The $5 Stock at the Forefront of the "Everything Cure"

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Editor's Note:

As a subscriber to *Benzinga Research*, you're entitled to weekly research reports in which our analysts brief you on the stocks at ground zero of some of the world's most explosive trends. In this week's issue, Ryan Faloona breaks down the emerging science of gene editing and the startling advances taking place in this soon-to-be $25 billion industry—as well as the story behind one $5 stock he recommends playing the gene-editing revolution.

Dear Benzinga Member,

Last Friday, scientists announced a new, one-time cure for cystic fibrosis.

In May, a 12-year-old boy became the first patient ever to receive a newly approved gene therapy to cure sickle cell anemia, a disease affecting 20,000 Americans.

That month, researchers at the Fred Hutch Cancer Center announced that a gene therapy had removed 90% or more of herpes infections in pre-clinical trials… and in February, a study from Stanford a new genetic treatment's success in modifying cells to fight cancerous cells more effectively.

These are just a few of the recent breakthroughs in the science of genetic editing, a sector that's forecast to grow from $3.55 billion in 2023 to $25 billion in 2030, according to Grand View Research.

You could be forgiven for missing this amid the media's single-minded focus on artificial intelligence breakthroughs… but a revolution that will affect billions of people much more profoundly is now here.

The rise of gene editing is “unmatched and unparalleled” in science, according to Brad Ringeisen, a scientist at Berkeley.

His colleague, Fyodor Urnov, agrees, calling the CRISPR gene editing technology “truly wondrous,” and working “in every biological setting that it has been placed into.”

For now, gene-editing is an expensive treatment (the cure for sickle cell anemia costs $2-3 million, for instance). But costs are expected to fall dramatically as more efficient and novel treatments are discovered, refined, and commercialized.

Take what happened with the cost of sequencing the human genome, for instance. It took the Human Genome Project 13 years to sequence the human genome, at a cost of $2.7 billion.

By 2007, the cost had fallen to around $1 million… and today, you can get your genome sequenced for about $600.

Within a few years, a handful of crippling genetic diseases will be curable for the cost of what the average American pays for one month of rent… and by the 2030s, hundreds of genetic diseases that once caused lifelong suffering for hundreds of millions will be curable with one-time genetic treatments for the cost of your typical UberEATS order today.

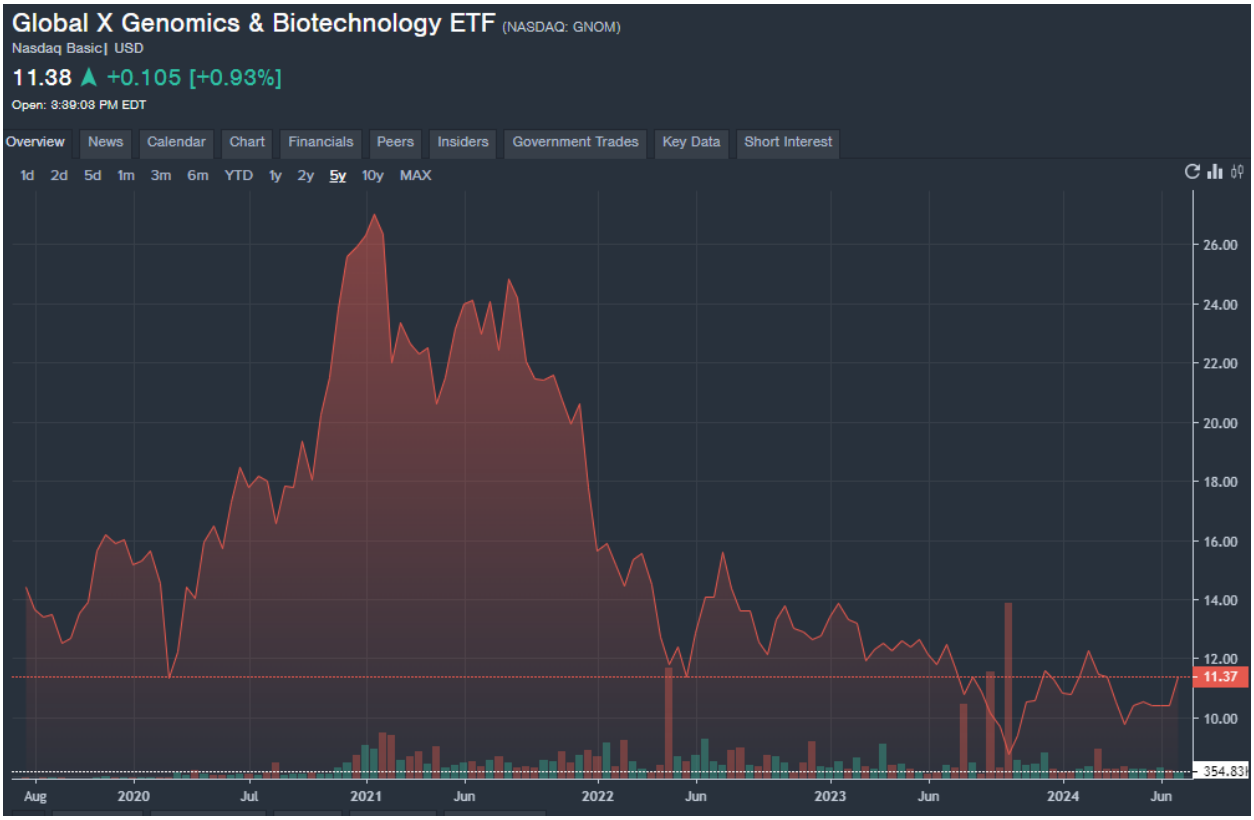
Investors who act on this trend today can look forward to knowing that their capital is at work alleviating tremendous human suffering down the road… not to mention, potentially explosive profits as the revolution in genetic editing unfolds.

And today, you can play the trend with a stock trading at just $5 today.

Buy at the “Trough of Disillusionment”

Anyone who’s heard Warren Buffett’s advice to “be greedy when others are fearful” can see that we’re in an interesting moment when it comes to the gene-editing sector.

As you can see from the Global X Genomics & Biotechnology ETF, gene-editing stocks are in the doldrums right now. In fact, they trade at less than half of what they did at the beginning of 2021.



Source: *Benzinga Pro*

After a furious burst of enthusiasm for the technology, these stocks have slumped and remained stagnant for years.

This trajectory will be enough by itself to scare off most investors. But as someone who lived through the Dot.com collapse and the 2018-2020 "crypto winter," this setup piques my interest.

The selloff in gene-editing companies means we're at what Gartner Research calls the "trough of disillusionment."

To understand this phase, here's a recap of the overall "hype cycle" that every revolutionary sector has followed:

- **The Innovation Trigger:** A revolutionary technology sees a breakthrough that attracts global news coverage. A "proof of concept" breakthrough generates massive publicity. But there's no usable product, and commercial viability is uncertain.

- **Peak of Inflated Expectations:** Some success stories around the technology lead to companies publicly touting their efforts to harness it—and soar in share price as a result. Think of a beverage company changing its name from Long Island Iced Tea to Long Island Blockchain, and soaring overnight, as

happened in 2017, as an example of this.

- **Trough of Disillusionment:** Interest in the sector wanes as early claims turn out to be hyperbolic or premature. Some companies that try to harness the technology fail; others see share prices crashing as investors turn away. Share prices can remain depressed in the sector and take years to recover.

- **Slope of Enlightenment:** Examples pile up of the technology being used to drive efficiency or improve lives. Some companies and investors act, but most adopt a "wait and see" stance.

- **Plateau of Productivity:** The technology becomes mainstream as it gets cheaper, more powerful, and more reliable. The technology becomes ubiquitous or close to it, and even a "must have" as its adapters leave competitors without it behind.

The "Trough of Disillusionment" is psychologically the hardest time to invest in a sector. But as anyone who bought shares of Apple, Amazon, or Microsoft after they collapsed by 80% or more in the Internet's "Trough of Disillusionment" can tell you, this phase presents the biggest opportunity for investors.

My Favorite Way to Play the Gene-Editing Revolution

Editas Medicine, Inc. (EDIT) is a clinical stage genome editing company, focuses on developing transformative genomic medicines to treat a range of serious diseases.

Headquartered in Cambridge, Massachusetts, the company is developing a proprietary gene editing platform based on CRISPR technology.

The company has a formidable pipeline that includes EDIT-101, which is in Phase 1/2 BRILLIANCE trial for Leber Congenital Amaurosis, and reni-cel, a clinical development gene-edited medicine to treat sickle cell disease and transfusion-dependent beta-thalassemia.

EDIT is also developing alpha-beta T cells for solid and liquid tumors, and gamma delta T cell therapies to treat cancer.

It's inked a research collaboration with Juno Therapeutics to develop engineered T cells for cancer; and strategic alliance and option agreement with Allergan Pharmaceuticals International Limited. It's also collaborating with Bristol Myers Squibb for research and development of alpha-beta T cell medicines for the treatment of cancer and autoimmune diseases.

In June, EDIT reported new safety and efficacy data in trial results of its reni-cel treatment for 18 patients suffering from sickle cell anemia.

The data showed that reni-cel was well-tolerated, and seemingly effective to boot, with patients returning to normal hemoglobin levels early on in the treatment.

As Baisong Mei, Chief Medical Officer at EDIT, put it:

"These data confirm the observations from our prior clinical readouts and further support our belief that ren9-cel has the potential to be a best-in-class and clinically differentiated one-time, durable medicine that can provide life-changing clinical benefits to patients."

These results make one of the bigger risks to EDIT—that one of its two clinical-stage programs stumbles in early trials—much more remote.

It also validates the decision by Vertex Pharmaceuticals to enter into a $100 million licensing deal with EDIT, which gave the small-cap $50 million upfront and enough resources to maneuver until at least 2026.

The main danger for EDIT is its financials—the company just reported earnings of negative $0.76/share, or a quarterly loss of $62.0 million, up from a $49.0 million loss in the same period in 2023.

That said, the uptick in losses is happening for the right reason in my view—EDIT's management is investing heavily in research and development, with $11 million more spent last quarter than in Q2/2023. The increase is mostly going towards licensing payments and clinical and manufacturing costs around the reni-cel program. Judging by June's trial results, this spending is paying off.

Institutional Interest Spiking

Judging by institutional activity, the world's most plugged-in investors see the same potential in EDIT that we do.

All told, 112 institutions ramped up their stake in EDIT last quarter—including Morgan Stanley, which bought over 500,000 shares.

Other big names include Goldman Sachs (which scooped up 846,558 shares of EDIT last quarter) and Citigroup and Bank of America, which each bought over half a million shares to add to their positions in EDIT.

Clearly the smart money is determined not to miss the rise of gene editing.

And today, for around $5/share, you can be in, too.

Action to Take: *Buy **Editas Medicine** (EDIT) at around $5/share. As always, allocate no more than 2% of risk capital to the trade, so as to ensure proper risk management.*

Best Regards,

Ryan Faloona – BZ Pro Director, Live Trading Host

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