AUSTENTES THERAPEUTICS, INC.
Astellas Picks a Stellar Acquisition Target in BOLD

**Bottom Line:** The recent string of M&A headlines continued after the mkt. close today with Astellas announcing that they will acquire BOLD at $60/shr (total equity value of ~$3B). We believe that the combined entities are expected to provide an industry-leading gene therapy company with BOLD's growing neuromuscular portfolio expected to complement Astellas' existing pipeline. The announcement comes at an intriguing time when the ONCE [MP]-RHHBY tie-up remains pending after prolonged FTC review and may signal big pharma's optimism towards M&A and that the gene therapy sector remains an appealing hotbed for innovative and value-creating targets. We remain positive on gene therapy companies -- particularly those with internal manufacturing capabilities -- and subsequent M&A activity in the gene therapy space would not be surprising to us, as we had predicted in our 2019 Outlook (LINK).

**Forget ONCE, we think Astellas can BOLDly clear regulatory review.** In light of the pending ONCE-RHHBY transaction, some investors may find Astellas-BOLD as another potentially drawn-out and uncertain tie-up. However, our review of Astellas' product portfolio (LINK) and R&D pipeline (LINK) suggests minimal overlap with BOLD's focus on neuromuscular diseases. In fact, we identified just 2 drug candidates -- ASP0367/MA-0211 and reldesemtiv/CK-2127107 -- targeting neuromuscular diseases (Duchenne muscular dystrophy [DMD] and spinal muscular atrophy [SMA]) that may present some overlap, however distant. From a broader perspective, for a company guided to generate revenues of ¥1.26 trillion in FY2019 with a product emphasis on large, more prevalent mkts., we think the addition of BOLD and its assets is less likely to raise anti-competitive concerns among regulatory agencies.

**Acquisition driven by near-term oppty. of AT132 (X-linked myotubular myopathy [XLMTM]) but pipeline and internal manufacturing capabilities also recognized.** With robust results shown to-date, we think Astellas sees strong potential for AT132 as we approach expansion cohort data and potential regulatory filings in 2020. Although not discussed explicitly in today's press release, we think additional excitement hinges on BOLD's audacious plan to launch its high-risk, high-return programs in Pompe disease (AT845), DMD (AT702), and myotonic dystrophy (DM1). As we heard in the 3Q earnings update (LINK), BOLD may potentially generate early but potentially insightful clinical data in 2H20 for both Pompe disease and DMD, and despite a relatively intense competitive landscape in both of these diseases, the oppty. remains lucrative vis-a-vis XLMTM.

**After BOLD, positive readthrough to other gene therapy companies under our coverage.** As a knee-jerk reaction, we would expect to see gene therapy companies trade up in sympathy tomorrow. In particular, we expect QURE [OP], SLDB [OP], and SRPT [OP] to trade higher given the significant weight of gene therapy assets in these companies; the magnitude of upside moves for BMRN [OP], FOLD [OP], and RARE [OP], may be less given the more diverse product/candidate mix in each of these respective companies. Upon further reflection, Astellas' apparent
appreciation for BOLD's manufacturing capabilities -- an asset we've viewed as a key determinant of success for gene therapy companies (LINK) -- may position BMRN, QURE, and SLDB as the more prominent candidates for acquisition.

• **Financial terms are favorable for BOLD shareholders.** The offer price of $60/shr represents a 110% premium to today's closing price of $28.61/shr and 25% to our PT. The all-cash offer represents ~$3B in valuation and the transaction is expected to be consummated in 1Q20.
Disclosures Appendix

Analyst Certification

I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

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<th>Rating</th>
<th>Count</th>
<th>Percent</th>
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**Outperform (Buy):** We expect this stock to outperform its benchmark over the next 12 months.

**Market Perform (Hold/Neutral):** We expect this stock to perform in line with its benchmark over the next 12 months.

**Underperform (Sell):** We expect this stock to underperform its benchmark over the next 12 months.

The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.

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