

Sarepta Therapeutics

Partner Roche plans to submit EMBARK data to EMA; Maintain Buy

Maintain Rating: BUY | PO: 164.00 USD | Price: 120.30 USD

Roche's comments reinforce confidence in Elevidys

Roche (covered by Sachin Jain/Graham Parry), indicated today that they are planning to share the phase 3 data from EMBARK with the European Medicines Agency (EMA) in 2024. Recall, Roche entered into a collaboration agreement with Sarepta (SRPT) to develop, manufacture and commercialize SRP-9001 (Elevidys) ex-US in 2019. Roche highlighted that despite EMBARK missing the primary endpoint of North Star Ambulatory Assessment (NSAA), there is evidence of clinical benefit based on the positive results seen across different timed functional endpoints. Roche also highlighted development of Elevidys continues with the ongoing phase 3 ENVISION trial evaluating Elevidys in older ambulatory Duchenne muscular dystrophy (DMD) patients and non-ambulatory patients as well as the phase 2 ENVOL trial evaluating Elevidys in 0–3-year-old DMD patients. Roche is planning to discuss the full dataset at a Neurology Day (March 11) after a presentation at the Muscular Dystrophy Association (MDA, March 3–6). We are encouraged by these comments from Roche indicating a submission for Elevidys in EU and other regions is expected given this had been a point of discussion following the EMBARK readout. We think this reinforces confidence in the potential to secure regulatory approvals based on the results of EMBARK and the totality of data available for Elevidys. We remain focused on the outcome of the label expansion application for Elevidys in the US with a regulatory decision expected by August. We reiterate our view that a label expansion is likely and think that a broad label inclusive of all DMD patients would represent upside to our current estimates. We reiterate SRPT as one of our 2024 top picks. We maintain our Buy rating with \$164 PO.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(5.15)	(8.03)	(7.58)	0.67	13.37
EPS Change (YoY)	27.6%	-55.9%	5.6%	NM	NM
Consensus EPS (Bloomberg)			(1.20)	6.00	10.00
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	NM	179.6x	9.0x
EV / EBITDA*	NM	NM	NM	86.1x	9.5x
Free Cash Flow Yield*	-4.3%	-3.2%	-3.7%	3.0%	13.6%

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

01 February 2024

Equity

Tazeen Ahmad
Research Analyst
BofAS
+1 646 855 4236
tazeen.ahmad@bofa.com

Daniel Giraldo
Research Analyst
BofAS
+1 646 855 0993
daniel.giraldoperez@bofa.com

Jeremiah Lorentz
Research Analyst
BofAS
+1 616 743 2514
jeremiah.lorentz@bofa.com

Stock Data

Price	120.30 USD
Price Objective	164.00 USD
Date Established	30-Oct-2023
Investment Opinion	C-1-9
52-Week Range	55.25 USD - 159.89 USD
Mrkt Val (mn) / Shares Out (mn)	11,254 USD / 93.5
Free Float	95.6%
Average Daily Value (mn)	158.23 USD
BofA Ticker / Exchange	SRPT / NAS
Bloomberg / Reuters	SRPT US / SRPT.OQ
ROE (2023E)	-350.9%
Net Dbt to Eqty (Dec-2022A)	150.0%
ESGMeter™	Medium

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Timestamp: 01 February 2024 10:03AM EST

iQprofileSM Sarepta Therapeutics

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-15.7%	-18.5%	-13.1%	3.8%	35.0%
Return on Equity	-49.6%	-107.2%	-350.9%	32.8%	106.8%
Operating Margin	-65.5%	-57.5%	-27.2%	5.4%	42.6%
Free Cash Flow	(482)	(356)	(421)	334	1,536

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	6.1x	1.3x
Asset Replacement Ratio	1.0x	0.7x	0.7x	0.7x	0.7x
Tax Rate	0%	NM	NM	0.8%	0%
Net Debt-to-Equity Ratio	-109.8%	150.0%	NM	137.9%	-44.5%
Interest Cover	-6.7x	-15.3x	-9.6x	2.7x	36.4x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	702	933	1,234	1,792	2,999
% Change	30.0%	32.9%	32.3%	45.2%	67.3%
Gross Profit	605	793	1,078	1,611	2,723
% Change	26.9%	31.1%	35.9%	49.5%	69.0%
EBITDA	(422)	(494)	(290)	147	1,332
% Change	21.8%	-17.2%	41.3%	NM	806.8%
Net Interest & Other Income	41	(154)	(320)	(35)	(35)
Net Income (Adjusted)	(419)	(703)	(673)	61	1,241
% Change	24.4%	-68.0%	4.4%	NM	NM

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(419)	(703)	(673)	61	1,241
Depreciation & Amortization	38	42	46	51	56
Change in Working Capital	(98)	(39)	(16)	(22)	(30)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	36	376	256	282	310
Capital Expenditure	(38)	(31)	(34)	(37)	(41)
Free Cash Flow	-482	-356	-421	334	1,536
% Change	NM	26.1%	-18.1%	NM	360.2%
Share / Issue Repurchase	549	0	0	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Change in Debt	0	202	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,116	967	738	1,032	2,413
Trade Receivables	153	215	258	309	371
Other Current Assets	335	1,376	1,250	1,358	1,586
Property, Plant & Equipment	191	180	168	155	140
Other Non-Current Assets	353	390	390	390	390
Total Assets	3,148	3,128	2,804	3,245	4,900
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	453	620	682	750	825
Long-Term Debt	1,097	1,544	1,544	1,544	1,544
Other Non-Current Liabilities	670	580	580	580	580
Total Liabilities	2,220	2,743	2,805	2,874	2,949
Total Equity	928	385	(1)	371	1,952
Total Equity & Liabilities	3,148	3,128	2,804	3,245	4,900

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

Company Sector

Biotechnology

Company Description

Sarepta (SRPT) is a biopharmaceuticals company developing exon-skipping therapeutics and gene therapy for the treatment of Duchenne muscular dystrophy (DMD) and Limb Girdle muscular dystrophy (LGMD). The company's approved assets include Exondys, approved for DMD amenable to exon 51 skipping, Vyondys, approved for DMD amenable to exon 53 skipping, and Amondys, approved for DMD amenable to exon 45 skipping. SRPT also has a next-gen PPMO platform and gene therapy programs in DMD and LGMD.

Investment Rationale

We rate SRPT shares Buy. We believe SRPT's assets address the current under-met need in the treatment of rare muscular dystrophies. The exon skipping assets, in our view, should continue to provide floor valuation and generate sustained revenue streams. We believe the company is well positioned to drive upside potential and deliver shareholder value over time given existing assets and strategic partnerships in gene therapy programs with Nationwide, Lacerta, and Lysogene.

Stock Data

Average Daily Volume 1,315,267

Quarterly Earnings Estimates

	2022	2023
Q1	-1.20A	-5.85A
Q2	-2.65A	-0.27A
Q3	-2.94A	-0.46A
Q4	-1.24A	-1.03E



Price objective basis & risk

Sarepta Therapeutics (SRPT)

Our \$164 PO is based on a probability-adjusted net present value (NPV) analysis that includes \$17/share for Exondys, \$8/share for Vyondys, \$22/share for Amondys, \$78/share for micro-dystrophin gene therapy, \$38/share for LGMD assets. The remainder of our valuation comes from pipeline and cash. Our discounted cash flow (DCF) analysis assumes sales out to 2035, with weighted average cost of capital (WACC) of 9-13%.

Upside risks to our PO are 1) better-than-expected market uptake from its exon skipping assets, 2) SRP-9001 US label expansion, and 3) EU approval of SRP-9001 and other assets.

Downside risks to our PO are 1) failure and delay in approval for exon skipping assets, 2) unexpected safety or durability findings in gene therapy programs, 3) other micro dystrophin competitors, and 4) higher-than-expected royalty payments.

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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
	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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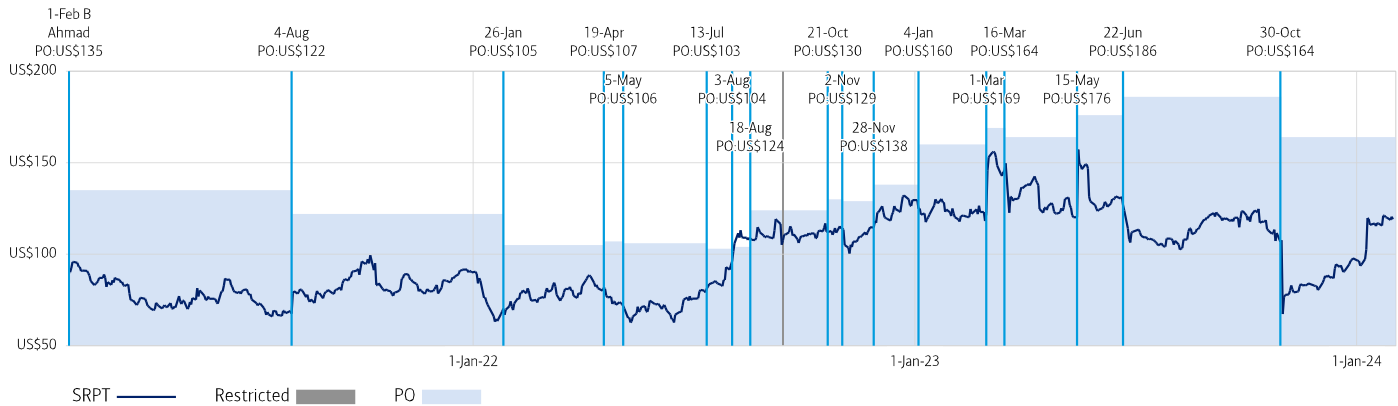
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Sarepta (SRPT) Price Chart



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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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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