

## LianBio

## Move to No Rating on planned wind down

Rating Change: NO RATING | PO: NA | Price: 4.80 USD

## Board thinks sunseting is the best way to maximize value

We are moving LianBio to No Rating from Underperform based on yesterday's announcement that the company is winding down operations following the conclusion of last October's strategic review. Indeed, LianBio's executive chairman Konstantin Poukalov indicated that following the strategic review, the board unanimously agreed sunseting the company's operations was the best way to maximize shareholder value in the current biopharma and macro-economic climate. The company intends to distribute the majority of its cash (\$4.80/share, 20% premium to last close) in a dividend, and delist from Nasdaq on or around 3/18. Management announced they intend to reduce the company's workforce by 50% at the end of 1Q24, and the remaining workforce will focus on selling their remain assets and wrapping up clinical trials. LianBio expects the sunseting process to be substantially complete by the end of 2024 with complete dissolution by 1H27. We are dropping our PO and moving to No Rating, as the company is no longer trading on fundamentals.

## Remaining assets insignificant following key pipeline exits

We downgraded LianBio earlier this year on pipeline weakness ([see our note here](#)) following the sale of the company's rights to mavacamten in Asia for \$350M to Bristol and the rights to NBTXR3 to JNJ for \$25m. Moreover, LianBio's most mature asset is TP-03 in Demodox Blepharitis which failed to demonstrate a statistically significant trend for a cure in a phase 3 trial in 2H23. While LianBio still has 6 assets in their pipeline, we maintain that these assets are of limited value to investors, and don't expect the company to make meaningful distributions to shareholders from the sale of these assets following their upcoming dividend.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(5.71)	(1.02)	2.40	(1.35)	(1.70)
EPS Change (YoY)	50.7%	82.1%	NM	NM	-25.9%
Consensus EPS (Bloomberg)			0.78	(0.86)	(0.42)
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	2.0x	NM	NM
EV / EBITDA*	NM	NM	0.6x	NM	NM
Free Cash Flow Yield*	-31.8%	-19.5%	65.8%	-15.1%	-24.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

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Refer to important disclosures on page 5 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.

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14 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-3-9	-6-
Inv. Rating	UNDERPERFORM	NO RATING
Price Obj.	3.00	NA

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## Stock Data

Price	4.80 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	1.33 USD - 4.88 USD
Mrkt Val (mn) / Shares Out (mn)	519 USD / 108.1
Free Float	0%
Average Daily Value (mn)	2.01 USD
BofA Ticker / Exchange	LIAN / NAS
Bloomberg / Reuters	LIAN US / LIAN.OQ
ROE (2023E)	58.7%
Net Dbt to Eqty (Dec-2022A)	-27.0%
ESGMeter <sup>TM</sup>	NLA

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](#)".

# iQprofile<sup>SM</sup> LianBio

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-51.4%	-30.8%	50.0%	-24.1%	-34.1%
Return on Equity	-135.8%	-33.2%	58.7%	-26.2%	-38.4%
Operating Margin	NA	NA	63.7%	-356.0%	-503.5%
Free Cash Flow	(165)	(101)	341	(78)	(126)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	1.3x	NM	NM
Asset Replacement Ratio	1.8x	1.8x	1.5x	1.5x	1.5x
Tax Rate	NM	0.3%	NM	NM	NM
Net Debt-to-Equity Ratio	-58.9%	-27.0%	-67.7%	-71.0%	-74.0%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	0	0	375	50	53
% Change	NA	NA	NA	-86.7%	6.6%
Gross Profit	0	0	375	50	53
% Change	NA	NA	NA	-86.7%	6.6%
EBITDA	(195)	(124)	240	(176)	(265)
% Change	-44.7%	36.2%	NM	NM	-50.9%
Net Interest & Other Income	0	15	19	31	73
<b>Net Income (Adjusted)</b>	<b>(196)</b>	<b>(113)</b>	<b>258</b>	<b>(149)</b>	<b>(198)</b>
<b>% Change</b>	<b>-40.7%</b>	<b>42.5%</b>	<b>NM</b>	<b>NM</b>	<b>-32.6%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(196)	(110)	260	(147)	(195)
Depreciation & Amortization	1	1	1	2	3
Change in Working Capital	14	8	63	51	51
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	18	2	19	19	19
Capital Expenditure	(1)	(2)	(2)	(3)	(5)
<b>Free Cash Flow</b>	<b>-165</b>	<b>-101</b>	<b>341</b>	<b>-78</b>	<b>-126</b>
<b>% Change</b>	<b>-66.5%</b>	<b>38.7%</b>	<b>NM</b>	<b>NM</b>	<b>-61.6%</b>
Share / Issue Repurchase	313	2	11	99	99
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	228	79	396	394	353
Trade Receivables	0	0	0	0	0
Other Current Assets	171	234	309	365	412
Property, Plant & Equipment	2	3	4	5	7
Other Non-Current Assets	25	4	1	2	3
<b>Total Assets</b>	<b>426</b>	<b>320</b>	<b>710</b>	<b>766</b>	<b>776</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	15	24	113	189	267
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	24	3	13	22	31
<b>Total Liabilities</b>	<b>39</b>	<b>26</b>	<b>126</b>	<b>211</b>	<b>298</b>
<b>Total Equity</b>	<b>387</b>	<b>294</b>	<b>584</b>	<b>555</b>	<b>478</b>
<b>Total Equity &amp; Liabilities</b>	<b>426</b>	<b>320</b>	<b>710</b>	<b>766</b>	<b>776</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Biotechnology

## Company Description

LianBio is a clinical-stage biopharmaceutical company with a business model focused on in-licensing, developing and commercializing medicines for high unmet need indications in Greater China. Led by an experienced management team, LianBio has acquired and advanced 9 assets, spanning 5 therapeutic areas.

## Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Stock Data

Average Daily Volume 419,611

## Quarterly Earnings Estimates

	2022	2023
Q1	0.26A	-0.22A
Q2	-0.40A	-0.22A
Q3	-0.29A	-0.22E
Q4	-0.17A	-0.43E

## Price objective basis & risk

### LianBio (LIAN)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Analyst Certification

I, Geoff Meacham, 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
<b>BUY</b>				
	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
	Insmmed 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
	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
<b>NEUTRAL</b>				
	AbbVie	ABBV	ABBV US	Geoff Meacham



## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
<b>UNDERPERFORM</b>				
	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
<b>RSTR</b>				
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham

**iQmethod<sup>SM</sup> 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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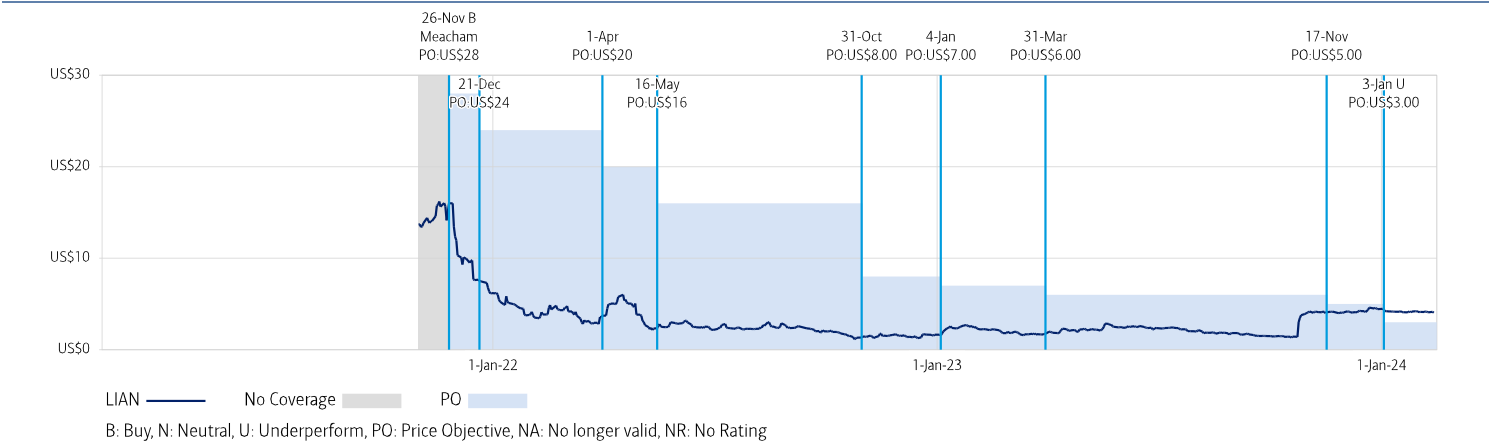
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LianBio (LIAN) Price Chart



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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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