

# US Biopharmaceuticals

## 4Q23 Earnings Tracker – Weeks 1&2

### Earnings Review

### Tepid 4Q despite strong results thus far in Biopharma

Overall, 4Q23 earnings have been solid with all but one of our covered companies reporting both a revenue and EPS beat versus consensus, with a majority maintaining or announcing 2024 guidance. Large cap pharma has performed well through earnings, while biotech has comparatively struggled. Indeed, the Biopharma sector has been a tale of have vs have nots (S&P500 +1.6%; DRG +1.5%, NBI flat, XBI -0.2%). That said, we remain positive on Lilly and conservative on Amgen heading into their earnings next week (see [our 4Q earnings preview here](#)). Below we include highlights, with brief company summaries and links to our reports on pages 2-4.

#### Next week's earnings:

Monday– Vertex (AMC)

Tuesday- Lilly (BMO), Amgen (AMC), Gilead (AMC)

#### Exhibit 1: 3Q23 US Biopharma revenue and earnings performance

Thus far, 11 of 14 companies have beat on revenue and 13 of 14 beat on EPS

	4Q23		2024 Guidance	
	Revenue	EPS	Revenue	EPS
J&J (JNJ)	BEAT	BEAT	MAINTAINED	MAINTAINED
Pfizer (PFE)	MISS	BEAT	MAINTAINED	MAINTAINED
Merck (MRK)	BEAT	BEAT	ABOVE	ABOVE
Bristol (BMY)	BEAT	BEAT	ABOVE	ABOVE
Regeneron (REGN)	BEAT	BEAT	-	-
AbbVie (ABBV)	BEAT	BEAT	MAINTAINED	RAISED

BoFA Global Research, Bloomberg, \*rev guidance floor maintained, \*\*Implied raise

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#### Exhibit 2: Consensus 2024 annual projected growth pre- and post-4Q23 reporting

Overall, the outlook for 2024 growth was mixed—largely due to company specific fundamentals

	Revenue		EPS	
	Prior	Post	Prior	Post
JNJ	(0.4%)	(0.4%)	0.0%	0.0%
PFE	0.4%	0.4%	(16.2%)	(16.2%)
MRK	(0.3%)	(0.3%)	(8.7%)	(8.7%)
BMY	(0.6%)		(2.3%)	
REGN	(1.4%)		(3.7%)	
ABBV	(0.5%)		(0.2%)	

BoFA Global Research, Company Reports, Bloomberg

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**See pages 2-3 for a recap of 4Q calls and read-throughs to our coverage universe**

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Biopharmaceuticals

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#### Abbreviations:

BMO: Before market open

AMC: After market close

M&A: Mergers and acquisitions

## Company 4Q23 Earnings Updates

Read-throughs from Biopharma 3Q earnings:

- **Sanofi:** [Read-through from Sanofi 4Q23 earnings](#)
- **Roche:** [Read-through from Roche 4Q23 earnings](#)
- **Novo:** [Read-through from Novo 4Q23 earnings](#)
- **GSK:** [Read-through from GSK 4Q23 earnings](#)

### Week 1

**J&J.** J&J reported solid 4Q results on top (+\$323M; +7.2 % y/y op) and bottom lines (+\$0.01; +11.2% y/y op) and maintained 2024 guidance (+\$24M, -\$0.03 midpt vs. consensus) driven by both Innovative Medicine (+\$178M; +4.0% y/y op) and MedTech (+\$186M; +13.4% y/y op). Pharma outperformance was driven primarily by Immunology franchise (+\$196M, including +\$173M from Stelara) while Oncology franchise was in line with expectations (+\$19M) while Carvykti was slightly below expectations (-\$13M) with flat q/q growth. Turning to 2024 guidance, J&J reaffirmed revenue/ EPS guidance while expecting ~50 bps operating margin improvement (vs. flat to 2023). Maintain Neutral rating [Initial thoughts on JNJ 4Q23 results](#) and [thoughts post the JNJ call](#).

**Pfizer.** As Pfizer gave prior FY 2023 and 2024 guidance along with closure of the Seagen acquisition ([see our note on the Seagen deal closure](#)), top- and bottom-line results were largely within expectations. That said, Pfizer reported mixed 4Q results with a revenue miss of \$14.2B (vs. cons \$14.8B) while beating on EPS at \$0.10 largely due to IPR&D adjustments (vs. cons -\$0.21). Higher revenues were driven by lower Paxlovid returns (+\$316M cons), while the ex-COVID business, performed below expectations (-\$509M) with Prevnar and Ibrance missing consensus. Separately, Abrysvo (RSV vaccine) had a solid quarter with \$515M in sales (cons: \$398M). See additional comparison of key 4Q results. We maintain Neutral, \$35 PO. [Initial thoughts on PFE 4Q23 results](#) and [thoughts post the PFE 4Q23 call](#)

### Week 2

**Merck.** Merck delivered another strong commercial quarter (+\$138M ahead on revenues / +\$0.17 EPS), driven by Keytruda (+\$253M) and ProQuad (+\$165M) while Gardasil missed modestly (-\$92M). Further, 2024 rev guidance midpoint of \$63.45B and non-GAAP EPS guidance midpoint of \$8.52 are modestly above expectations and look beatable. Indeed, we continue to like Merck's strong growth (2024-27e CAGR: +6%) driven by core assets (i.e., Keytruda, Gardasil) and new launches. Further, the company had a disciplined strategy towards Keytruda LOE and made solid progress, including 1) Daiichi collaboration, 2) the Prometheus deal, and 3) new launches from sotatercept (see our [KOL call takeaways on sotatercept](#)), V116, and HER3-DXd. Maintain Buy and \$135 PO. [Initial thoughts on MRK 4Q23 results](#) and [thoughts post the MRK 4Q23 call](#)

**Regeneron.** Regeneron marginally beat on the top- and bottom-line in 4Q23 with revenues of \$3.4B (vs. \$3.3B cons) and EPS of \$11.86 (vs. \$10.62 cons); given recent strength in shares, we expect trading to be flattish today. 4Q US Eylea sales of \$1.34B and Eylea HD sales of \$123M were in-line with pre-announced results. Furthermore, there was little surprise with Dupixent sales at \$3.2B (vs. \$3.2B cons) and Kevzara sales of \$112M (vs. \$99M cons) given Sanofi reported 4Q results yesterday (see our Sanofi 4Q read-through note). Separately, US Praluent sales were above consensus at \$61M (vs \$40M cons) while Libtayo modestly beat at \$244M (vs. \$243M cons). Lastly, Sanofi collaboration revenue of \$993B (vs. \$995M cons) was in-line, while Bayer collaboration revenue of \$377M (vs. \$370M cons) beat slightly. Guidance for 2024 included: 1) adjusted R&D of \$4.3-4.5B, 2) adjusted SG&A of \$2.5-2.65B, 3) gross margin on net product sales 89-91%, and 4) an effective tax rate of 10-12%. Maintain Underperform rating and \$710 PO. [Initial thoughts on REGN 4Q23 results](#)

**Bristol Myers.** Bristol beat 4Q top and bottom lines (+\$274M revs, +\$0.18 EPS vs. cons) and issued better-than-expected 2024 revenue guidance (low single-digit increase vs. consensus 1%). Of note, the non-GAAP EPS guidance midpoint of \$7.25 excludes Karuna and Rayzebio transactions while consensus \$7.11 may include the acquisition impact (-\$0.43). Higher revenues were driven by Eliquis (+\$93M), Revlimid (+\$63M), and New Launches (+\$63M; Reblozyl +\$46M). Overall, while the quarter and 2024 guidance look solid, a consistent commercial performance and growth momentum from the new launches are crucial to Bristol's story. To that end, we think it will take time before seeing a meaningful sales inflection from new launches. Maintain Neutral and \$60 PO.

[Initial Thoughts on BMY 4Q23 Earnings](#)

**AbbVie.** Overall, 4Q results were solid with total revenue of \$14.3B (vs. \$14.0B cons) and EPS of \$2.79 (vs. \$2.76 cons) beating, due to higher revenues across most key products. We expect ABBV shares to trade up modestly on 2024 EPS outlook and bullish long-term guidance. AbbVie's I&I portfolio overall was solid, though with a slight miss on US Humira at \$2.7B (vs. \$2.8B cons, -\$30M) offset by Skyrizi sales of \$2.4B (+\$32M cons) and Rinvoq sales of \$1.3B (+\$85M cons). In heme/onc, Imbruvica sales continue to decline (-19% y/y), though 4Q results of \$903M (vs. \$843M cons) beat as well as Venclexta sales of \$589M (vs. \$570M cons). Aesthetics slightly beat at \$1.4B (+\$18M). Lastly, both Vraylar revenue of \$789M (vs. \$782M cons) and Ubrelvy sales of \$234M (vs. \$233M cons) were slightly better, though mostly in-line. AbbVie also raised 2024 EPS guidance to \$11.05-\$11.25 (midpoint \$11.15), bringing the floor EPS to \$11.05 (from \$11.00). That said, consensus expectations for EPS have risen to \$11.25 from \$11.09 in the last couple of weeks (BofA: \$11.00) Maintain Neutral and \$167 PO. [Initial thoughts on ABBV 4Q23 results.](#)



**Stocks mentioned**

Prices and ratings for stocks mentioned in this report

<b>BofA Ticker</b>	<b>Bloomberg ticker</b>	<b>Company name</b>	<b>Price</b>	<b>Rating</b>
ABBV	ABBV US	AbbVie	US\$ 168.67	B-2-7
AMGN	AMGN US	Amgen Inc.	US\$ 323.19	B-2-7
BMJ	BMJ US	Bristol-Myers Squibb	US\$ 48.71	B-2-7
LLY	LLY US	Eli Lilly	US\$ 667.65	B-1-7
JNJ	JNJ US	Johnson & Johnson	US\$ 156.61	A-2-7
MRK	MRK US	Merck & Co.	US\$ 126.41	A-1-7
PFE	PFE US	Pfizer	US\$ 26.93	B-2-7
REGN	REGN US	Regeneron Pharmaceut	US\$ 945.18	B-3-9

**Source:** BofA Global Research

## Price objective basis & risk

### AbbVie (ABBV)

Our \$167 price objective (PO) is based on a 50/50 blended valuation of our DCF and 2025 non-GAAP EPS estimate P/E multiple of 12x (giving a value of \$148). Our 12x P/E multiple lags peers (18.0x) due to concentration risk of the company's assets and LOE concerns to limit significant growth in the future. We assume a 7% WACC and a -1% terminal growth in our estimates to arrive at our \$187 DCF valuation.

Downside risks are underachievement of key growth drivers, clinical pipeline failure(s), and reduced cash flow generation to pay down debt or dividend.

### Amgen Inc. (AMGN)

Our PO for AMGN is \$315 per share. We value AMGN using a sum of the parts NPV analysis of key marketed drugs (\$240/sh) and pipeline and others (\$156/sh), which assumes a range of weighted average cost of capital (WACC) from 5% and terminal growth rate ranging from -5% to -30% depending on the product lifecycle. Our PO also reflects -\$81/sh in net debt.

Upside risks to our price objective are 1) less than-expected base business erosion 2) stronger-than-expected sales of Lumakras, Tezspire, Tepezza, and 3) competitor clinical trial failures

Downside risks to our price objective are 1) faster-than-expected revenue erosion from legacy brands, 2) slower-than-expected growth of new drug launches, and 3) clinical trial failures.

### Bristol-Myers Squibb (BMJ)

Our \$60 price objective (PO) is based on a 50/50 blended average of our risk-adjusted discounted cash flow (DCF) and P/E multiple applied to 2024E EPS. Our DCF assumes 7% WACC and -4% terminal growth rate, and we assume an approximate 8x 2024 P/E multiple given an impending patent cliff and risks associated with later-stage pipeline.

Risks to our PO are 1) uninspiring readouts from late-stage trials in key I/O indications, 2) more rapid deceleration of Revlimid erosion than expected, 3) negative outcomes from the company's later-stage pipeline assets in development, 4) pressures from

headline risks facing the sector (including drug pricing reform), and 5) negative patent rulings.

### **Eli Lilly and Company (LLY)**

Our \$750 price objective is based on a probability-adjusted net present value (NPV) analysis of franchise verticals including Endocrinology (\$531/share), Oncology (\$123/share), Cardiovascular (\$4/share), Neuroscience (\$11/share), Immunology (\$42/share), other pharmaceutical products and early pipeline assets (\$57/share), as well as approximately -\$15/share in net cash. We use a WACC ranging from 5% for approved products to 9% for pipeline products, depending on the stage of development. We apply terminal values ranging from -12% (cardiology) to 1% (endocrinology) based on projected sales decline following loss of exclusivity within each business vertical.

Risks to our price objective are 1) better-than-expected launches of competing products, 2) emerging clinical data for pipeline assets that does not confirm prior observations, 3) failure to effectively commercialize approved products, 4) potential drug pricing system restructuring in the US.

### **Johnson & Johnson (JNJ)**

Our price objective of \$180/share is based on a sum of the parts (SOTP) of roughly 18x MedTech multiple, and 14x pharma '24 multiple, slightly below peers given looming loss of exclusivity (LOE) and talc uncertainty, yielding \$57/share, and \$123/share, respectively.

The downside risks to our PO are slower growth in MedTech due to competitive pressure and faster-than-expected erosion from biosimilars to the pharma business.

Upside risks to our PO are better-than-expected launch of new products, better-than-expected clinical data for the pharma pipeline, quick resolution of talc litigation, and constructive M&A.

### **Merck & Co. (MRK)**

Our \$135 price objective (PO) is based on the intrinsic value of Merck standalone. We use a 50/50 blended average of our P/E multiple applied to 2025E EPS (we think the current 17x vs. 18x peer average makes sense to reflect continued strength of Merck's core growth franchises but broader Keytruda concentration risk concerns) and risk-adjusted DCF (7% WACC and -2% terminal growth rate).

Risks to our PO are 1) impressive competitor readouts results in key immuno-oncology (I/O) indications, 2) more rapid declines across the diabetes franchise than expected, 3) negative outcomes from the company's later-stage assets in ongoing development, and 4) pressures from headline risks facing the sector (including drug pricing reform).

### **Pfizer (PFE)**

Our \$35/share for Pfizer is based on a 50/50 blended average of our discounted cash flow (DCF) analysis and P/E multiple based on the large cap global therapeutics group. For our DCF, we use a weighted-average cost of capital (WACC) of 7% and 1% terminal growth for an intrinsic value of \$47/share. Our P/E analysis assumes a 10x multiple of our 2025 EPS estimate, which yields a \$24 intrinsic value.

Downside risks: 1) sales downside, 2) inability for pipeline to overcome patent loss of exclusivities (LOEs) after 2025, 3) M&A transactions that are perceived to be value destructive.

### **Regeneron Pharmaceuticals Inc. (REGN)**

Our \$710 price objective is based on a probability-adjusted net present value (NPV) analysis of Eylea, including outside of US (OUS) revenues from the Bayer collaboration



(\$161/share), Sanofi collaboration revenue including Dupixent and other product revenues (\$334/share), Libtayo (\$59/share), early pipeline assets (\$65/share), and the rest from net cash. We use a weighted-average cost of capital (WACC) ranging from 7% for approved products to 10% for pipeline products and terminal growth ranging from -3 to 3%. Upside risks to our price objective are 1) better-than-expected Eylea growth trajectory, 2) a larger contribution of Dupixent to Regeneron's topline from commercial uptake in new indications, and 3) better-than-expected economics realized by Regeneron from joint ventures. Downside risks to our price objective are 1) slower-than-expected growth from product sales, particularly Eylea and Dupixent, 2) failure to obtain approval for additional indications for Dupixent, and 3) pipeline setbacks.

## Analyst Certification

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as financial advisor to Bristol-Myers Squibb Co. in connection with its proposed acquisition of RayzeBio, Inc., which was announced on December 26, 2023.

## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmid Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
<b>NEUTRAL</b>				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXR	RXR US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
<b>UNDERPERFORM</b>				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky



**US - Biopharmaceuticals Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

# Disclosures

## Important Disclosures

**Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Abbvie Inc, Amgen Inc., Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck & Co., Pfizer, Regeneron Pharmaceut.

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