

Traverse Therapeutics Inc

Filspari full approval set to strengthen launch: Thoughts post the 4Q23 call

Reiterate Rating: BUY | PO: 21.00 USD | Price: 8.74 USD

Traverse remains on track to file sNDA in 1Q24

Traverse announced 4Q23 results in line with our expectations with Filspari sales of \$14.7M in 4Q23, \$39.9M in net product sales, and a focus on [planned regulatory milestones \(see report\)](#) for sparsentan in IgAN. As we [highlighted in Traverse's preannouncement takeaways \(see report\)](#), we look for the sNDA filing of sparsentan in IgAN to strengthen the ongoing launch and we model \$798M risk-adjusted peak sales of Filspari in IgAN (PoS 75%). With 459 new patient start forms (PSF) in 4Q23 (1452 total PSFs in 2023), we look for continued growth in the second year of launch and model \$113.6M for sales in 2024. Beyond Filspari, the company also provided an update of the pegibatinase program in HCU, which is currently enrolling and on track for initial topline data in 2026. Given the ongoing launch of Filspari in IgAN and the earlier stage pegibatinase program, we maintain Buy and new PO of \$21 (from \$23).

Label expansion into additional indications on deck

We spoke with management who highlighted encouraging FDA interactions as the company remains on track to file an sNDA in 1Q24 and improvement in patient start timelines for Filspari. The company also plans to expand to additional geographies including the EU with partner CSL Vifor and Japan with Renalys. We look for additional details on the EU based launch after the anticipated EMA decision (2Q24) from partner Vifor. We also anticipate the initiation of a registrational study of sparsentan in Japan (2Q24) and topline data (2H25).

Clinical data designed to derisk combination

Investor focus remains on the anticipated sNDA submission for the full approval of Filspari in IgAN (1Q24) and movement into the EU with the review opinion (1Q24) and EMA decision (2Q24). Looking at clinical updates, we also look for positive combination data (2024) from the trials evaluating sparsentan and SGLT2i to support potential combination usage. We also look for future updates surrounding the path forward for sparsentan in FSGS.

Model Updates

We update our model for 4Q23 reporting and slightly reduced our long term Filspari revenue assumptions, resulting in a new PO of \$21 (from \$23). We now model 2024E and 2025E EPS of -\$0.43 (from -\$0.22) and -\$0.22 (from \$0.06), respectively. Traverse has \$566.9M in cash and cash equivalents.

See our catalyst calendar below (Exhibit 1):

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026
EPS	(2.99)	(0.17)	(0.43)	(0.22)	NA
GAAP EPS	(4.37)	(4.71)	(1.46)	(1.34)	NA
EPS Change (YoY)	-79.0%	94.3%	-152.9%	48.8%	NA
Consensus EPS (Bloomberg)			(2.57)	(1.09)	0.30
DPS	0	0	0	0	NA
Valuation (Dec)					
Free Cash Flow Yield*	-28.3%	-4.4%	-12.8%	-12.5%	NA

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

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Timestamp: 15 February 2024 08:13PM EST

15 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	23.00	21.00
2024E Rev (m)	341.3	344.7
2025E Rev (m)	378.5	370.1
2024E EPS	-0.22	-0.43
2025E EPS	0.06	-0.22

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Stock Data

Price	8.74 USD
Price Objective	21.00 USD
Date Established	15-Feb-2024
Investment Opinion	C-1-9
52-Week Range	5.25 USD - 23.18 USD
Mkt Val (mn) / Shares Out (mn)	659 USD / 75.4
Free Float	98.4%
Average Daily Value (mn)	11.19 USD
BofA Ticker / Exchange	TVTX / NAS
Bloomberg / Reuters	TVTX US / TVTX.QQ
ROE (2024E)	-25.4%
Net Dbt to Eqty (Dec-2023A)	-89.8%
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"](#).

IgAN: IgA nephropathy

HCU: classical homocystinuria

sNDA: supplemental New Drug Application

iQprofileSM Traverre Therapeutics Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Return on Capital Employed	-40.6%	-53.9%	-16.3%	-19.0%	NA
Return on Equity	-110.7%	-10.6%	-25.4%	-31.4%	NA
Operating Margin	-125.7%	-181.8%	-33.3%	-25.2%	NA
Free Cash Flow	(186)	(29)	(84)	(82)	NA

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Cash Realization Ratio	NM	NM	NM	NM	NA
Asset Replacement Ratio	0x	0.1x	0.1x	0.1x	NA
Tax Rate	NM	NM	NM	NM	NA
Net Debt-to-Equity Ratio	NM	-89.8%	-83.3%	-323.8%	NA
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Sales	212	199	345	370	NA
% Change	-6.8%	-6.2%	73.3%	7.4%	NA
Gross Profit	204	186	336	358	NA
% Change	-7.4%	-9.1%	81.0%	6.4%	NA
EBITDA	(233)	(329)	(89)	(72)	NA
% Change	-72.7%	-41.1%	73.1%	19.0%	NA
Net Interest & Other Income	(12)	12	(17)	(32)	NA
Net Income (Adjusted)	(191)	(13)	(39)	(21)	NA
% Change	-90.9%	93.4%	-207.1%	44.5%	NA

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Net Income from Cont Operations (GAAP)	(278)	(350)	(132)	(132)	NA
Depreciation & Amortization	33	32	26	22	NA
Change in Working Capital	1	9	(21)	(15)	NA
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	58	282	45	46	NA
Capital Expenditure	0	(2)	(2)	(3)	NA
Free Cash Flow	-186	-29	-84	-82	NA
% Change	-837.4%	84.3%	-188.3%	2.1%	NA
Share / Issue Repurchase	5	5	5	5	NA
Cost of Dividends Paid	0	0	0	0	NA
Change in Debt	0	0	0	0	NA

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Cash & Equivalents	62	550	467	256	NA
Trade Receivables	17	15	17	25	NA
Other Current Assets	408	109	108	36	NA
Property, Plant & Equipment	9	11	14	16	NA
Other Non-Current Assets	177	152	121	101	NA
Total Assets	673	838	726	435	NA
Short-Term Debt	0	0	0	0	NA
Other Current Liabilities	142	160	137	137	NA
Long-Term Debt	376	376	376	171	NA
Other Non-Current Liabilities	112	108	104	100	NA
Total Liabilities	630	644	617	408	NA
Total Equity	43	194	110	26	NA
Total Equity & Liabilities	673	838	726	435	NA

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

Company Sector

Biotechnology

Company Description

Traverre is a biopharmaceutical company that focuses on developing therapies for rare diseases. The company has two approved drugs, Filspari and Thiola, has sparsentan in development for FSGS, and pegtibatase in development for classical homocystinuria.

Investment Rationale

Our Buy rating for Traverre is based on our assumption of an encouraging launch in IgAN, providing upside to current share levels. Additionally, we see the current pipeline including pegtibatase containing potential growth drivers.

Stock Data

Average Daily Volume 1,280,417

Quarterly Earnings Estimates

	2023	2024
Q1	-0.82A	-0.56E
Q2	-0.77A	-0.40E
Q3	2.27A	-0.37E
Q4	-0.94A	0.90E

Exhibit 1: Traverre Catalyst Calendar

We look for Traverre to file an sNDA in 1Q24 for the full approval of sparsentan in IgAN

Company	Asset	Indication	Event	Timing	Importance
Traverre	Sparsentan	IgAN	CHMP opinion	1Q24	High
Traverre	Sparsentan	IgAN	Potential EMA decision	2Q24	High
Traverre	Sparsentan	IgAN	sNDA filing	1Q24	High
Traverre	Sparsentan	IgAN	Filspari + SGLT2i combo data and first line Filspari data	2024	Moderate
Traverre	pegibatinase HCU		HARMONY topline data	2026	High

Source: BofA Global Research, company reports

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Price objective basis & risk

Traverse Therapeutics Inc (TVTX)

Our \$21 PO is based on a sum-of-the-parts NPV analysis. Using a 13% WACC, we model \$2/share in bile acid portfolio milestones, \$4/share for Thiola, \$10/share for sparsentan, \$2/share for pegtibatase, and \$2/share net cash.

Risks are 1) regulatory risk, 2) competitive entrants, 3) lower-than-expected sparsentan uptake, 4) insurance or pricing concerns

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
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmem 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
	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

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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				
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham

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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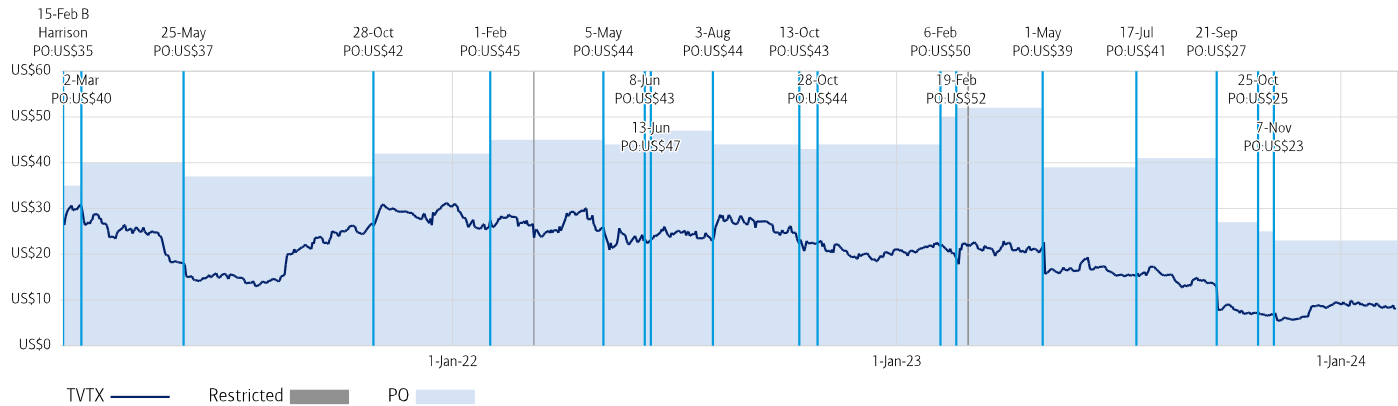
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Disclosures

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Traverse Therapeutics (TVTX) 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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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