

US Biopharmaceuticals

SMid Biotech 4Q23 model updates

Price Objective Change

Thoughts on 4Q23 SMid updates

We are adjusting our models for SMid Biotechs following 4Q earnings across our coverage. Notably, we highlight changes to Kymera (KYMR) below, where we reiterate our Neutral rating, raising our PO to \$45 from \$30. Separately, see pages 2-3 for additional SMid updates and our post-4Q views on CRSP, KNSA, and LYEL. Our ratings remain the same, though we detail estimate changes.

Reiterate Neutral on KYMR, raise PO to \$45

We noted that KYMR shares have been robust (YTD: +71%; +3% NBI) as broader market optimism on rate cuts has led to increasing risk tolerance and a renewed interest in funding innovation. As such, while we reiterate Neutral on KYMR due to expectations for a quieter 2024, we're raising our PO to \$45 (from \$30; +\$6/sh for added cash and +\$4/sh for platform value and +\$5/sh for assets) due in part to a marginal adjustments to discount rate as we think the cash infusion from the January equity offering partially de-risks development of the company's pipeline, and now recognize KT-294 and KT-621 in our valuation for platform value, which were recently introduced during the company's Immunology R&D Day.

Kymera: uneventful 4Q results, cash runway extended

Overall, Kymera reported largely uneventful 4Q results, ending 2023 with a net loss of \$2.52 per share. In-line with prior guidance, Kymera also recorded a milestone payment of \$40M (out of \$55M) from Sanofi for initiation of phase 2 studies of KT-474 for the treatment of hidradenitis suppurativa (HS) and atopic dermatitis (AD) with data expected in 1H25. The remaining \$15M will be recorded in 1Q24. Importantly, Kymera further extended its cash runway to 1H27 (from 1H26) with a cash balance of \$745M following an upsized equity offering in January leading to net proceeds of \$301M. While we view Kymera's financial position as solid, we would note that we expect OpEx to increase in the near-term, given investment needed to support the company's new immunology programs (see [our note on Kymera's Immunology R&D Day](#)).

2024 remains a quiet year for Kymera

Overall, we like the company's platform, but see few catalysts in 2024 and think additional strategic review is forthcoming as updates on key programs, KT-253 (MDM2 degrader) and KT-333 (STAT3 degrader) include completion of phase 1a proof-of-concept and an update on next development steps. Furthermore, on KT-294 (TYK2 degrader) and KT-621 (STAT6 degrader), we don't expect phase 1 data until 2025. A major focus on the 4Q call was on how the company plans to prioritize indications for its two new immunology assets, and based on disclosures to date, it remains unclear how Kymera plans to proceed, which we think remains an overhang on the program.

See pages 2-3 for additional SMid updates and our post-4Q views on CRSP, KNSA, and LYEL.

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Exhibit 1: BofA PO changes

Changes to our PO in this report

| Ticker | New PO | Old PO |
|--------|--------|--------|
| KYMR | \$45 | \$30 |

Source: BofA Global Research

BofA GLOBAL RESEARCH

See abbreviations beginning page 3.

CRISPR (CRSP): Reiterate Buy and \$100 PO

2023 was a historic year for CRISPR. Indeed, CRISPR and partner, Vertex, became the first to receive FDA approval of a CRISPR-based gene-editing therapy, with the approval of Casgevy for Sickle cell disease (SCD) and Transfusion-dependent beta-thalassemia (TDT; see [our thoughts on approval here](#)). While investors' have been focused on CRISPR + Vertex's commercialization strategy for Casgevy (we expect the launch to be slow given the burden of administration), CRISPR has continued to make progress developing its next-generation allogeneic CAR T candidates, CTX112 and CTX131. With novel potency edits (e.g., MHC I knockout (KO) + TGFBR2 KO), these assets could be best-in-class, in our view, but we await phase 1/2 results in B-cell malignancies and solid tumors, respectively, sometime in 2024, to get a better sense of the market potentials. Moreover, CRISPR will be initiating trials for CTX112 in Systemic lupus erythematosus (SLE) and CTX131 in heme malignancies in 1H24 which should provide further optionality for the programs. Turning to financials, CRISPR entered into an investment agreement for the sale of \$280M of its common shares at a 10% premium to its 30-day volume-weighted average price, expected in close on February 7th, which speaks to the institutional investors' confidence in CRISPR's platform, in our view. Given the sale + the \$200M milestone payment from Vertex following Casgevy's approval, CRISPR now has >\$2.1B in cash. Overall, we continue to see CRISPR as a dynamic story, and with substantial cash on hand to properly invest in its pipeline, it remains one of our favorite SMids. Reiterate Buy and our \$100 PO.

Kiniksa (KNSA): Maintain Buy and \$28 PO

Kiniksa shares are up +14% since the company reiterated their earnings pre-announcement from 1/04. (2023: \$233M; +90% y/y, BofA:\$266m, cons: \$232M) and set 2024 Arcalyst sales guidance at \$360 – \$380) and released mixed trial results for its KPL-404 candidate in arthritis. Accordingly, we are maintaining our 2024 revenue estimates to \$372M (cons: ~\$343M) as we continue to believe a meaningful opportunity exists for Arcalyst as the high unmet need in its target recurrent pericarditis population will drive adoption (currently low penetration rates) along with strong persistency rates for current patients. We continue to view Kiniksa as differentiated from SMID biotech peers, and at current levels, we think the risk/ reward profile remains attractive with an improving macro backdrop. Indeed, Kiniksa has a proven track record of re-investing into the business, while providing optionality for its earlier pipeline and retaining strategic attractiveness given the growth of Arcalyst and a path to profitability. We maintain Buy and our \$28 PO as Kiniksa continues to execute on both a commercial and pipeline perspective.

Lyel (LYEL): Maintain Buy and \$9 PO

Lyel shares are up +9% since the company's 4Q earnings announcement and are up +17% YTD on renewed investor confidence in the company's platform. Management shared that they expect to submit an IND for second generation ROR1-targeted CAR T-cell product in the first half of 2024 in their 4Q23 release. As a reminder, the company's platform offers the ability to overcome T cell exhaustion and the inability to self-renew, which could in turn drive deeper and more durable tumor responses. Management noted that the LYL797 (ROR1-targeted CAR-T therapy) phase 1 study is on track with data expected in 2024. Looking into 2024, management is committed to focusing on clinical execution with phase 1 data for LYL797 and LYL845 (a Tumor-infiltrating lymphocytes (TIL) product candidate) likely in 2024. To be fair, the faster Lyel can advance the clinical studies, the more likely we think the Street will focus on the differentiation of its CAR-T and TIL technologies in solid tumors. In our view, initial data in 2024 from LYL845 and/ or LYL797 could be viewed as positive clinical progress. Regardless, we continue to like Lyel's story given its differentiated technology platform that targets multiple solid tumors with robust preclinical data. At the end of 4Q23, the company had \$563M of cash and cash equivalents, sufficient to fund the operation into 2027 and

support proof-of-concept clinical readouts of multiple product candidates. We maintain our Buy rating and \$9 PO.

Exhibit 2: BofA EPS Estimate Changes

We summarize our updated EPS numbers with this report

| Company | Ticker | Rating | Updated earnings | | Previous earnings | | Changes to our model |
|---------|--------|---------|------------------|---------|-------------------|---------|--|
| | | | 2024e | 2025e | 2024e | 2025e | |
| Kymera | KYMR | Neutral | -\$3.00 | -\$3.30 | -3.35 | -3.45 | Updated OpEx to include new immunology programs |
| CRISPR | CRSP | Buy | -\$6.45 | -\$5.45 | -\$6.55 | -\$5.15 | Updated OpEx to reflect commercialization dynamics |

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: Stocks mentioned

Prices and ratings for stocks mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price | Rating |
|-------------|------------------|-----------------------------|------------|--------|
| KYMR | KYMR US | Kymera Therapeutics | US\$ 43.50 | C-2-9 |
| CRSP | CRSP US | CRSP R Therapeutics | US\$ 83.75 | C-1-9 |
| KNSA | KNSA US | Kiniksa Pharmaceuticals Ltd | US\$ 21.74 | C-1-9 |
| LYEL | LYEL US | Lyell Immunopharma | US \$3.07 | C-1-9 |

Source: BofA Global Research

BofA GLOBAL RESEARCH

Abbreviations:

- FDA: Food and Drug Administration
- CRL: complete response letter
- HIP: hypimmune
- STAT: signal transducer and activator of transcription
- MDM2: murine double minute 2
- TYK2: tyrosine kinase 2
- CAR-T: chimeric antigen receptor T cell
- IND: investigational new drug
- ALL: Adult acute lymphoblastic leukemia
- CLL: Chronic lymphocytic leukemia
- 1L: first-line
- HBV: hepatitis B
- NSCLC: Non-Small Cell Lung Cancer
- ROR1: Gene Encoder
- T1D: Type 1 Diabetes
- TIL: Tumor-infiltrating lymphocyte



Price objective basis & risk

CRISPR Therapeutics (CRSP)

Our \$100 price objective for CRISPR Therapeutics is based on a probability adjusted (35-100%) net present value (NPV) sum-of-the-parts analysis of its four primary programs under development. We use a weighted-average cost of capital (WACC) of 10%, similar to other early-stage companies in our coverage universe, and a 2% terminal growth rate given the long patent life (2033 at earliest) and difficulty of replication. Given these assumptions, our \$100 PO includes \$38/share for Casgevy, \$4/share for CTX112, \$2/share for CTX121, \$5/share for CTX131, \$26/share in net cash, and \$25/share for the technology platform.

Downside risks: 1) failure of early clinical trials, 2) dangerous safety signals, 3) superior competitor data, and 4) soft market uptake.

Kiniksa Pharmaceuticals, Ltd. (KNSA)

We use a sum of the parts NPV model to value Kiniksa shares based on our risk adjusted revenue forecasts and estimated margin assumptions. Our \$28 price objective is based on a sum-of-the parts NPV analysis, forecasting sales of rilonacept out to 2030 using a WACC of 8%, respectively and a terminal value of -7.5%. Under our assumptions, we value rilonacept at \$25/share, the pipeline at \$0/share and net cash of approximately \$3/share.

Upside risks to our PO are 1) stronger-than-expected phase 3/ phase 2 POC data, 2) upside to rilonacept launch expectations, and 3) rapid progression of KPL-404 and mavrilimumab development.

Downside risks to our PO are 1) clinical trial failures, 2) greater-than-expected competitive threats, 3) delays in product approvals or pipeline developments, 4) unanticipated safety concerns, and 5) financial risks due to available cash.

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 \$45 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. It also includes \$11/sh in cash and \$5/sh for platform value.

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.

Lyell Immunopharma (LYEL)

Our \$9 PO is based on a probability-adjusted NPV of Lyell's pipeline, including LYL797 in NSCLC and TNBC, LYL845 in melanoma, head and neck cancer, and colorectal cancer, and earlier stage pipeline assets. We apply a 13-16% WACC in-line with similar preclinical stage biotechs (we project revenues through 2035). We also include \$3/share

from Lyell's cash position.

Downside risks to our PO are 1) clinical trial failures, 2) better-than-expected data from competitors, 3) dilution from cash raises

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 |
| | 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 | 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 |
| | 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 |

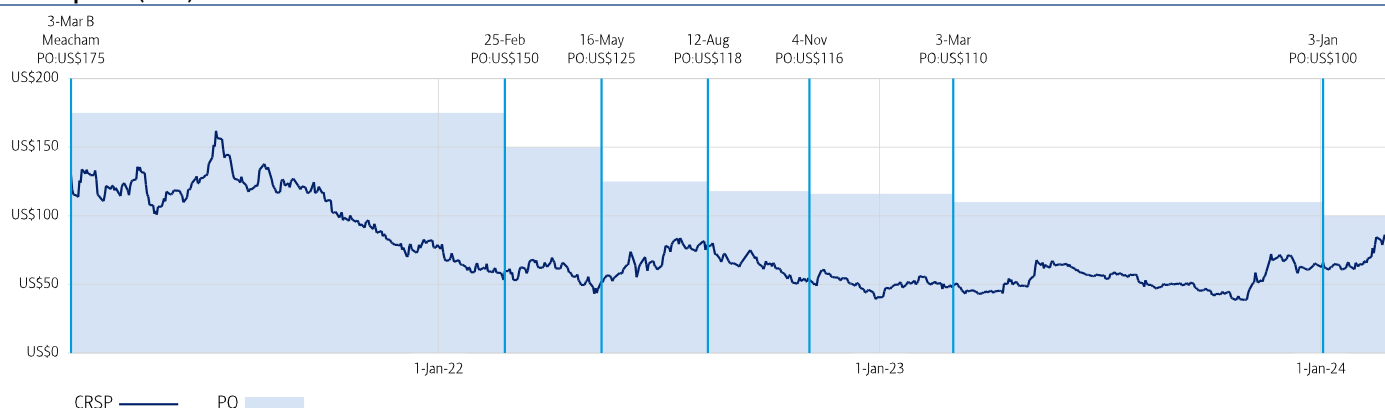
US - Biopharmaceuticals Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------------------|-------------|------------------|--------------------|
| | 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 |

Disclosures

Important Disclosures

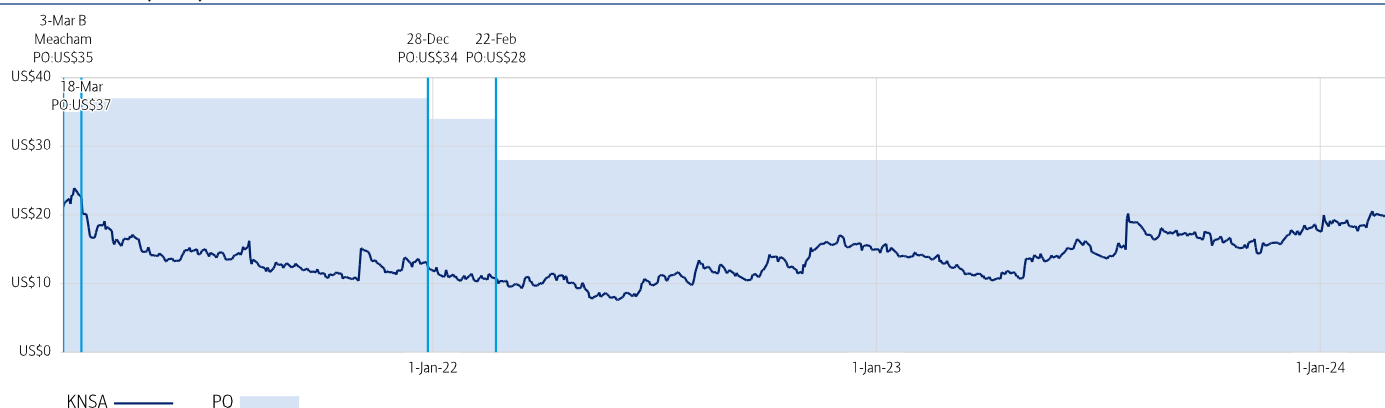
CRISPR Therapeutics (CRSP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

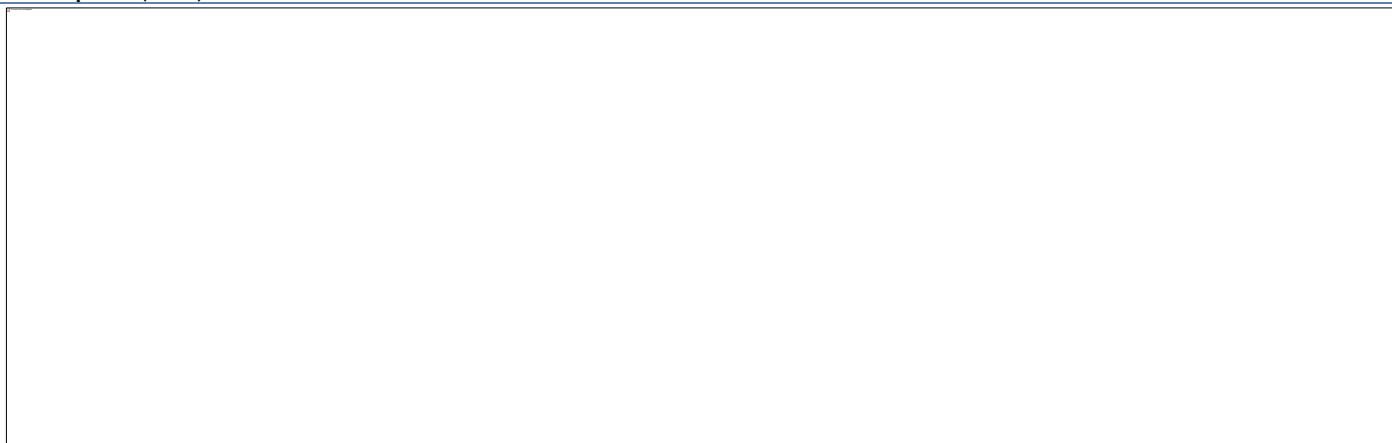
The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey 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.

Kiniksa Pharmaceutic (KNSA) Price Chart

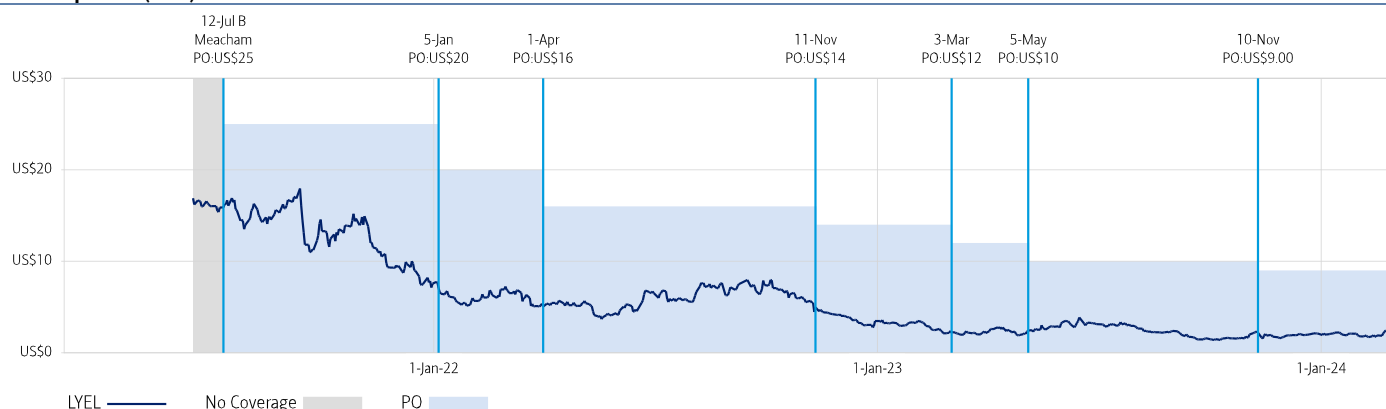


B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Kymera Therapeutics (KYMR) Price Chart

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Lyell Immunopharma (LYEL) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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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| 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% |

^{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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