

**SPECIAL RESEARCH
PRESENTATION**

Three Biotech Breakthroughs to Bank On

by Hilary Kramer



IMPORTANT NOTE: This special report is for information and educational purposes only, based on data as of 2021. Because Hilary Kramer uses a disciplined sell strategy for all *GameChangers* recommendations, one (or more) of the plays in this report may have been sold by the time you receive it. Therefore, do not buy or sell any investments until you have read the current issue of *GameChangers*, or an email update from Hilary Kramer.

Three Biotech Breakthroughs to Bank On

Copyright © 2021, by Hilary Kramer. All rights reserved.

No quotes or copying permitted without written consent.

Published by:

Eagle Financial Publications.

122 C Street NW, Suite #515

Washington, DC 20001

800-374-8808

Email: CustomerService@HilaryKramer.com

Website: www.HilaryKramer.com

Three Biotech Breakthroughs to Bank On

We love biotechnology here at Kramer Capital.

While individual research programs can get a little speculative, the odds of a successful cure for cancer, Alzheimer's disease, diabetes or any of the other pandemic conditions that literally plague modern humanity (ahem) have never been higher.

The impact on suffering populations will be enormous. And for investors in the right place at the right time, the financial rewards will be transformational.

As we say around here, this is where world-changing products are created out of nothing but insight, dedication and the drive to improve human lives.

It takes insight to discover or synthesize an attractive molecule. Then it takes dedication to determine the right dosage, plan the commercial manufacturing process and prove to the regulators that your drug's benefits outweigh any side effects.

The route can be precarious, with plenty of opportunities to lose years of hard-won progress and billions of shareholder dollars if the clinical data don't line up with your best-laid plans.

People wouldn't do it if they didn't want to cure the sick.

But when everything works, it's almost miraculous. Lives are extended. People become more productive, happier, healthier.

The companies that can make that happen see their cash flow move from zero to some positive number. The math looks a lot like the impact of a cure on human lives: hard to measure, but definitely a good experience for investors as well as patients.

And right now, we see the stocks working hardest toward transformational therapies factoring in more negativity than hope. With so many other industries paralyzed in the pandemic, biotech is where we're finding cures.

The iShares Nasdaq Biotechnology ETF (IBB) has recovered all that it had lost due to the pandemic and even after correcting from the worst of its vaccine-spawned exuberance is 23% above its pre-pandemic peak.



Chart courtesy of StockCharts.com – 5/21/21

I love it. But it’s a long way from its all-time high now. There are long periods when IBB, despite its essential role in pushing the medical frontiers, lags the market as a whole.

Part of the challenge here, of course, is that the top 10 components of IBB, which make up 47% of the ETF, are large companies that have maturing products or are facing competition or patent expirations.

Every day they go between breakthroughs brings them closer to that “patent cliff.”

Not all of them are profitable. That’s why we look behind the index for smaller opportunities where a little good news can transform a balance sheet that’s otherwise built out of little more than hope.

We love the smaller companies in developmental stages with little to no sales or earnings.

They’re speculative, forcing Wall Street to evaluate them on the probability that their science will one day turn into money and a sustainable business. We buy these companies based on the odds that they’ll change the world.

And remember, mergers and acquisitions are a fact of life in this industry as large players facing that patent cliff buy out their more innovative counterparts before they can grow into bona fide competitors.

We’ve seen a lot of favorite biotech stocks taken out for cash over the years. That’s going to continue.

Right now, these names are at the top of my screen and, we suspect, Big Biotech’s shopping list as well:

Biotech Beauty #1: BioMarin Pharmaceutical (BMRN)

BioMarin Pharmaceutical (BMRN) gives you a sense of the scale that even the “giants” of the industry have achieved so far, which means bigger and better things are yet to come.

BMRN is the 13th largest pure biotech company and is on track to book \$1.9 billion in sales on FDA-approved therapies this year, up 11% from 2019.

Yet at barely \$14 billion in market capitalization, it's only 1/15 the size of Netflix, which, in turn, is barely a rounding error compared to true giants like Apple, Amazon and Microsoft.

If shareholders here go anywhere near that far, I'll be satisfied.

And BMRN has that kind of potential. While the existing commercial portfolio isn't full of blockbusters, managing rare enzyme disorders remains an extremely lucrative niche business, with some of the company's treatments costing close to \$10,000 a month for the rest of each patient's natural life.

Even if only a few hundred people around the world suffer from a given disorder, there are tens of millions of dollars a year here to create a base for the next generation of value drivers.

That means transitioning from extremely rare inherited conditions to large-scale targets hemophilia, which affects 1 in 10,000 people and could ultimately become a \$90 billion target. Existing drugs start coming off patent as early as 2024, creating a competitive opening for any company that creates a cure instead of simply treating the symptoms.

BMRN thinks it has the ability to restore the gene that produces blood clotting factor with a single shot.

And they're extremely close. While the FDA has insisted on an extra year of clinical data to make sure BMRN has a real hemophilia cure on its hands, 12 months is not long to wait. If the numbers are good enough, we could even get accelerated regulatory review and a commercial launch as early as next year.

Admittedly, the shot may end up costing \$1 million or more, but restoring long-term control over bleeding is worth it.

Meanwhile, BMRN's existing niche therapies should get big enough to stop the company's cash bleed in the next year. Initial profits will be small but they'll ramp up fast.

By 2022, this company can be earning close to \$3 per share. I suspect the stock will have climbed back beyond \$130 in that timeframe. Better-than-expected results on hemophilia could ultimately add \$40 to that target.

Admittedly, the FDA delay drove hot money away. But with the stock now back within sight of its pandemic bottom, this is the kind of dip courageous investors can feel good about buying:



Chart courtesy of StockCharts.com – 5/21/21

Biotech Beauty #2: Precision Biosciences (DTIL)

Precision Biosciences Inc. (DTIL) had a rough post-IPO period. It went public at \$16 right before the pandemic hit and as I write this the stock is available below \$11.

This is an ultra-long-haul investment built around the potential of editing not only the human genome to eliminate diseases (now a familiar albeit still speculative theme) but other organisms as well.

I think of DTIL as mirroring the recent combination of Bayer in the medical space with Monsanto in genomic seeds, albeit at a much earlier stage in its evolution and at a deep discount to historical levels.

The company is working simultaneously to cure cancer and create a variety of the canola plant that produces an oil that not just replaces fossil fuel but actively reduces greenhouse emissions.

Either can change the world. Both together may even be a little too ambitious, but that’s what partnering with bigger companies or accepting a buyout offer is for.

DTIL is a true moon shot. If it hits, shareholders will cheer. And while the story remains speculative for now (leukemia trials just started dosing and the canola project is at the proof-of-concept stage), aiming for the moon is what biotech is all about.

Under the right conditions, this can easily be a \$24 stock a year from now. That’s barely a \$1.3 billion acquisition for someone, maybe hepatitis partner Gilead. If the giant likes the early clinical results (and remember, they see them first), they’ll take the whole thing in house.



Chart courtesy of StockCharts.com – 5/21/21

Biotech Beauty #3: Kaleido Biosciences (KLDO)

Kaleido Biosciences (KLDO) takes us a little closer to the traditional biotech promise of pushing those boundaries.

Instead of manipulating the chemistry of the body itself, KLDO has created an entirely new drug platform that considers the body as the habitat for various symbiotic and antagonistic microorganisms, what the company calls the “microbiome.”

Think of it as an extremely sophisticated version of drinking kombucha or eating yogurt for their natural “probiotic” properties.

It’s a staggeringly big field, theoretically as revolutionary as the initial shift from purely plant-based medicine to standardized pills formulated to reliably treat specific conditions.

Management has taken a pragmatic approach by focusing early efforts on complex syndromes only its science can address: diseases accompanied or caused by too much ammonia building up in the body.

Microorganisms can either produce or consume ammonia, breaking it down into harmless chemical byproducts while coincidentally doing much of the kidney's work.

Feeding those microbes KLDO pills effectively programs them to regulate their role within the body, replacing a failing kidney or liver without forcing dramatic diet changes. While current trials are small, they're enough to test the theory.

Even though KLDO was affected during the recent overall market correction, it has already gained back most of what it had lost due to the pandemic, as you can see in the chart below.

I'm looking for clinical milestones over the course of the year. Any of them can transform this stock, which has struggled a little after its \$15 IPO as Wall Street's mood swings from long-term high-impact names back to the tried and true.

When that mood swings the other way, KLDO has what it takes to soar to \$20 in the near term. Accumulate the dips and five years from now investors with conviction could be very happy indeed.

Of course, the intervening time will be a rollercoaster and there's no guarantee that KLDO will ever deliver on its promise. A bigger company could always steal its thunder or management could run out of cash along the way.

But I think the sheer audacity of the company's development platform gives it a unique advantage against Big Pharma rivals. It will be easier for a competitor to simply reach out and pay \$230 million to buy KLDO today instead of taking the time and effort to reverse engineer its technology.

And that technology is making waves now. Management just presented data on how their therapies shield the brain from blood toxins that build up as a result of severe liver disease. More breakthroughs are likely.

As for cash, while KLDO will probably need to sell more stock to reach its clinical goals, the latest offering should provide enough liquidity to take the company deep into 2022.



Chart courtesy of StockCharts.com – 5/21/21

Sincerely,

Hilary Kramer

Hilary Kramer
 Editor, *GameChangers*

P.S. Every investor knows biotech companies are high risk and high reward. But what if I told you there's a portfolio that made an average of 18.49% per exit last year . . . despite the vast disruption the pandemic left in its wake?

That's what my readers are seeing with my *GameChangers* portfolio, and I couldn't be happier about it. To learn more about my wealth-building approach — and to see if it's right for you — simply [follow this link](#). I think you'll be surprised with my findings.

Biography



Hilary Kramer is an investment analyst and portfolio manager with 30 years of experience on Wall Street. *The Financial Times* describes Ms. Kramer as “**A one-woman financial investment powerhouse**” and *The Economist* distinguishes her as “**one of the best-known investors in America.**” Ms. Kramer is often quoted in publications such as the *Wall Street Journal*, *New York Post*, *Bloomberg* and *Reuters*. She is a frequent guest commentator on CNBC, CBS, Fox News and Bloomberg, providing investment insight and economic analysis. You can hear her weekly on the syndicated Millionaire Makers radio show.

Ms. Kramer was an analyst and investment banker at Morgan Stanley and Lehman Brothers. Ms. Kramer founded and ran a long-short hedge fund and has been chief investment officer overseeing debt and equity portfolios. Since 2010, Ms. Kramer’s financial publications have provided stock analysis and investment advice to her subscribers. Her products include *GameChangers*, *Value Authority*, *High Octane Trader*, *Triple-Digit Trader*, *2-Day Trader*, *IPO Edge* and *Inner Circle*.

Ms. Kramer, a Certified Fraud Examiner, has also testified as an expert in investment suitability, risk management, compliance, executive compensation and corporate governance.

Ms. Kramer received her MBA from the Wharton School at the University of Pennsylvania and her BA with honors from Wellesley College. Ms. Kramer has provided testimony regarding investment policy to the U.S. Senate and is a frequent speaker on the markets, portfolio management and securities fraud and compliance. Ms. Kramer is also the author of “*Ahead of the Curve*” (Simon & Schuster 2007), “*The Little Book of Big Profits from Small Stocks*” (Wiley 2012) and the recent Wall Street Journal best-seller “*GameChanging Investing: How To Profit From Tomorrow’s Billion-Dollar Trends*” (Regnery 2020).