

Insmed Incorporated Stock Pitch

Matthew Trudell

Company Overview

Insmed Incorporated is a biopharmaceutical company out of Bridgewater, New Jersey that specializes in the development and commercialization of therapies and cures for rare and serious diseases. Their key product is called ARIKAYCE and is the only FDA-approved medication that can treat refractory Mycobacterium avium complex (MAC) lung disease. The product is representative of a significant advancement in respiratory care and a commitment by Insmed Incorporated to continue to achieve groundbreaking discoveries in the medical field. Some of Insmed's other products that are in the works include Brensocatib for bronchiectasis and Treprostinil Palmitil for pulmonary arterial hypertension, both products targeting the market of diseases and conditions that do not yet have a cure. By targeting a relatively untapped market, Insmed has opened more doors within the biopharmaceutical industry, making a name for itself as an attractive investment opportunity.

Business Model:

Insmed's business model creates revenue through developing and selling specialized treatments that target rare diseases. As of right now, the sales of their approved ARIKAYCE drug is funding their investment into the aforementioned Brensocatib and Treprostinil Palmitil drugs. Insmed's goal is to have as many of their products as possible hit the market to optimize their profits and quickly scale their business. The future of Insmed's business model rests upon continuing to target rare diseases and address unmet medical needs.

Products/Services:

1. ARIKAYCE: Treats refractory Mycobacterium avium complex (MAC) lung disease.
2. Brensocatib: Currently in Phase 3 FDA trials for non-cystic fibrosis bronchiectasis
3. Treprostinil Palmitil (TPIP): In Phase 2 FDA trials for pulmonary arterial hypertension.

Market Position:

Insmed Incorporated is the leader of the niche (but growing) market of rare lung disease treatment, as ARIKAYCE is the only FDA-approved treatment for MAC lung disease. The only large companies that are rivaling Insmed in the creation of rare disease treatments are Vertex Pharmaceuticals, who compete in cystic fibrosis treatments, and Gilead Sciences, who focus on viral and liver diseases. Although both companies are not directly intertwined with what Insmed is currently working on, they could pose an obstacle in the future.

Industry Analysis:

The biopharmaceutical/biotechnology sector, for rare diseases in particular, has seen a lot of growth in market size. The success and achievements in medical research by companies like Insmed Incorporated is a large reason why many companies are trying to break into the niche

field. With the rare disease treatment market expanding, Insmmed Incorporated is being offered large growth opportunities.

These large growth opportunities include regulatory support, from legislation like the Orphan Drug Act in the United States, which offers extended market exclusivity and tax credits to companies who are actively researching and developing new drugs. The rare disease market compound annual growth rate (CAGR) is projected to expand by 11.5% and reach \$243 billion by the end of 2024, as it is driven by steadily rising diagnosis rates and more widespread access to healthcare across the world. With there also being numerous technological advancements regarding genomics and precision medicine, Insmmed can pursue the development of targeted therapies in partnership with other large pharmaceutical companies which will lead to a greater world market expansion.

Financial Analysis:

Metric	2023	2024 (Q1)
Revenue	\$305.2 M	\$75.5M
Net Loss	\$749.6 M	\$157.1M
R&D Expenses	\$571M	\$150.8M

Even though the company's net losses are larger than its net revenue, its other two products that are soon to reach the market will result in a large revenue growth—surpassing the amount of money that they are putting into the research and development of new treatments. Since Insmmed is a leader in the rare disease treatment industry, its stock price will rise as a result of owning the sole treatments for certain diseases.

The highest earner of revenue is Insmmed's ARIKAYCE drug which had net sales of \$224.2 million in the U.S., \$65.7 million in Japan, and \$15.3 million in Europe and other regions in 2023.

Forecast/Prediction:

Insmmed's revenue is expected to reach \$340-\$360 million in 2024 as a whole, increasing from the \$305.2 million that it made last year. Again, after finishing paying the initial investors within the company, Insmmed will start to see their profits soar and the amount of money invested into research and development increase as well. 2024 earnings are expected to have near-term losses with a high potential for future profitability within 3-5 years.

Valuation:

The valuation of Insméd Incorporated per share is \$25.30 based on Enterprise Value and the number of outstanding shares. This was calculated from the EV being \$3.616 billion and the number of outstanding shares being 142.9 million. $\$3,616,000,000 / 142,900,000 = \25.30
The market cap of Insméd Incorporated is \$13,475,227,937 right now. Across 172,781,484 shares, each share of Insméd is worth \$77.99, showing a 158.67% gain from the end of 2023 when the market cap was only \$5,209,361,742.

Insméd Incorporated (INSM)

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75.99 -0.29 (-0.38%) **76.00** +0.01 (+0.01%)

At close: 4:00 PM EDT

After hours: 7:57 PM EDT

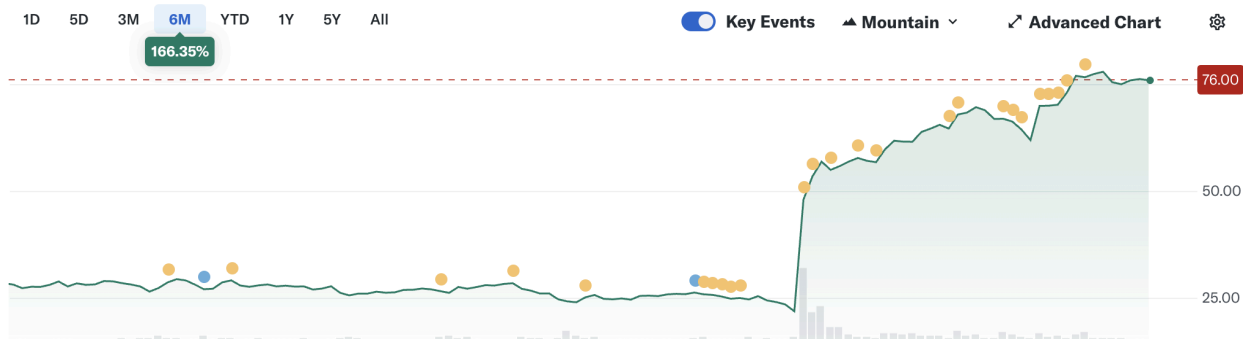


Figure 1: Insméd Incorporated Price Chart Over Time

Options Premium:

Call Options (August 16th, 2024, Expiration)

Strike Price: \$30

Premium: \$2.50

Strike Price: \$35

Premium: \$1.20

Put Options (August 16th, 2024, Expiration)

Strike Price: \$30

Premium: \$3.00

Strike Price: \$25

Premium: \$1.50

Market Sentiment:

Higher premiums on call options suggest that the market is bullish on Insméd. This means that those who are investing in Insméd are open to paying a higher premium to buy the stock at a certain price (\$2.50), meaning that they are expecting the price to increase. In terms of put options, there is a bit of bearish sentiment, pointing towards investors hedging their bets as they predict a price decline. The high options premiums for Insméd reflect that the market has expectations of future volatility regarding Insméd. This could be due to the recent news of the latest treatments (Brensocatic and Treprostiniil Palmitil) passing Phase 3 and Phase 2 of FDA

approval respectively. This type of behavior is common within biotech stocks as the various risks of clinical trial results, regulatory decisions, and changing market conditions create volatility within the company's price in the market.

Risk Analysis:

Even with the tremendous upside of Insmmed, there are a few key risks that are important to note when investing. Clinical trial failures could be a setback in the continued growth of Insmmed's stock price. If their other treatments do not pass certain stages in the FDA approval process, there will be delayed revenue as the product will take longer to hit the market. An example of this was back in 2018 when Insmmed's ARIKAYCE product was delayed approval due to data concerns in their Phase 3 CONVERT study. This delay lasted 4 months but ultimately did not hold the treatment back from seeing the public market. There is also the possibility of regulatory risks such as the rejections of existing drugs. This has not happened to Insmmed in the past, but a product in the biopharmaceutical field can be pulled off of shelves due to revelations regarding health and safety concerns. Lastly, there is a possibility of Insmmed facing financial risks such as too many years of net losses and a high cash burn rate due to continued investment into research without enough prescription sales. As explained beforehand, Insmmed's financial livelihood looks to be in good hands in the next 5 years due to their other products hitting shelves shortly. Aside from a combination of multiple risks happening, Insmmed's future looks very promising as a growth stock.

Risk Mitigation:

To further prevent any of these risks from occurring, it is crucial that Insmmed diversify its product pipeline. This could be achieved by developing more treatments that are on the market so then if one product does not pan out as anticipated there can be a fallback on the other products. Strategic partnerships within the rare disease treatment industry can also negate the burdensome research and development costs that are associated with delayed FDA trials and regulatory failures. Lastly, efficient spending and cash management can regulate losses per year to give Insmmed extra capital to use for research.

Conclusion:

Insmmed Incorporated is a strong buy due to its unique position in the rare disease industry. There is a lot of opportunity in Insmmed's future, especially because of its promising innovation and high potential for revenue growth as its other products pass FDA approval. As I have been monitoring Insmmed's growth, their stock price has jumped from \$56.46 to \$77.99 for an increase of 38%. With news about Insmmed staying positive, my recommendation is to buy while you still can for its current price. The risks of the stock are easily mitigated and the volatile upside makes options very appealing to investors as well.



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