$22/share for Amondys, \$78/share for micro-dystrophin gene therapy, \$38/share for LGMD assets. The remainder of our valuation comes from pipeline and cash. Our discounted cash flow (DCF) analysis assumes sales out to 2035, with weighted average cost of capital (WACC) of 9-13%.

Upside risks to our PO are 1) better-than-expected market uptake from its exon skipping assets, 2) SRP-9001 US label expansion, and 3) EU approval of SRP-9001 and other assets.

Downside risks to our PO are 1) failure and delay in approval for exon skipping assets, 2) unexpected safety or durability findings in gene therapy programs, 3) other micro dystrophin competitors, and 4) higher-than-expected royalty payments.

## Analyst Certification

I, Tazeen Ahmad, 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 - Biotechnology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	4D Molecular Therapeutics, Inc.	FDMT	FDMT US	Tazeen Ahmad
	Alnylam Pharmaceuticals	ALNY	ALNY US	Tazeen Ahmad
	Amicus Therapeutics	FOLD	FOLD US	Tazeen Ahmad
	Annexon Biosciences	ANNX	ANNX US	Tazeen Ahmad
	Apellis Pharmaceuticals	APLS	APLS US	Tazeen Ahmad
	Argenx SE	ARGX	ARGX US	Tazeen Ahmad
	Arvinas	ARVN	ARVN US	Tazeen Ahmad
	Ascendis Pharma	ASND	ASND US	Tazeen Ahmad
	Biocryst Pharmaceuticals Inc	BCRX	BCRX US	Tazeen Ahmad
	BioNTech	BNTX	BNTX US	Tazeen Ahmad
	Denali Therapeutics	DNLI	DNLI US	Tazeen Ahmad
	Inozyme Pharma, Inc.	INZY	INZY US	Tazeen Ahmad
	Merus	MRUS	MRUS US	Tazeen Ahmad
	Neurocrine Biosciences	NBIX	NBIX US	Tazeen Ahmad
	PepGen Inc	PEPG	PEPG US	Tazeen Ahmad
	Prothena Corporation	PRTA	PRTA US	Tazeen Ahmad
	Rhythm Pharmaceuticals	RYTM	RYTM US	Tazeen Ahmad
	Sarepta Therapeutics	SRPT	SRPT US	Tazeen Ahmad
	Ultragenyx Pharmaceuticals	RARE	RARE US	Tazeen Ahmad
<b>NEUTRAL</b>				
	Acadia Pharmaceuticals	ACAD	ACAD US	Tazeen Ahmad
	Incyte Corporation	INCY	INCY US	Tazeen Ahmad
	SAGE Therapeutics	SAGE	SAGE US	Tazeen Ahmad
<b>UNDERPERFORM</b>				
	Achilles Therapeutics	ACHL	ACHL US	Tazeen Ahmad
	Fate Therapeutics	FATE	FATE US	Tazeen Ahmad
	Fulcrum Therapeutics	FULC	FULC US	Tazeen Ahmad
	Pharvaris	PHVS	PHVS US	Tazeen Ahmad
	PTC Therapeutics	PTCT	PTCT US	Tazeen Ahmad

## **IQmethod<sup>SM</sup> 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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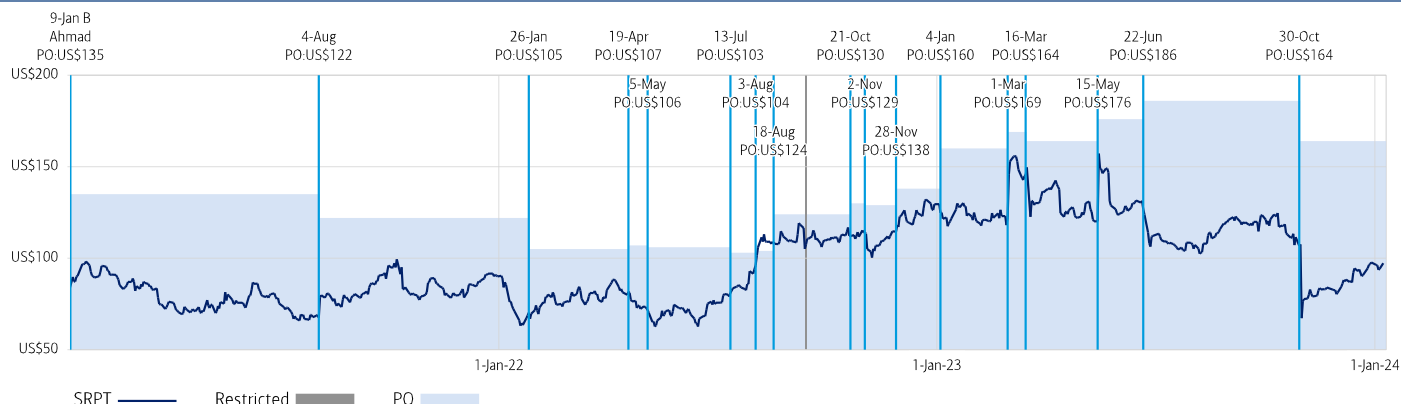
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## Important Disclosures

### Sarepta (SRPT) Price Chart



SRPT — Restricted PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### 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%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
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