

Ascendis Pharma

Focus on upcoming TransCon PTH PDUFA on May 14th; Reiterate Buy

Reiterate Rating: BUY | PO: 156.00 USD | Price: 139.29 USD

Strong FY24 Skytrofa revenue guidance of €320-340mn

ASND reported FY23 Skytrofa sales of €179mn in-line with preliminary announced revenues and reiterated strong FY24 sales guidance of €320-340mn (ours: €325mn). Mgmt highlighted that the US pediatric GHD market was ~16% penetrated at 2023 exit and expects to penetrate 60-70% of the market at peak. On recently approved long-acting GH competitors (Novo Nordisk's Sogroya and Pfizer's Ngenla), mgmt commented that they expect minimal impact to revenues given Skytrofa's clear efficacy and safety superiority. While we agree ASND's TransCon technology has clear advantages over other long-acting GH approaches, we plan to continue to poll our KOLs on current usage trends to validate this claim. We continue to be impressed by ASND's commercial performance, which we think bodes well for future product launches. In our DCF-based model, we update for 4Q results, cash and share count. We also lower our 2024 opex estimates given company guidance to ~€600mn total opex spend. We reiterate our Buy with \$156 PO ahead of the upcoming TransCon PTH May 14th PDUFA.

Our KOLs are optimistic on TransCon PTH US approval

At the end of January, ASND launched Yorvipath (TransCon PTH) for HPT in Germany and Austria. Mgmt notes the HPT population is well identified in Germany and guides to initially targeting the pts with the highest pharmacoeconomic burden on society, which is roughly 22K of the total 73K HPT population. On US approval, ASND cites high focus on the upcoming May 14th PDUFA. If approved, mgmt guides to an early 3Q launch leveraging their existing Skytrofa salesforce. In our view, ASND is well-positioned to capitalize on a relatively untapped HPT market that mgmt estimates is 4-5x the size of GHD. As highlighted in our recent TransCon PTH survey, 100% of our KOLs expect a US approval and estimate ~32% of their patients to be on therapy in the first 6-months (~46% at peak usage). We currently assume an 80% LOS for US approval and model modest FY24 risk-adjusted sales of €53.4mn given our view that initial payer dynamics may be gating to uptake.

Multiple pipeline updates expected in 4Q

Other key catalysts for 2024 are: 1) sBLA submission for Skytrofa in adult GHD in 2Q, 2) topline results for the ph 3 ApproaCh trial evaluating TransCon CNP in ACH in 4Q with NDA submission later in 4Q. mgmt also guides to a 4Q IND submission for adult ACH, 3) topline 26-wk data for the COACH trial (TransCon hGH / TransCon CNP combo in ACH) in 4Q, 4) topline ph 2 results for TransCon hGH in Turner syndrome in 4Q, and 5) clinical updates for the TransCon IL-β/γ and TransCon TLR7/8 oncology programs in 4Q.

Estimates (Dec) (EUR)	2022A	2023A	2024E	2025E	2026E
EPS	(10.40)	(8.55)	(4.59)	(0.53)	4.61
EPS Change (YoY)	-48.6%	17.8%	46.3%	88.5%	NM
Consensus EPS (Bloomberg)			(5.80)	(2.11)	2.23
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	NM	NM	28.1x
EV / EBITDA*	NM	NM	NM	366.3x	21.2x
Free Cash Flow Yield*	-6.7%	-4.9%	-2.1%	1.2%	5.7%

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

08 February 2024

Equity

Key Changes

(EUR)	Previous	Current
2024E Rev (m)	393.0	399.7
2025E Rev (m)	644.2	651.4
2026E Rev (m)	998.4	1,005.9
2024E EPS	-5.41	-4.59
2025E EPS	-0.95	-0.53
2026E EPS	4.95	4.61

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Stock Data

Price	139.29 USD
Price Objective	156.00 USD
Date Established	22-Jan-2024
Investment Opinion	C-1-9
52-Week Range	64.33 USD - 144.95 USD
Mkt Val (mn) / Shares Out (mn)	8,038 USD / 57.7
Free Float	0%
Average Daily Value (mn)	60.04 USD
BoFA Ticker / Exchange	ASND / NAS
Bloomberg / Reuters	ASND US / ASND.OQ
ROE (2024E)	-358.8%
Net Dbt to Eqty (Dec-2023A)	NA
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](#)".

See page 3 for abbreviations

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Timestamp: 08 February 2024 05:53AM EST

iQprofileSM Ascendis Pharma

iQmethodSM – Bus Performance*

(EUR Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-47.8%	-44.9%	-19.6%	3.4%	19.5%
Return on Equity	-101.7%	-576.1%	-358.8%	-6.8%	31.2%
Operating Margin	-1,097.9%	-170.8%	-60.7%	-0.5%	32.5%
Free Cash Flow	(510)	(364)	(157)	88	425

iQmethodSM – Quality of Earnings*

(EUR Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	1.5x
Asset Replacement Ratio	0.8x	0.8x	0.8x	0.8x	0.8x
Tax Rate	NM	NM	NM	NM	3.1%
Net Debt-to-Equity Ratio	84.1%	NM	96.6%	-33.0%	-57.0%
Interest Cover	-8.2x	-7.3x	-3.2x	0x	4.4x

Income Statement Data (Dec)

(EUR Millions)	2022A	2023A	2024E	2025E	2026E
Sales	51	267	400	651	1,006
% Change	557.9%	421.2%	49.9%	63.0%	54.4%
Gross Profit	39	222	361	586	901
% Change	817.4%	469.5%	62.4%	62.2%	54.0%
EBITDA	(544)	(436)	(221)	20	353
% Change	-24.6%	19.9%	49.3%	NM	NM
Net Interest & Other Income	(16)	(19)	(27)	(22)	(17)
Net Income (Adjusted)	(583)	(481)	(278)	(34)	300
% Change	-52.1%	17.5%	42.3%	87.8%	NM

Free Cash Flow Data (Dec)

(EUR Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(583)	(481)	(278)	(34)	300
Depreciation & Amortization	18	20	22	24	26
Change in Working Capital	(19)	(8)	(9)	(10)	(11)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	88	122	125	128	131
Capital Expenditure	(14)	(16)	(18)	(19)	(21)
Free Cash Flow	-510	-364	-157	88	425
% Change	-15.6%	28.7%	56.7%	NM	381.8%
Share / Issue Repurchase	503	0	500	400	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(EUR Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	445	231	574	1,062	1,487
Trade Receivables	25	26	27	29	30
Other Current Assets	454	467	481	497	515
Property, Plant & Equipment	129	125	121	116	111
Other Non-Current Assets	37	38	40	41	43
Total Assets	1,090	888	1,243	1,745	2,186
Short-Term Debt	666	816	816	816	816
Other Current Liabilities	160	168	176	184	193
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Total Liabilities	826	984	992	1,001	1,010
Total Equity	263	(96)	251	745	1,176
Total Equity & Liabilities	1,090	888	1,243	1,745	2,186

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

Company Sector

Biotechnology

Company Description

Ascendis Pharma is a biopharmaceutical company located in Denmark. ASND is using its proprietary TransCon technology to develop long-acting formulations of currently available drugs. Its lead asset TransCon GH (Skytrofa) is approved for pediatric growth hormone deficiency. ASND also has TransCon PTH in treating hypoparathyroidism, CNP in treating achondroplasia (ph 3), and in collaborations to develop long acting drugs with Sanofi (in diabetes) and Roche (in ophthalmology).

Investment Rationale

We rate ASND shares Buy. We believe the company's lead asset, TransCon GH (Skytrofa), will address an area of undermet need for long-acting GH therapies. We also think TransCon PTH will be approved in US (approved in EU) based on phase 3 PaTHway data, accepted NDA with priority review but note potential delay in NDA review due to deficiencies identified by FDA. We note significant unmet need and opportunity for Skytrofa and TransCon PTH in GHD and HPT, respectively.

Stock Data

Average Daily Volume 431,034

Quarterly Earnings Estimates

	2023	2024
Q1	-1.98A	-1.60E
Q2	-2.16A	-1.36E
Q3	-2.88A	-1.07E
Q4	-1.54A	-0.71E

Abbreviations

ACH: achondroplasia

GH: growth hormone

GHD: growth hormone disease

HPT: hypoparathyroidism

IND: Investigation New drug Application

KOL: key opinion leader

LOS: likelihood-of-success

Mgmt: management

NDA: New Drug Application

Opex: operating expenses

PDUFA; prescription drug user fee act

Ph: phase

Pts: patients

sBLA: supplemental Biologics License Application

wk: week

Price objective basis & risk

Ascendis Pharma (ASND)

Our \$156 price objective for ASND consists of \$49 for TransCon GH, \$93 for TransCon PTH, \$8 for oncology assets, and the remainder of value coming from net cash and pipeline. We use a 9% weighted-average cost of capital (WACC) for GH and 10% WACC for PTH, consistent with how we model other drugs in a similar development stage. We assume zero terminal value for all products, also consistent with our valuation of other covered companies.

Risks to our price objective are slower TransCon GH sales, higher-than-expected competition from other long-acting therapies, failure of PTH to advance to commercialization and pushback on pricing from payors.

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
BUY				
	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
	Rhythm Pharmaceuticals	RYTM	RYTM US	Tazeen Ahmad
	Sarepta Therapeutics	SRPT	SRPT US	Tazeen Ahmad
	Ultragenyx Pharmaceuticals	RARE	RARE US	Tazeen Ahmad
NEUTRAL				
	Acadia Pharmaceuticals	ACAD	ACAD US	Tazeen Ahmad
	Incyte Corporation	INCY	INCY US	Tazeen Ahmad
	Prothena Corporation	PRTA	PRTA US	Tazeen Ahmad
	SAGE Therapeutics	SAGE	SAGE US	Tazeen Ahmad
UNDERPERFORM				
	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

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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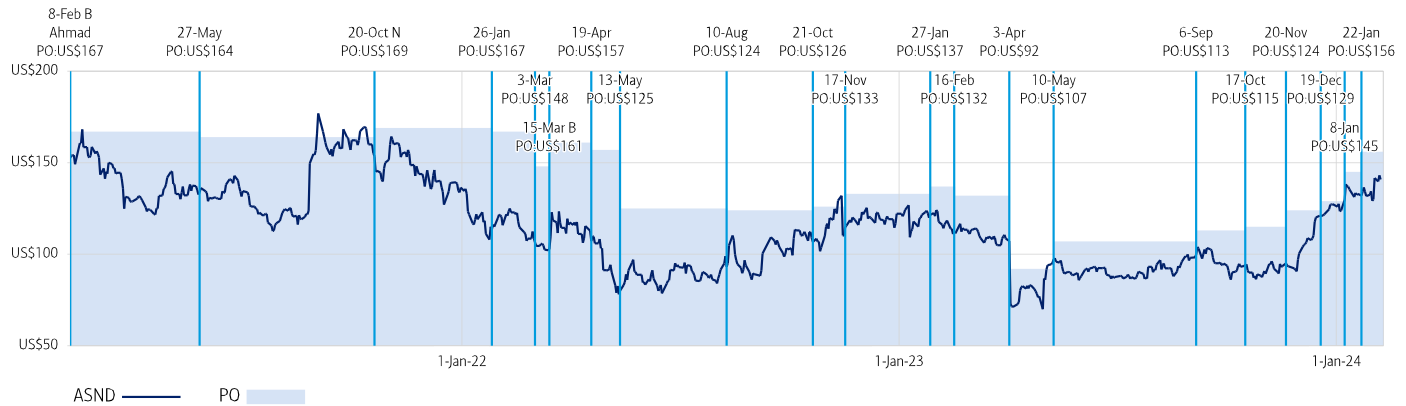
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Disclosures

Important Disclosures

Ascendis (ASND) 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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