3 Biotech Stocks Offering Potential for Gains

Solid foothold of personalized medicine, increasing prevalence of chronic diseases, favorable government initiatives, and rapid digital transformation are opening new avenues for biotech companies. Thus, it could be wise to invest in fundamentally sound biotech stocks BioMarin Pharmaceutical (BMRN), Shionogi (SGIOY), and Exelixis (EXEL)for potential gains. Read on….

Despite a challenging macro environment, the biotech industry's long-term outlook looks promising, thanks to numerous advancements in genetic engineering, growing research and development (R&D) in personalized medicine, and the rising prevalence of chronic diseases. Further, supportive government policies and the rapid adoption of emerging technologies fuel the sector's growth.

Given the industry's bright growth prospects, quality biotech stocks BioMarin Pharmaceutical Inc. (BMRN), Shionogi & Co., Ltd. (SGIOY), and Exelixis, Inc. (EXEL) could be ideal buys for solid returns.

Before delving deeper into the fundamentals of these stocks, let's discuss what's shaping the biotech sector's outlook.

The COVID-19 pandemic has positively impacted the biotechnology industry by creating several growth opportunities and propelling advancements in drug development and manufacturing for vaccines for the disease.

Despite elevated inflation, rising interest rates, and slowing economic growth, the biotech sector is well-placed for robust growth and profitability in the long term, driven by rapid advancements in genetic engineering, primarily exemplified by the revolutionary CRISPR-Cas9 technology and increasing R&D in

personalized medicine and novel advanced therapies.

White House Office of Science and Technology Policy Report identified precision medicine as an R&D priority for the U.S. over the next 20 years. The report highlighted goals to advance precision medicine, such as significant improvements in health monitoring, multi-omics, cell-based therapies, AI-driven drug development, gene editing, and microbial genome sequencing.

According to the IMARC Group, the global biotechnology market is expected to reach $1.03 trillion by 2028, growing at a CAGR of 7.4% during 2023-2028.

Moreover, the rising prevalence of infectious and chronic diseases such as cancer, diabetes, different forms of arthritis, and age-related macular degeneration is expected to boost the industry’s growth. High demand for biotechnology tools for agricultural applications like molecular breeding, micro-propagation, and conventional plant breeding should also bode well for the industry.

Furthermore, the sector is driven by favorable government support through initiatives aimed at streaming the medication regulatory pathway, improving approval processes and reimbursement policies, and standardizing clinical studies.

Biotech companies are increasingly incorporating digital technologies like AI, cloud, and the Internet of Things (IoT), revolutionizing the research, development, and commercialization of drugs and therapies. The global AI in drug discovery market is projected to reach $11.73 billion by 2031, growing at a 27.4% CAGR.

With these favorable trends in mind, let’s delve into the fundamentals of the three Biotech stock picks, beginning with the third choice.

Stock #3: BioMarin Pharmaceutical Inc. (BMRN)

BMRN develops and commercializes therapies for people with severe and life-threatening rare diseases and medical conditions. The company's commercial products include Vimizim, Naglazyme, Kuvan, Palynziq, Brineura, Roctavian and Voxzogo.

On September 15, BMRN announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) adopted a positive opinion recommending marketing authorization to expand the indication for VOXZOGO® (vosoritide) for injection to treat children aged four months and older with achondroplasia.

EMA's final approval decision is expected by the fourth quarter of 2023. VOXZOGO is currently approved in Europe for children with achondroplasia who are two years of age and older with open growth plates.

On June 29, the U.S. Food and Drug Administration (FDA) approved BMRN's ROCTAVIAN™ (valoctocogene roxaparvovec-rvox) gene therapy for treating adults with severe hemophilia A to control bleeds. ROCTAVIAN's approval was based on durability, efficacy, and safety results from the largest and longest Phase 3 study for a gene therapy for hemophilia.

This FDA approval of ROCTAVIAN builds on BMRN's proven track record of advancing treatments targeting the underlying cause of life-threatening genetic conditions, and it is expected to drive the company's growth and profitability.

For the second quarter that ended June 30, 2023, BMRN's revenues increased 11.5% year-over-year to $595.27 million. Its income from operations grew 50.4% from the year-ago value to $58.87 million. The company's non-GAAP net income rose 37% from the prior year's quarter to $105.20 million, and its non-GAAP EPS was $0.54, up 31.7% year-over-year.

Analysts expect BMRN's EPS for the fiscal year (ending December 2023) to increase 14.3% year-over-year to $2.21. The

consensus revenue estimate of $2.46 billion for the current year indicates a 17.2% rise year-over-year. Moreover, the company has surpassed the consensus EPS estimates in three of the trailing four quarters.

Shares of BMRN have gained 1.9% over the past year to close the last trading session at $86.51.

BMRN's POWR Ratings reflect this robust outlook. The stock has an overall B rating, translating to Buy in our proprietary rating system. The POWR Ratings assess stocks by 118 distinct factors, each with its own weighting.

BMRN has an A grade for Growth and a B for Value and Sentiment. Within the Biotech industry, it is ranked #17 of 359 stocks.

To access additional ratings of BMRN for Momentum, Quality, and Stability, click here.

Stock #2: Shionogi & Co., Ltd. (SGIOY)

Headquartered in Osaka, Japan, SGIOY engages in the research, development, manufacture, and distribution of pharmaceuticals, diagnostic reagents, and medical devices. The company's offerings include Fetroja, a multidrug-resistant for bacterial infection treatment; Xofluza, an influenza virus drug; and Tivicay, an anti-HIV drug.

On August 29, SGIOY announced that Flomox® Fine Granules for children launched in China through its partner, Beijing Huawei Pharmaceutical Co. LTD. This drug was listed on the National Reimbursement Drug List (NRDL) in January this year.

In China, there are limited options for pediatric infectious disease treatment drugs, and this drug would contribute as a new treatment option for pediatric infectious diseases. This move reflects the company's commitment to the principle "Protecting people worldwide from the threat of

infectious diseases” and is expected to expand its reach and drive its revenue stream.

On June 26, SGIOY’s New Jersey-based subsidiary, Shionogi Inc., announced the acquisition of Qpex Biopharma, Inc., a privately held clinical-stage pharmaceutical company with expertise in antimicrobial research and development.

“We are pleased to welcome Qpex into the Shionogi family. Bacterial resistance to antibiotics remains one of the biggest threats to global health, and Qpex’s pipeline, including xeruborbactam, and its capabilities will accelerate our efforts to develop new antibiotic treatments to address antimicrobial resistance,” said Isao Teshirogi, CEO of Shionogi.

SGIOY’s revenue grew 52.2% year-over-year to ¥109.31 billion ($736.63 million) for the first quarter that ended June 30, 2023. The company’s operating profit and profit before tax came in at ¥46.59 billion ($313.97 million) and ¥55.70 billion ($375.36 million), increases of 274.9% and 38.2% year-over-year, respectively.

In addition, profit attributable to owners of the parent rose 22.6% from the prior year’s quarter to ¥42.56 billion ($286.61 million). Also, the company’s earnings per share amounted to ¥144.57 billion, up 25.6% year-over-year.

Analysts expect SGIOY’s revenue for the fourth quarter (ending March 2024) to increase 36.4% year-over-year to $896.80 million. Likewise, the company’s revenue for the fiscal year 2024 is expected to grow 6.6% from the prior year to $2.93 billion. Also, it has topped the consensus revenue estimates in each of the trailing four quarters, which is impressive.

SGIOY’s stock has gained 2.8% over the past month to close the last trading session at $11.13.

SGIOY’s solid fundamentals are reflected in its POWR Ratings.

The stock has an overall grade of B, equating to a Buy in our proprietary rating system.

SGIOY has a B for Growth, Value, and Quality. It is ranked #13 out of 359 stocks in the same industry.

In addition to the POWR Ratings I've just highlighted, you can see SGIOY's ratings for Stability, Momentum, and Sentiment here.

Stock #1: Exelixis, Inc. (EXEL)

EXEL is an oncology-focused biotechnology company that focuses on discovering, developing, and commercializing new medicines to treat cancers. The company offers CABOMETYX tablets to treat patients with advanced renal cell carcinoma and COMETRIQ capsules for metastatic medullary thyroid cancer. It also offers COTELLIC and MINNEBRO.

On September 13, EXEL and Insilico Medicine entered into an exclusive license agreement granting Exelixis worldwide rights to develop and commercialize ISM3091, a potentially best-in-class small molecule inhibitor of USP1, which emerged as a synthetic lethal target in the context of BRCA-mutated tumors. This deal should bode well for the company.

In the second quarter that ended June 30, 2023, EXEL's total revenues increased 12% year-over-year to $469.85 million, and its net product revenues were $409.60 million, up 18% year-over-year. The company's non-GAAP net income came in at $100.29 million, or $0.25 per share, compared to non-GAAP net income of $89.70 million, or $0.28 per share for the comparable period in 2022.

Street expects EXEL's revenue and EPS for the fiscal year (ending December 2023) to increase 14.1% and 28.1% year-over-year to $1.84 billion and $0.72, respectively. Additionally, the company has surpassed the consensus revenue and EPS estimates in each of the trailing four quarters.

For the fiscal year 2024, EXEL's revenue and EPS are expected to grow 13% and 33.1% from the previous year to $2.08 billion and $0.96, respectively.

Over the past six months, the stock has gained 17.3% and 29.6% over the past year to close the last trading session at $21.48.

EXEL's POWR Ratings reflect its promising prospects. The stock has an overall rating of B, which translates to Buy in our proprietary rating system.

It has an A grade for Value and Quality and a B for Sentiment. EXEL is ranked #9 of 359 stocks in the Biotech industry.

Click here to see the other ratings of EXEL for Growth, Momentum, and Stability.

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BMRN shares were unchanged in premarket trading Monday. Year-to-date, BMRN has declined -16.41%, versus a 13.80% rise in the benchmark S&P 500 index during the same period.

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Mangeet’s keen interest in the stock market led her to become an investment researcher and financial journalist. Using her fundamental approach to analyzing stocks, Mangeet’s looks to help retail investors understand the underlying factors before making investment decisions.

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