

Biocryst Pharmaceuticals Inc

Current price continues to undervalue long-term Orladeyo opportunity; Reiterate Buy

Reiterate Rating: BUY | PO: 11.00 USD | Price: 5.72 USD

FY24 Orladeyo guidance of \$380-400mn

BCRX reported \$90.9mn in 4Q Orladeyo sales. Mgmt reiterated FY24 Orladeyo guidance of \$380-400mn (+17-23% y/y; ours: \$390mn; cons: \$390mn) as they continue to target \$800mn in Orladeyo US sales by 2029. Recall, the company's US growth expectation assumes a net annual patient add of ~200 (2023 US: 321 patient add), improvement in rate of pts on paid drug to 85% (2023 exit: 71.5%), 15-20% GtN, low-90s% compliance, and several modest price increases. On the call, the company noted Orladeyo's 1-yr retention rate continues to hover around the 60% range with minimal dropouts after 1-yr. In particular, the company highlighted recent AAAAI 2024 presentations depicting real-world long-term Orladeyo efficacy similar to currently available long-term prophylactic injectables. As such, while noting certain patients respond better than others, mgmt expects a general "therapy stickiness" to help provide market share protection as newer HAE therapies enter the space (e.g. PHVS, NTLA, IONS), which we agree with based on feedback from our KOLs. We plan to continue to poll our KOLs on potential competitor impact and maintain our view that our \$692mn peak sales number in 2029 does not require future outsized growth. We reiterate our Buy with \$11 PO given our continued view that the current stock price undervalues long-term Orladeyo opportunity.

BCX10013 POC data expected mid-2024

Mgmt commented they expect no changes to previously announced pipeline timelines and continues to expect BCX10013 data in mid-24. Recall, the company is first exploring BCX10013 in PNH and expects the upcoming readout to inform a go/no-go decision for the program. Additionally, the company expects to initiate a phase 1 study for BCX17725 (fusion protein KLK5 inhibitor) in Netherton syndrome later this year with POC data in 2026. Current timelines for the rest of the company's early-stage pipeline include: 1) conduct formulation and clinical work for avoralstat (ocular kallikrein inhibitor) ahead of beginning clinical trials in DME in 2025 (POC data in 2026), 2) select lead molecule for the oral C5 inhibitor program in gMG and other complement diseases in 2024 (POC data in 2027), 3) select lead molecule for oral C2 inhibitor program in autoimmune hemolytic anemias in 2025 (POC data in 2028), 4) select lead molecule for bifunctional complement inhibitor program in renal complement-mediated diseases in 2024 (POC data in 2027), and 5) submit sNDA for pediatric usage of Orladeyo in 2025.

Model changes

In our DCF-based model, we update for 4Q results, cash and share count. We also tweak our FY24 operating expense estimates according to company guidance.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.31)	(1.18)	(0.75)	(0.44)	(0.19)
EPS Change (YoY)	-27.2%	9.9%	36.4%	41.3%	56.8%
Consensus EPS (Bloomberg)			(0.71)	(0.27)	(0.05)
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	NM	NM	NM	128.6x	12.4x
Free Cash Flow Yield*	-13.9%	-14.4%	-7.9%	-2.4%	3.0%

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

26 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2026E Rev (m)	NA	554.6
2024E EPS	-0.68	-0.75
2025E EPS	-0.42	-0.44
2026E EPS	NA	-0.19

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Stock Data

Price	5.72 USD
Price Objective	11.00 USD
Date Established	6-Nov-2023
Investment Opinion	C-1-9
52-Week Range	4.83 USD - 9.20 USD
Mkt Val (mn) / Shares Out (mn)	1,172 USD / 204.8
Free Float	98.5%
Average Daily Value (mn)	16.24 USD
BofA Ticker / Exchange	BCRX / NAS
Bloomberg / Reuters	BCRX US / BCRX.OQ
ROE (2024E)	-34.9%
Net Dbt to Eqty (Dec-2023A)	-67.0%
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".

See page 3 for abbreviations

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Timestamp: 26 February 2024 02:40PM EST

iQprofileSM Biocryst Pharmaceuticals Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-27.8%	-17.7%	-7.7%	3.6%	12.2%
Return on Equity	NM	-354.6%	-34.9%	-18.6%	-7.2%
Operating Margin	-54.8%	-31.3%	-14.5%	1.1%	11.9%
Free Cash Flow	(163)	(169)	(93)	(28)	35

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.9x	0.9x	1.0x	1.2x	1.4x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	NM	-67.0%	-70.5%	-76.2%	-77.0%
Interest Cover	-1.5x	-0.9x	-0.5x	0x	0.5x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	271	331	395	483	555
% Change	72.3%	22.4%	19.3%	22.1%	14.9%
Gross Profit	264	327	372	454	521
% Change	76.3%	23.6%	13.7%	22.0%	14.9%
EBITDA	(147)	(102)	(56)	7	68
% Change	16.9%	30.4%	45.2%	NM	936.6%
Net Interest & Other Income	(96)	(94)	(98)	(103)	(108)
Net Income (Adjusted)	(244)	(227)	(156)	(98)	(43)
% Change	-32.8%	7.3%	31.1%	36.9%	56.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(244)	(197)	(156)	(98)	(42)
Depreciation & Amortization	1	1	1	1	1
Change in Working Capital	(59)	10	12	13	15
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	140	18	52	57	62
Capital Expenditure	(1)	(1)	(1)	(2)	(2)
Free Cash Flow	-163	-169	-93	-28	35
% Change	-12.9%	-3.6%	45.3%	69.3%	NM
Share / Issue Repurchase	15	1	151	151	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	305	311	361	473	496
Trade Receivables	0	0	0	0	0
Other Current Assets	212	218	225	233	241
Property, Plant & Equipment	9	10	11	13	15
Other Non-Current Assets	25	29	33	38	45
Total Assets	550	568	631	758	797
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	106	117	130	145	162
Long-Term Debt	739	29	29	29	29
Other Non-Current Liabilities	0	0	0	0	0
Total Liabilities	845	146	159	174	190
Total Equity	(295)	422	472	584	606
Total Equity & Liabilities	550	568	631	758	797

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

Company Sector

Biotechnology

Company Description

BioCryst is a biotechnology company with offices in Birmingham, Alabama, and Durham, North Carolina. The company was founded in 1986 and focuses on structure-based drug design. The company currently has two approved products: Rapivab (flu) and Orladeyo (HAE), and pipeline products: BCX9930 in complement-mediated diseases (PNH) and BCX9250 in Fibrodysplasia Ossificans Progressiva (FOP).

Investment Rationale

We rate BCRX shares Buy. BCRX has two approved products Rapivab and Orladeyo. Key driver Orladeyo in preventing HAE attacks provides a differentiated oral profile in the HAE landscape which is dominated by subQ and IV products. We believe Orladeyo could face competition but will be used in subset of patients based on its oral convenience. Upside to our valuation could come from pipeline including BCX10013 in complement-mediated diseases.

Stock Data

Average Daily Volume 2,838,718

Quarterly Earnings Estimates

	2023	2024
Q1	-0.28A	-0.26E
Q2	-0.40A	-0.32E
Q3	-0.19A	-0.16E
Q4	-0.31A	-0.14E

Abbreviations

AAAAI: American Academy of Allergy Asthma and Immunology

DME: diabetic macular edema

gMG: generalized myasthenia gravis

GtN; gross-to-net

HAE: hereditary angioedema

IONS: Ionis Pharmaceuticals; covered by Jason Gerberry

KLK5: kallikrein related peptidase 5

KOL: key opinion leader

Mgmt: management

NTLA: Intellia Therapeutics; covered by Greg Harrison

Ph: phase

PHVS: Phavaris; covered by Tazeen Ahmad

PNH: paroxysmal nocturnal hemoglobinuria

POC: proof-of-concept

Prophy: prophylaxis

Pts: patients

sNDA: supplementary New Drug Application

Price objective basis & risk

Biocryst Pharmaceuticals Inc (BCRX)

Our DCF-derived PO of \$11 is comprised of \$11/share for Orladeyo in preventing HAE attacks, pipeline/corporate expenses, and net cash. We assume a 9% WACC for Orladeyo and 14% WACC for pipeline expenses. We assume no terminal value.

Upside risks to our price objective are 1) Orladeyo uptake faster than we expect, 2) failure of competitor products in development for HAE, 3) increased government funding, and 4) positive outcome from BCX10013 in PNH, C3G and other complement-mediated diseases.

Downside risks to our price objective are 1) slower-than-expected Orladeyo market penetration, 2) high discontinuation rate of Orladeyo, 3) unexpected long term safety concerns, 4) stronger preference for competing products including Takhzyro, and 5) failure of pipeline products, such as BCX10013 in PNH.

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
	Ocular Therapeutix	OCUL	OCUL 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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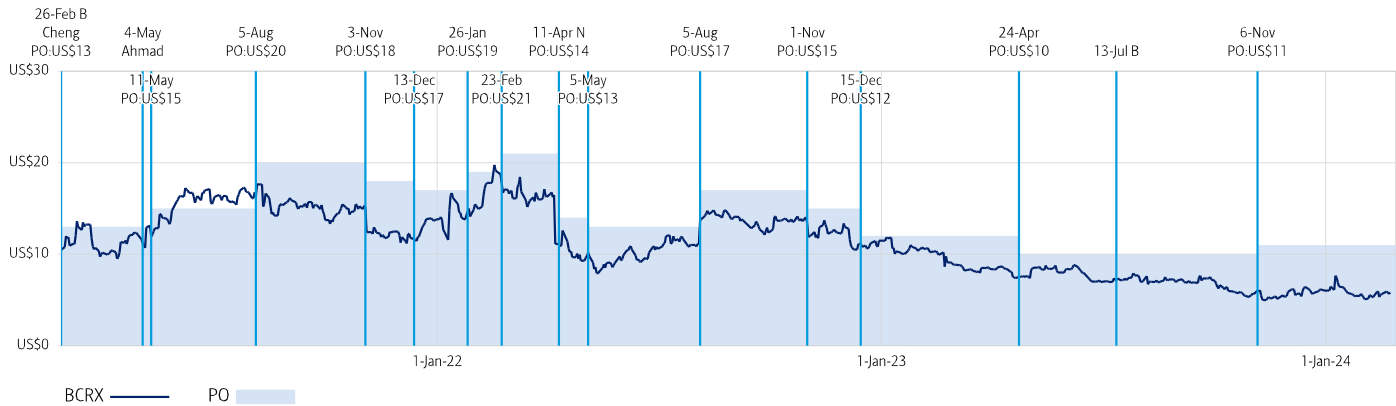
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Important Disclosures

Biocryst Pharma (BCRX) Price Chart



BCRX — PO

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%

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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%

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