

Neurocrine Biosciences

NBIX highlights continued growth of Ingrezza and focus on CAH launch prep

Reiterate Rating: BUY | PO: 154.00 USD | Price: 139.23 USD

FY24 Ingrezza guidance of \$2.1-2.2bn

NBIX reported FY23 Ingrezza revenues of \$1.84bn (+29% y/y) in-line with prior guidance. The company also provided FY24 Ingrezza revenue guidance of \$2.1-2.2bn. Mgmt expects growth will be primarily driven by new patient starts in tardive dyskinesia (TD) and expect continued growth in all three segments (psychiatric, neurology and long-term care). They noted ~2/3 of TD patients remain undiagnosed representing significant room for growth. Mgmt also commented the launch of Ingrezza in chorea associated with Huntington's is underway but noted they expect this will be a minor contributor to Ingrezza revenues. Mgmt highlighted only 20% of chorea patients are treated with Austedo noting issues with dosing and out-of-pocket cost as drivers of limited uptake. They think Ingrezza's more convenient dosing and low out-of-pocket cost could help drive uptake in this space. We are encouraged by the continued growth of Ingrezza and near-term potential to grow the commercial portfolio with crinicerfont.

NDA submission for crinicerfont in CAH expected in 2Q

On crinicerfont, mgmt commented the NDA submission for CAH in adult and pediatric patients is expected in 2Q. they highlighted that focus in 2024 will be on building the commercial infrastructure to prepare for the launch in 2025. The company noted launch preparation will focus on educating the patient and physician community on the potential benefit of crinicerfont given this will be the first new treatment available in over 60 years. We think crinicerfont represents an attractive commercial opportunity given the high unmet need in this space and will look for additional color on the progress in preparation for the launch as NBIX works on building this market and the regulatory review process. We model risk-adjusted peak sales of \$633mn for crinicerfont in CAH.

'568 (M4 agonist) phase 2 data in schizophrenia in 2H

Mgmt also highlighted the muscarinic portfolio including the ph 2 readout of NBI-1117568 (M4 agonist) in schizophrenia in 2H. The company noted this is a dose finding study and they will focus on the effect size and potential competitive profile with other M4 agonists. Additional key catalysts include in 2024: 1) topline ph 2 data for NBI-1065845 in inadequate response in MDD (1H), 2) topline ph 2 data for Efmody in CAH and adrenal insufficiency (1H), 3) topline ph 2 data for luvadaxistat in cognitive impairment in AD and 4) initiating a ph 2 study for NBI-1117567 in MDD. In our DCF-based model, we update for 4Q results and adjust our Ingrezza and op ex estimates in-line with company guidance. We now model \$2.15bn in Ingrezza revenues in 2024. We reiterate Buy & \$154 PO, consisting of \$125/share for Ingrezza for tardive dyskinesia, \$6/share for chorea and \$6/share for CAH (prior \$124/share, \$6/share, \$8/share respectively).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.56	2.47	5.72	8.51	10.51
EPS Change (YoY)	69.6%	58.3%	131.6%	48.8%	23.5%
Consensus EPS (Bloomberg)			6.00	7.82	9.60
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	91.6x	57.9x	25.0x	16.8x	13.6x
EV / EBITDA*	53.9x	53.2x	24.5x	16.6x	13.5x
Free Cash Flow Yield*	2.4%	1.5%	5.0%	7.1%	9.0%

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

07 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,089.6	2,187.3
2025E Rev (m)	2,371.8	2,524.2
2026E Rev (m)	NA	2,800.1
2024E EPS	3.99	5.72
2025E EPS	4.72	8.51
2026E EPS	NA	10.51

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Stock Data

Price	139.23 USD
Price Objective	154.00 USD
Date Established	10-Jan-2024
Investment Opinion	B-1-9
52-Week Range	89.04 USD - 143.35 USD
Mkt Val (mn) / Shares Out (mn)	13,680 USD / 98.3
Free Float	98.6%
Average Daily Value (mn)	105.83 USD
BofA Ticker / Exchange	NBIX / NAS
Bloomberg / Reuters	NBIX US / NBIX.OQ
ROE (2024E)	23.1%
Net Dbt to Eqty (Dec-2023A)	-19.0%
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 inside for abbreviations

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Timestamp: 07 February 2024 11:23AM EST

iQprofileSM Neurocrine Biosciences

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.8%	9.2%	18.5%	21.3%	19.7%
Return on Equity	10.0%	13.0%	23.1%	25.7%	24.1%
Operating Margin	16.7%	13.3%	25.8%	33.3%	36.9%
Free Cash Flow	339	206	708	998	1,268

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.2x	0.8x	1.2x	1.1x	1.1x
Asset Replacement Ratio	0x	0x	0x	0x	0x
Tax Rate	27.8%	24.8%	13.5%	10.2%	9.0%
Net Debt-to-Equity Ratio	-15.4%	-19.0%	-36.2%	-49.4%	-59.6%
Interest Cover	35.1x	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,489	1,887	2,187	2,524	2,800
% Change	31.3%	26.8%	15.9%	15.4%	10.9%
Gross Profit	1,466	1,847	2,145	2,501	2,775
% Change	30.9%	26.1%	16.1%	16.6%	11.0%
EBITDA	266	269	585	863	1,059
% Change	103.4%	1.3%	117.0%	47.6%	22.8%
Net Interest & Other Income	(35)	81	107	140	183
Net Income (Adjusted)	155	250	580	881	1,108
% Change	72.4%	61.6%	132.4%	51.8%	25.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	155	250	580	881	1,108
Depreciation & Amortization	17	18	20	22	25
Change in Working Capital	(67)	(237)	(67)	(88)	(57)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	236	175	175	184	193
Capital Expenditure	0	0	0	0	0
Free Cash Flow	339	206	708	998	1,268
% Change	32.3%	-39.4%	244.3%	41.0%	27.0%
Share / Issue Repurchase	45	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(279)	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	263	406	1,045	1,953	3,131
Trade Receivables	350	259	300	346	391
Other Current Assets	841	946	1,023	1,104	1,178
Property, Plant & Equipment	59	53	53	71	86
Other Non-Current Assets	857	857	857	857	857
Total Assets	2,369	2,521	3,277	4,330	5,644
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	538	264	265	253	266
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	123	123	123	123	123
Total Liabilities	661	388	388	376	389
Total Equity	1,708	2,133	2,889	3,953	5,254
Total Equity & Liabilities	2,369	2,521	3,277	4,330	5,644

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

Company Sector

Biotechnology

Company Description

Neurocrine Biosciences (NBIX) is a biopharma company focused on developing and commercializing therapies for neurological and endocrine disorders. The company's lead asset is Ingrezza, approved for the treatment of tardive dyskinesia and chorea in Huntington's disease. NBIX receives economics on its out-licensed product Orilissa and Oriahnn, and is commercializing Ongentys for Parkinson's disease. NBIX is also developing several pipeline programs in CAH, epilepsy and psychiatric disorders.

Investment Rationale

We rate NBIX shares Buy. We believe NBIX's lead asset, Ingrezza, will address the current unmet needs in the treatment of tardive dyskinesia, chorea in Huntington's disease and classical CAH. In addition, we like the relative diversity and durability of NBIX's potential revenue streams. We believe the company is well-positioned to deliver shareholder value over time given Ingrezza's growth potential and a stream of upcoming catalysts for the pipeline.

Stock Data

Average Daily Volume 760,098

Quarterly Earnings Estimates

	2023	2024
Q1	-0.79A	1.77E
Q2	0.95A	1.67E
Q3	0.82A	0.88E
Q4	1.44A	1.40E

Abbreviations

AD: Alzheimer's disease

CAH: congenital adrenal hyperplasia

MDD: Major depressive disorder

Mgmt: management

M4: Muscarinic acetylcholine receptor 4

NBIX: Neurocrine

NDA: New drug application

ph: phase

Price objective basis & risk

Neurocrine Biosciences (NBIX)

Our DCF-derived PO of \$154 consists of \$125/share for Ingrezza for tardive dyskinesia, \$6/share for chorea and \$6/share for CAH. Royalties from Orilissa for endometriosis and Oriahnn for uterine fibroids represent another \$3/share. The rest of the valuation is attributed to cash, corporate expense and pipeline assets. We use a 9% weighted-average cost of capital (WACC) for commercial assets and assume no terminal value, consistent with other companies under coverage that have commercial products, and 13% WACC for pipeline.

Downside risks to our price objective and estimates are Ingrezza not approved for chorea in Huntington's patients, pipeline setbacks, higher-than-expected operating expenses, greater-than-expected competition from other drugs, earlier-than-expected generic competition to NBIX's products, potential for future dilutive cash raises, potential for the US drug pricing environment to worsen and any unexpected management changes.

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				
	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
	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
RSTR				
	4D Molecular Therapeutics, Inc.	FDMT	FDMT 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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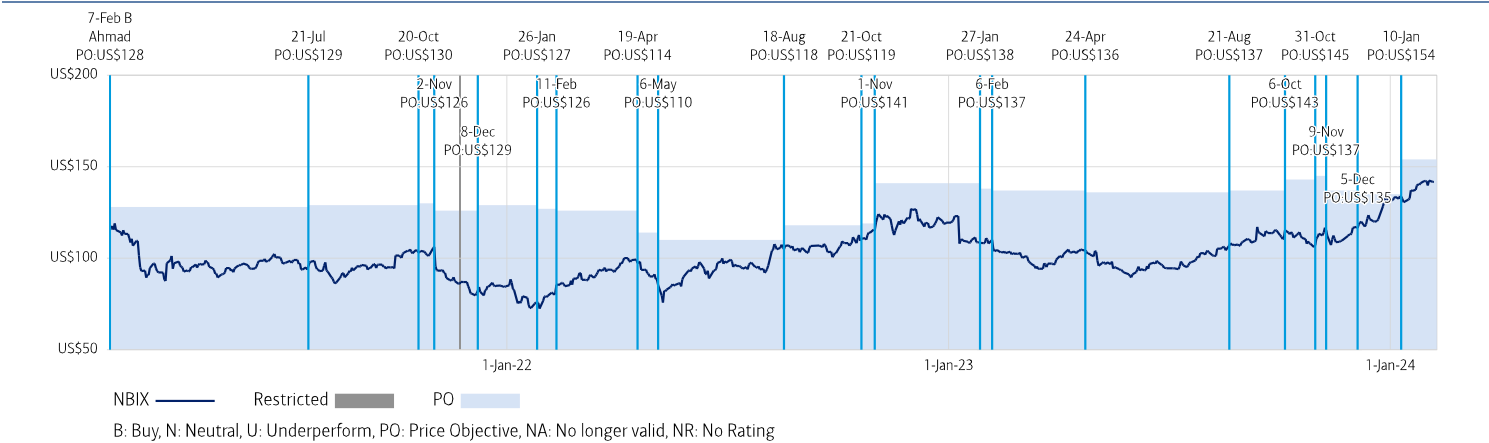
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Neurocrine (NBIX) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{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%

^{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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