

Kymera Therapeutics

Moving to Neutral on limited NT catalysts but a clear protein degrader leader

Rating Change: NEUTRAL | PO: 30.00 USD | Price: 25.35 USD

Clear platform differentiation but limited 2024 updates

We change our rating for KYMR to Neutral from Buy, as we see limited catalysts in the near term (NT) and look to pivot our focus to more actionable SMID biotechs in our coverage universe. Fundamentally, Kymera's targeted protein degradation (TPD) platform could be best-in-class with expanding opportunities in immunology and oncology, which differentiates the pipeline. That said, while we remain impressed with the pipeline de-risking thus far and with clear differentiation among TPD peers, 2024 looks likely to be more about validation of prior data versus many new data reveals. Hence, we move our recommendation to Neutral from Buy and our PO to \$30 from \$45, reflecting a modestly higher discount rate.

Developing immunology pipeline will take time to inflect

Starting with a virtual Immunology R&D Day (Jan 4), we expect to get more clarity on Kymera's priorities in its growing immunology pipeline. We thought partner Sanofi progressing KT-474 (IRAK4 degrader) to phase 2 clinical development provided early validation of the potential of protein degraders in immunology and were especially impressed with the higher potency of KT-474 compared to Pfizer's PF-06550833. However, we think any major new updates from the pipeline are a ways away.

Thoughts on KT-333 data and what's ahead

At ASH 2023 last year, Kymera presented a poster on KT-333, which included data from 29 patients (10 liquid tumor and 19 solid tumor patients) across five dose levels (DL1-5). While we thought the translational data were solid, the clinical data are still too early and results are challenging to interpret given the limited number of patients. That said, we think clinical benefit of 3/5 for cutaneous T-cell lymphoma (CTCL) stood out as most promising. For the next update, we look for data supportive of RP2D selection and details on solid tumor data. Separately, we also look for updates on the patient stratification and development strategy for KT-253 (MDM2 degrader).

Model Changes

While we think Kymera's cash position (\$435M as of 3Q23) is solid and should fund operations into 2026, including initial investments for strategic realignment, the longer time horizon and uncertainty about earlier stage assets give us pause on opex cost savings from discontinuing the KT-413 (IRAKiMID degrader) program. As such, we marginally increase our opex estimate and the discount rate on valuation to account for I&I pipeline assets. *See page 3 for definitions of abbreviations used in the report.*

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(2.09)	(2.87)	(2.90)	(3.35)	(3.45)
EPS Change (YoY)	33.7%	-37.3%	-1.0%	-15.5%	-3.0%
Consensus EPS (Bloomberg)			(2.54)	(3.30)	(3.16)
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-9.3%	-11.1%	-9.1%	-11.9%	-14.1%

* For full definitions of *IQmethod*SM measures, see page 6.

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Timestamp: 03 January 2024 06:00AM EST

03 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-1-9	C-2-9
Inv. Rating	BUY	NEUTRAL
Price Obj.	45.00	30.00
2025E Rev (m)	90.8	89.7
2024E EPS	-3.30	-3.35
2025E EPS	-3.40	-3.45

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Stock Data

Price	25.35 USD
Price Objective	30.00 USD
Date Established	3-Jan-2024
Investment Opinion	C-2-9
52-Week Range	9.60 USD - 39.85 USD
Mkt Val (mn) / Shares Out (mn)	1,407 USD / 55.5
Free Float	75.5%
Average Daily Value (mn)	23.58 USD
BofA Ticker / Exchange	KYMR / NAS
Bloomberg / Reuters	KYMR US / KYMR.OQ
ROE (2023E)	-36.4%
Net Dbt to Eqty (Dec-2022A)	-14.0%
ESGMeter™	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"](#).

iQprofileSM Kymera Therapeutics

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-20.3%	-26.6%	-30.1%	-38.7%	-42.0%
Return on Equity	-27.0%	-32.6%	-36.4%	-47.0%	-50.6%
Operating Margin	-138.0%	-344.4%	-354.9%	-401.2%	-292.5%
Free Cash Flow	(131)	(156)	(127)	(167)	(199)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.7x	1.0x	1.0x	1.0x	1.0x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-10.4%	-14.0%	-5.0%	-11.8%	-20.7%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	73	47	52	57	90
% Change	114.0%	-35.7%	10.0%	10.0%	58.3%
Gross Profit	73	47	52	57	84
% Change	114.0%	-35.7%	10.0%	10.0%	48.7%
EBITDA	(98)	(158)	(180)	(224)	(259)
% Change	-120.3%	-61.3%	-13.6%	-24.7%	-15.6%
Net Interest & Other Income	0	6	13	13	14
Net Income (Adjusted)	(100)	(155)	(170)	(214)	(249)
% Change	-83.4%	-54.5%	-9.5%	-26.2%	-16.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(100)	(155)	(170)	(214)	(249)
Depreciation & Amortization	2	3	3	3	3
Change in Working Capital	(62)	(38)	6	11	13
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	31	36	36	36	36
Capital Expenditure	(2)	(3)	(3)	(3)	(3)
Free Cash Flow	-131	-156	-127	-167	-199
% Change	NM	-19.4%	18.3%	-30.9%	-19.3%
Share / Issue Repurchase	248	153	75	200	250
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	48	68	22	55	106
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	403	351	353	355	359
Property, Plant & Equipment	12	13	13	13	13
Other Non-Current Assets	143	170	170	170	170
Total Assets	606	603	558	594	649
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	93	71	75	83	93
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	54	42	42	42	42
Total Liabilities	146	113	117	125	134
Total Equity	460	490	441	469	514
Total Equity & Liabilities	606	603	558	594	649

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Biotechnology

Company Description

Kymera Therapeutics is a preclinical-stage biotechnology company focused on the development of a new class of small molecule therapies using targeted protein degradation (TPD). The company is an early stage clinical biotech with 2 programs in clinical development. Kymera's pipeline includes: IRAK4 in immunology and STAT3 in oncology, both liquid/solid tumors, and immunology.

Investment Rationale

We like Kymera's story, as we see a positive risk/reward moving into this year's major data readout, and see an opportunity for increased momentum over the next few months. We'd argue that valuation from here will be driven almost entirely by increased probabilities of success for Kymera's lead programs (IRAK4 and STAT3).

Stock Data

Average Daily Volume

930,146

Quarterly Earnings Estimates

	2022	2023
Q1	-0.71A	-0.70A
Q2	-0.78A	-0.67A
Q3	-0.79A	-0.90A
Q4	-0.60A	-0.63E

Abbreviations:

ASH: American Society of Hematology

IRAKiMID: interleukin 1 receptor-associated kinase and immune-mediated inflammatory diseases

STAT3: signal transducer and activator of transcription 3

MDM2: murine double minute 2

DL: dose level

IRAK4: interleukin-1 receptor-associated kinase 4

RP2D: recommended phase 2 data

TPD: targeted protein degradation

Price objective basis & risk

Kymera Therapeutics (KYMR)

We use a sum of the parts NPV model to value Kymera shares based on our risk-adjusted revenue forecasts and estimated margin assumptions. Our \$30 price objective gives credit to the company's two lead programs, KT-474 and STAT3, through 2039 and uses an 15% WACC for both programs.

Downside risks to our PO are: 1) unanticipated safety concerns in initial clinical studies, 2) clinical trial failures / limited efficacy results given preclinical nature of current data, 3) greater than expected competitive threats, 4) delays in pipeline development timelines, and 5) financial risks due to cash availability.

Upside risks to our PO are: 1) positive initial data sooner than expected, 2) additional pipeline partnerships that help de-risk the TPD mechanism, 3) more rapid advancement through the clinic and thus earlier commercial launch timelines, and 4) positive clinical data from other TPD companies that help de-risk the technology.

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
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
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	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
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	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
	Revolution Medicines	RVMD	RVMD 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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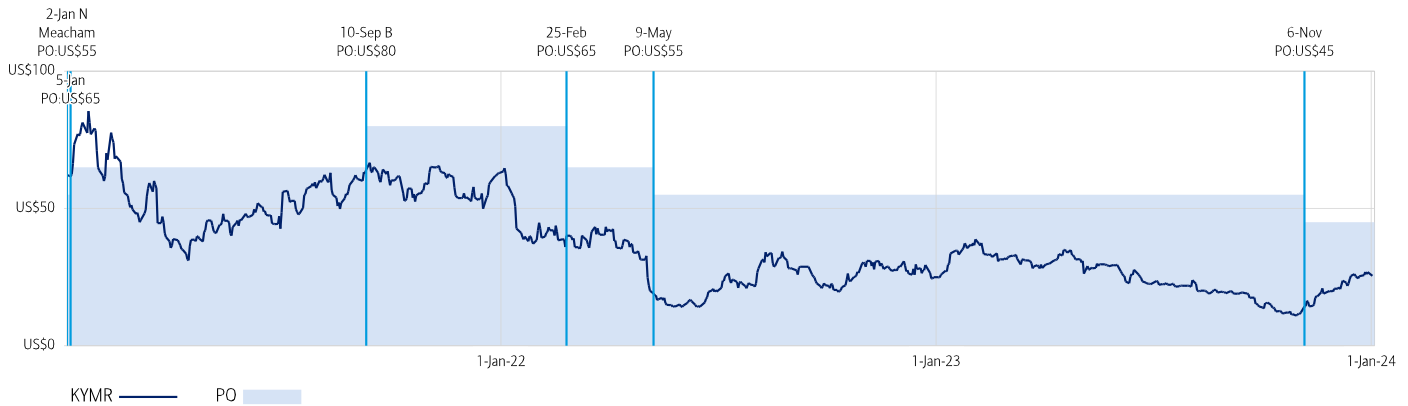
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Disclosures

Important Disclosures

Kymera Therapeutics (KYMR) 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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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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