

IGM Biosciences

Refined focus designed to highlight innovative IgM platform

Reiterate Rating: NEUTRAL | PO: 9.50 USD | Price: 9.10 USD

IgM positioning for future derisking data updates

After the company provided a positive corporate update at a recent healthcare conference, we are revisiting our valuation of IgM Bio given the recent strength in the stock and clinical development progress. With the company focusing on two main applications of the IgM based technology platform, T-cell engagers in autoimmune disease (imvotamab, '2644) and DR5 agonists (aplitabart) in colorectal cancer, we look for future data updates to continue to derisk the therapeutic strategies. IgM has multiple ongoing clinical trials evaluating imvotamab in autoimmune indications (SLE, RA, myositis), which we note could inform further studies in these and other indications, and we look for future guidance surrounding initial data updates. We highlight recent strength in the stock has likely been due to the addition of well-known investors, and we look for derisking data updates to continue to reevaluate the company. Reiterate Neutral, new PO \$9.50 (from \$8).

Conference updates highlight refined development focus

IgM Bio gave a detailed overview of the therapeutic strategy surrounding its innovative IgM antibody platform along with a review of the ongoing clinical programs utilizing the technology. [After the recent restructuring \(see report\)](#), we think IgM is building a strong clinical pipeline in autoimmune disease and CRC, and we look for derisking data in autoimmune disease to continue to strengthen the story.

Model Updates

IgM has cash and investments of approximately \$338M as of Dec. 31 with a cash runway into 2Q26. We update our model for YE23 unaudited cash and rolling our valuation for IgM Bio into the new year, resulting in a new PO of \$9.50 (from \$8).

Exhibit 1: IgM Catalyst Calendar

We also look for future guidance on initial data updates from the ongoing imvotamab trials in autoimmune indications

Company	Asset	Indication	Event	Timing	Importance
IgM Bio	Aplitabart	CRC	Initial data of '8444 + FOLFIRI + bev	YE24	High
IgM Bio	Aplitabart	CRC	Enroll 110 patients	1Q24	Low
IgM Bio	IGM-2644	autoimmune indications	IND filing	2024	Low

Source: BofA Global Research, company reports

BofA GLOBAL RESEARCH

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(4.93)	(5.32)	(5.33)	(4.69)	(5.00)
EPS Change (YoY)	-86.0%	-7.9%	-0.2%	12.0%	-6.6%
Consensus EPS (Bloomberg)			(4.75)	(3.74)	(3.09)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-20.9%	-2.4%	-32.4%	-31.4%	-38.0%

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

16 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	8.00	9.50

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Stock Data

Price	9.10 USD
Price Objective	9.50 USD
Date Established	16-Jan-2024
Investment Opinion	C-2-9
52-Week Range	3.81 USD - 27.92 USD
Mkt Val (mn) / Shares Out (mn)	659 USD / 72.4
Free Float	44.3%
Average Daily Value (mn)	3.34 USD
BofA Ticker / Exchange	IGMS / NAS
Bloomberg / Reuters	IGMS US / IGMS.OQ
ROE (2023E)	-108.8%
Net Dbt to Eqty (Dec-2022A)	-27.9%
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"](#).

SLE: systemic lupus erythematosus

CRC: colorectal cancer

RA: rheumatoid arthritis

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Timestamp: 16 January 2024 01:31PM EST

iQprofileSM IGM Biosciences

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-44.5%	-53.2%	-54.8%	-83.1%	-143.4%
Return on Equity	-52.7%	-83.1%	-108.8%	-283.5%	-2,082.8%
Operating Margin	NA	-21,324.2%	-13,746.8%	NA	NA
Free Cash Flow	(138)	(16)	(214)	(207)	(250)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	3.0x	1.7x	2.0x	1.5x	1.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-42.7%	-27.9%	-152.3%	NM	-308.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	0	1	2	0	0
% Change	NA	NA	85.1%	-100.0%	NA
Gross Profit	0	1	2	0	0
% Change	NA	NA	85.1%	NM	NA
EBITDA	(161)	(222)	(269)	(254)	(296)
% Change	-95.5%	-38.0%	-21.1%	5.5%	-16.7%
Net Interest & Other Income	0	7	15	11	4
Net Income (Adjusted)	(165)	(221)	(258)	(246)	(296)
% Change	-103.0%	-33.9%	-16.5%	4.4%	-20.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(165)	(221)	(258)	(246)	(296)
Depreciation & Amortization	4	6	3	4	4
Change in Working Capital	6	6	5	(2)	5
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	30	203	42	43	43
Capital Expenditure	(13)	(10)	(7)	(6)	(6)
Free Cash Flow	-138	-16	-214	-207	-250
% Change	-62.2%	88.3%	NM	3.1%	-20.9%
Share / Issue Repurchase	4	219	112	0	300
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	133	121	325	118	168
Trade Receivables	0	0	0	0	0
Other Current Assets	107	317	14	13	15
Property, Plant & Equipment	28	33	37	39	41
Other Non-Current Assets	29	42	42	42	42
Total Assets	298	513	417	211	265
Short-Term Debt	3	6	6	6	6
Other Current Liabilities	24	39	47	47	58
Long-Term Debt	25	35	35	35	35
Other Non-Current Liabilities	NA	146	142	135	125
Total Liabilities	53	226	231	224	224
Total Equity	245	287	186	(13)	41
Total Equity & Liabilities	298	513	417	211	265

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

Company Sector

Biotechnology

Company Description

IGM Biosciences is a clinical stage biotechnology company developing IgM based therapeutics for the treatment of oncology and I&I indications. The company's lead program, IGM-2323 is under investigation in SLE, RA and myositis. IGM Bio's clinical programs also include IGM-8444 in phase 1 in CRC.

Investment Rationale

We rate IGM Biosciences Neutral based on the lead program, Imvotamab, which the company plans to evaluate in SLE/RA and IGM-8444. Despite IGM Bio having a unique platform to develop IgM antibody based therapeutics for oncology and autoimmune indications, we think significant derisking lies ahead particularly in autoimmune, and would expect shares to trade in line over the next year.

Stock Data

Average Daily Volume 366,612

Quarterly Earnings Estimates

	2022	2023
Q1	-1.53A	-1.33A
Q2	-1.33A	-1.43A
Q3	-1.32A	-1.04A
Q4	-1.19A	-1.18E

Price objective basis & risk

IGM Biosciences (IGMS)

Our price objective of \$9.50 is based on a probability adjusted (10-20%) NPV analysis of IGM-2323 in SLE/RA (\$3/sh), IGM-8444 in mCRC (\$4/sh), and discounted net cash (\$2/sh). We use a WACC of 15% similar to other early-stage companies in our coverage universe and a -2% terminal growth rate.

Upside risks are better than expected data in clinical programs including better efficacy or safety in IGM-2323 compared to other companies, which could lead to higher than expected usage if approved. Also positive clinical trial results in clinical and preclinical programs.

Downside risks are unexpected safety signals, clinical trial failures, and competitors releasing stronger data.

Analyst Certification

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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	Geoff Meacham
	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



US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
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	Geoff Meacham
	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
	LianBio	LIAN	LIAN US	Geoff Meacham
	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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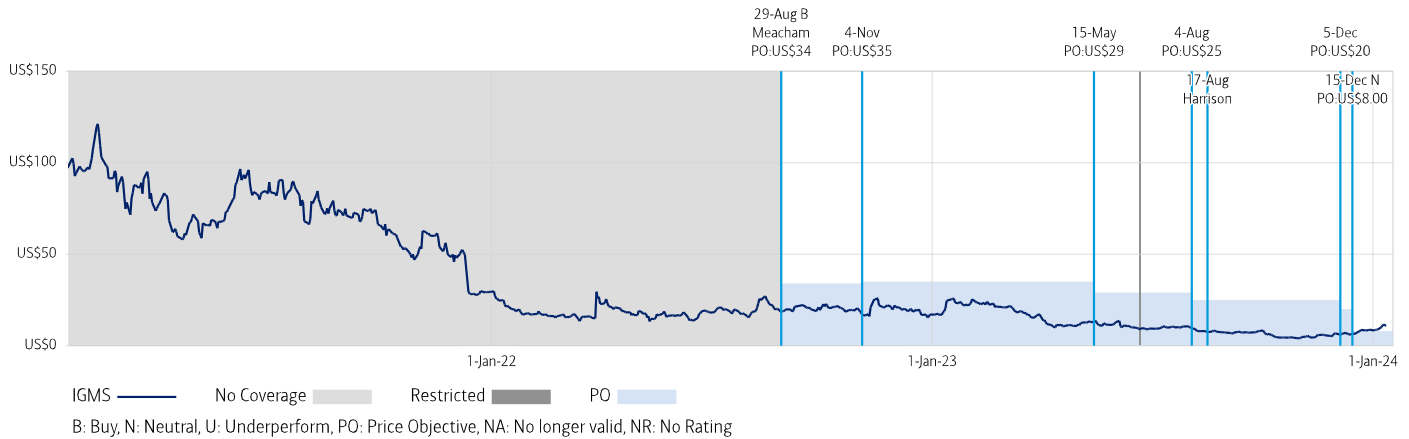
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IGM Biosciences (IGMS) Price Chart



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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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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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