

SpringWorks

4Q23 Earnings Takeaways: Ogsiveo launch starting strong, mirdametinib next at bat

Reiterate Rating: BUY | PO: 58.00 USD | Price: 51.55 USD

Sales beat positive, signaling strong early demand

SWTX shares trading up in 2024 (YTD: +33%; NBI: flat) with momentum expected to continue after posting Ogsiveo net product revenue of \$5.4M in first partial quarter of launch following FDA approval on November 27th 2023 ([see our thoughts on the approval](#)). To put the numbers in perspective, our model estimates projected ~\$2.2M sales in 2023 (at the high end of consensus; cons: ~\$1.1M), with the 4Q numbers exceeding our more bullish expectations (+\$3.2M). Management reiterated that early demand kinetic has been strong, in-line with our recent KOL conversations ([link to our KOL call takeaways](#)), with limited contribution from stocking and/or bolus effects. We therefore see sales as continuing to accelerate over the course of 2024 as access fully comes online (current reimbursement by payors covering 98% of commercial lives). Moreover, with MAA for EMA already submitted, we see potential for a further increase in topline contribution from the EU market (our model currently estimates ~\$2M sales in EU in 2024). We therefore adjust our estimates to account for marginally better near-term launch trajectory (increase 2024 Ogsiveo sales to \$65M from \$54M; cons: \$67.1M), reiterate Buy and raise our PO to \$58 (\$56 prior) to reflect estimates increase.

Two drugs by 2025: mirdametinib approval next catalyst

While attention remains on recent FDA approval of Ogsiveo, our management conversation also focused on the company's most predominant clinical driver, mirdametinib, expected to come to market by early 2025 (especially given strong phase 2b data, [see our thoughts on the data here](#)). We see the positive ReNue topline as effectively diversifying the narrative, and if in the worst case that Ogsiveo is unable to meet the bar set by investors in its commercialization, we see the larger immediate market opportunity afforded by mirdametinib and the growing earlier pipeline as helping support shares over the next 12 months.

Framing what we expect in the 2H24 mirda data update

Ogsiveo launch/mirdametinib submission are in focus. Depth of response from ReNeu is an important differentiating factor when mirda is compared with Koselugo heading into 2024 (we think SWTX will provide QoL data in support of filing). PRO in our view also ultimately contributes to patient stickiness, key for ultimate commercial uptake (details expected at medical meeting 1H24e).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(3.57)	(5.21)	(5.15)	(5.97)	(4.80)
EPS Change (YoY)	-271.9%	-45.9%	1.2%	-15.9%	19.6%
Consensus EPS (Bloomberg)			(4.79)	(4.06)	(2.79)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-3.4%	-4.5%	-6.1%	-8.3%	-7.0%

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

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 27 February 2024 03:45PM EST

27 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	56.00	58.00
2023E Rev (m)	2.1	5.4
2024E Rev (m)	54.2	64.8
2025E Rev (m)	173.0	197.6
2023E EPS	-5.46	-5.15
2024E EPS	-5.16	-5.97
2025E EPS	-4.37	-4.80

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Stock Data

Price	51.55 USD
Price Objective	58.00 USD
Date Established	27-Feb-2024
Investment Opinion	C-1-9
52-Week Range	18.00 USD - 53.78 USD
Mkt Val (mn) / Shares Out (mn)	3,788 USD / 73.5
Free Float	89.2%
Average Daily Value (mn)	63.99 USD
BofA Ticker / Exchange	SWTX / NAS
Bloomberg / Reuters	SWTX US / SWTX.QQ
ROE (2023E)	-54.9%
Net Dbt to Eqty (Dec-2022A)	-12.0%
ESGMeter TM	Medium

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](#)".

Abbreviations:

MAA: Marketing authorization approval

EMA: European medicines Association

iQprofileSM SpringWorks

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-31.7%	-50.4%	-50.3%	-46.2%	-43.7%
Return on Equity	-35.5%	-56.6%	-54.9%	-50.3%	-47.3%
Operating Margin	NA	NA	-6,297.3%	-610.4%	-187.1%
Free Cash Flow	(130)	(172)	(230)	(313)	(265)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	4.1x	13.3x	4.4x	4.4x	4.4x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-24.3%	-12.0%	-27.9%	-52.5%	-38.9%
Interest Cover	NA	NM	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	0	0	5	65	198
% Change	-100.0%	NA	NA	1,089.3%	205.0%
Gross Profit	0	0	5	52	158
% Change	NM	NA	NA	931.3%	205.0%
EBITDA	(173)	(280)	(341)	(393)	(367)
% Change	-276.2%	-61.8%	-21.9%	-15.2%	6.7%
Net Interest & Other Income	0	3	18	14	11
Net Income (Adjusted)	(174)	(277)	(325)	(381)	(358)
% Change	-281.6%	-59.5%	-17.2%	-17.3%	6.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(174)	(277)	(325)	(381)	(358)
Depreciation & Amortization	0	1	2	2	3
Change in Working Capital	6	38	(1)	(19)	8
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	39	77	101	95	95
Capital Expenditure	(2)	(10)	(7)	(10)	(12)
Free Cash Flow	-130	-172	-230	-313	-265
% Change	-295.6%	-32.2%	-34.0%	-36.1%	15.6%
Share / Issue Repurchase	1	341	297	550	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	104	67	176	470	247
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	279	532	325	271	235
Property, Plant & Equipment	3	14	18	25	35
Other Non-Current Assets	66	17	207	202	207
Total Assets	452	630	726	969	724
Short-Term Debt	1	0	1	3	4
Other Current Liabilities	29	51	77	76	94
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	0	21	21	0	0
Total Liabilities	30	72	100	80	98
Total Equity	422	558	626	889	626
Total Equity & Liabilities	452	630	726	969	724

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

Company Sector

Biotechnology

Company Description

SpringWorks is a clinical stage biopharmaceutical company developing small molecule inhibitors for cancer with a focus on addressing areas of unmet need and pursuing rational combination strategies. SpringWorks applies a precision medicine approach to identifying and developing new therapies, with lead assets nirogacestat and mirdametinib in late-stage studies. SpringWorks also has multiple partnerships with the goal of unlocking the full potential of its pipeline therapies.

Investment Rationale

SpringWorks offers a compelling precision oncology pipeline, with its ability to identify and develop novel therapies now validated in the clinic. And while relatively small size of initial indications (desmoid, NF1-PN) could cap revenues near-term, this approach should offer an easier path to market, with larger indications (multiple myeloma, MAPK-mutated tumors) attainable for longer-term upside.

Stock Data

Average Daily Volume 1,241,284

Quarterly Earnings Estimates

	2022	2023
Q1	-1.26A	NAA
Q2	-1.41A	NAA
Q3	-1.37A	NAE
Q4	-1.34A	NAE

Exhibit 2: SWTX Model Changes

Adjusted revenue based on stronger-than-expected sales numbers

	2024E		2025E		2026E	
\$ in thousands	Prior	Current	Prior	Current	Prior	Current
Desmoid Tumors - Adult, total revenue (\$M)	54	65	161	186	293	326
NF1-Associated PN, total revenue (\$M)	0	0	12	12	85	85
BGB-3245 (RAF Mutant Solid Tumors), total revenue (\$M)	0	0	0	0	0	0
Product Revenues	54	65	173	198	388	421
Other Revenue (licensing/collaboration)	0	0	0	0	0	0
Total Revenues	54	65	173	198	388	421
Costs of goods sold	11	13	35	40	78	84
Research and development	174	181	200	208	230	239
General and administrative	258	267	310	320	356	368
Operating income (loss)	(388)	(395)	(371)	(370)	(275)	(270)
Interest and other income, net	19	20	17	18	15	16
Interest expense	(0)	0	(1)	0	(1)	0
Unrealized gain (loss) on available-for-sale securities	(3)	(6)	(4)	(6)	(4)	(7)
Consolidated net income (loss)	(373)	(381)	(359)	(358)	(224)	(220)
Net income (loss) per share	(5.16)	(5.97)	(4.37)	(4.80)	(2.49)	(2.64)
Shares outstanding, diluted ('000)	72,351	63,863	82,076	74,560	90,113	83,401

Source: BofA Global Research estimates

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Price objective basis & risk

SpringWorks (SWTX)

Our \$58/share price objective is based on a probability-adjusted net present value (NPV) for nirogacestat mono (\$28/share), nirogacestat combo (\$3/share), mirdametinib (\$16/share), BGB-3245 (\$2/share), TEAD inhibitor program (\$1/share), EGFR inhibitor program (\$1/share), and cash (\$7/share). We apply probabilities of success from 3% (EGFR, TEAD) to 100% (nirogacestat), a weighted-average cost of capital (WACC) of 10-13%, and -4% (nirogacestat) to -1% (early pipeline) terminal growth rate.

Downside risks are: 1) nirogacestat regulatory review experiences setbacks or final label is more limited than expected, 2) nirogacestat launch delayed or uptake slower than anticipated, 3) nirogacestat fails to yield compelling data in combination with BCMA therapies, 4) competitors produce more convincing data for competing therapies, 5) regulatory and/or reimbursement landscape changes unfavorably, and 6) funding is insufficient to move forward pipeline aspirations or further commercial/manufacturing build out.

Analyst Certification

I, Alec W. Stranahan, 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
	Agiros 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
	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

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
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



Valuation Toolkit

Numerator

Denominator

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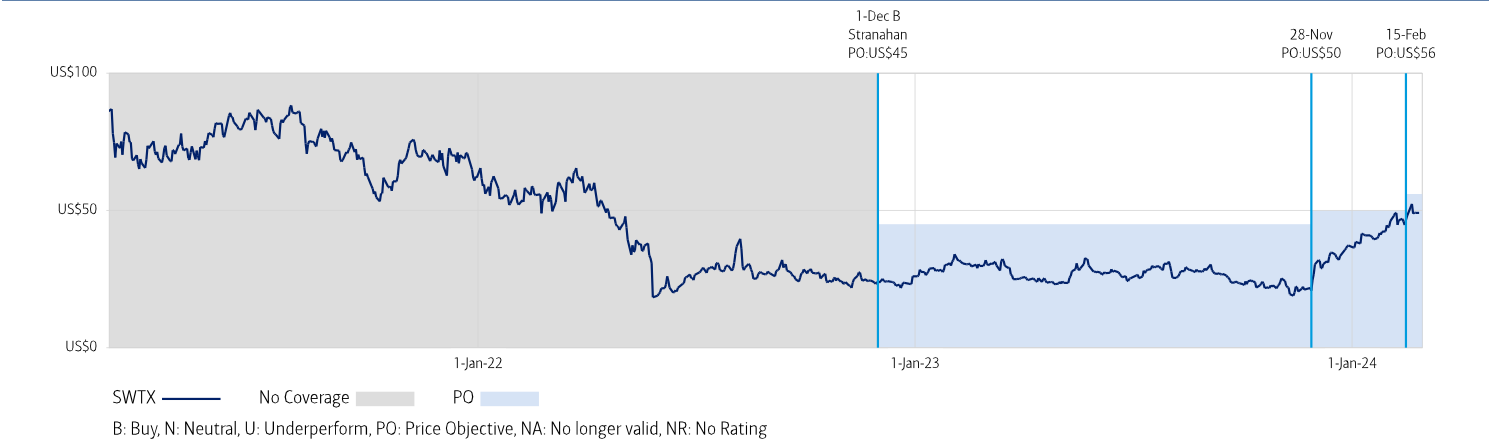
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SpringWorks (SWTX) Price Chart



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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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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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