

Editas Medicine

Reni-cel program ready to give derisking data: Thoughts post the 4Q23 call

Reiterate Rating: NEUTRAL | PO: 15.00 USD | Price: 8.86 USD

Looking for potential differentiation from data updates

Editas announced a 4Q23 update highlighting the recent FDA alignment that the RUBY study evaluating reni-cel (EDIT-301) in SCD patients is a single phase 1/2/3 trial and could be used for regulatory BLA filing. With enrollment ongoing in both RUBY (adolescent cohort initiated) and EdiTHAL, we look for Editas to continue to collect and present derisking data to support reni-cel as a potentially differentiated treatment. The company plans to present updated clinical data from both RUBY and EdiTHAL in mid-2024 and further follow-up by year-end 2024. Beyond reni-cel, the company is also developing early-stage in-vivo applications of its gene editing platform, and we look for future details as the company plans to establish the preclinical program by year-end 2024. Beyond clinical development, Editas is also utilizing its valuable IP to license gene editing technology for ex-vivo gene editing methods through a non-exclusive license with Vertex, and we look for future licensing revenue as gene editing products continue to advance in the space. Given the ongoing clinical trials for reni-cel, which continue to build derisking data, we reiterate our Neutral rating and PO of \$15.

Reni-cel trials enrollment encouraging

We think that the company is making strong enrollment and dosing progress in both RUBY (40 enrolled; 18 dosed) and EdiTHAL (9 enrolled; 7 dosed). With notable interest in the trial leading to encouraging enrollment, we also look for future details from the recently initiated adolescent cohort and signs of hemoglobin normalization across cohorts to support potential differentiation.

Model updates

We update our model for 4Q23 reporting and increase our platform value for Editas, and we now model 2024 and 2025 EPS of -\$3.76 (from -\$2.85) and -\$3.50 (from -\$2.84), respectively. Editas has \$427M in cash and cash equivalents and a cash runway into 2026.

See our catalyst calendar (Exhibit 1).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(3.21)	(2.02)	(3.76)	(3.50)	(1.75)
EPS Change (YoY)	-12.6%	37.1%	-86.1%	6.9%	50.0%
Consensus EPS (Bloomberg)			(2.35)	(2.25)	(1.98)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-25.1%	-17.1%	-38.4%	-46.5%	-34.2%

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

28 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	-2.85	-3.76
2025E EPS	-2.84	-3.50
2026E EPS	-1.28	-1.75

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Stock Data

Price	8.86 USD
Price Objective	15.00 USD
Date Established	15-Dec-2023
Investment Opinion	C-2-9
52-Week Range	6.08 USD - 11.91 USD
Mkt Val (mn) / Shares Out (mn)	724 USD / 81.7
Free Float	99.2%
Average Daily Value (mn)	13.91 USD
BofA Ticker / Exchange	EDIT / NAS
Bloomberg / Reuters	EDIT US / EDIT.OQ
ROE (2024E)	-153.5%
Net Dbt to Eqty (Dec-2023A)	-72.7%
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"](#).

BLA: Biologics License Application

FDA: Food and Drug Administration

IP: intellectual property

PO: price objective

SCD: sickle cell disease

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Timestamp: 28 February 2024 11:14AM EST

iQprofileSM Editas Medicine

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-36.1%	-29.7%	-91.5%	-200.0%	-119.1%
Return on Equity	-48.2%	-43.2%	-153.5%	-596.5%	-305.2%
Operating Margin	-1,145.7%	-216.6%	-6,382.0%	-7,443.9%	-108.1%
Free Cash Flow	(181)	(124)	(278)	(336)	(248)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.6x	0.6x	0.6x	0.6x	0.6x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-27.1%	-72.7%	39.0%	15.1%	7.7%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	20	78	5	5	228
% Change	-22.8%	296.1%	-93.6%	0%	4,461.5%
Gross Profit	20	78	5	5	195
% Change	-22.8%	296.1%	-93.6%	0%	NM
EBITDA	(220)	(163)	(314)	(368)	(243)
% Change	-16.8%	25.8%	-92.6%	-17.2%	34.0%
Net Interest & Other Income	6	16	4	2	2
Net Income (Adjusted)	(220)	(153)	(315)	(371)	(246)
% Change	-14.4%	30.4%	-105.1%	-17.8%	33.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(220)	(153)	(315)	(371)	(245)
Depreciation & Amortization	6	6	5	5	4
Change in Working Capital	8	5	10	7	(31)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	29	22	24	25	27
Capital Expenditure	(4)	(4)	(4)	(3)	(3)
Free Cash Flow	-181	-124	-278	-336	-248
% Change	-5.6%	31.8%	-125.0%	-20.9%	26.4%
Share / Issue Repurchase	1	117	0	350	250
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	142	299	21	34	37
Trade Receivables	5	0	0	0	22
Other Current Assets	210	50	52	54	79
Property, Plant & Equipment	16	13	11	10	8
Other Non-Current Assets	142	142	142	142	142
Total Assets	514	504	226	240	288
Short-Term Debt	11	11	11	11	11
Other Current Liabilities	49	49	62	71	87
Long-Term Debt	33	33	33	33	33
Other Non-Current Liabilities	61	61	61	61	61
Total Liabilities	154	154	167	175	192
Total Equity	361	350	60	65	96
Total Equity & Liabilities	514	504	226	240	288

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

Company Sector

Biotechnology

Company Description

Editas is a clinical stage biotechnology company developing CRISPR/cas based gene editing products for both in vivo and ex vivo applications. The company has multiple preclinical ocular in-vivo programs in preclinical development. The company is also developing an ex-vivo cell therapy, EDIT-301, for the treatment of SCD and TDT. The company also has ex vivo cell therapy programs for oncology indications.

Investment Rationale

Our Neutral rating is based on the uncertain potential in ocular disease and strong competition in the hemoglobinopathy cell therapy space for EDIT-301. We see the additional pipeline programs as too early to give credit in our model.

Stock Data

Average Daily Volume 1,570,220

Quarterly Earnings Estimates

	2023	2024
Q1	-0.71A	-0.89E
Q2	-0.56A	-0.91E
Q3	-0.55A	-0.96E
Q4	-0.23A	-1.00E

Exhibit 1: Editas Catalyst Calendar

We look for signs of hemoglobin normalization from the RUBY updates to be potentially differentiating.

Company Asset		Indication	Event	Timing	Importance
Editas	reni-cel	SCD/thal	Clinical update	mid-2024	High
Editas	reni-cel	SCD/thal	Clinical update	year-end 2024	High

Source: BofA Global Research, company reports

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Price objective basis & risk

Editas Medicine (EDIT)

Our \$15 share price objective is based on a probability adjusted (50%) net present value (NPV) analysis of, EDIT-301 in SCD/TDT (\$6/share), \$1/sh on royalties, \$2/share in platform value, and net cash (\$6/share). We use a weighted-average cost of capital (WACC) of 15%, similar to other early-stage companies in our coverage universe and a -2% terminal growth rate.

Upside risks: higher-than-anticipated uptake of approved products, better-than-expected clinical trial results.

Downside risks: unexplained safety signals, clinical trial failures, and strong data from competitors.

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
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	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

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
RSTR				
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan

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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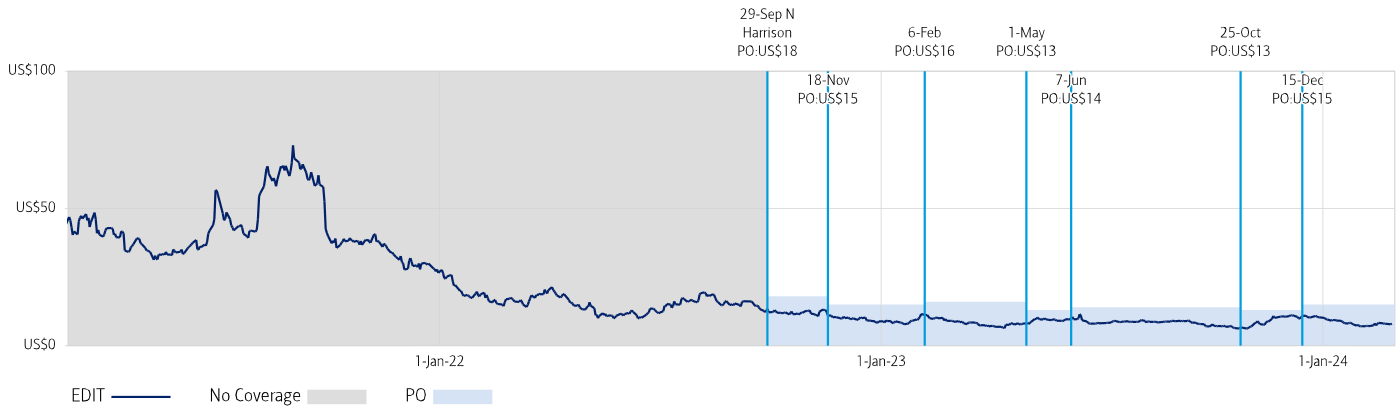
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Editas (EDIT) Price Chart



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 ^{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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