

Health Care

2024 Year Ahead for the health care sector

Industry Overview

Top Biopharma/Biotech picks: LLY, MRK, GILD

[We think valuation looks reasonable across Pharma \(18X\) and Biotech \(14X\)](#) with the resurgence of M&A demonstrating a more proactive stance towards filling patent cliffs (i.e. LOEs). The large cap Biopharma sector continues to diverge into the 'haves' and the 'have-nots' based primarily on the strength of new product cycles.

Top SMID Bio/Spec pharma picks: PCVX, TEVA, ITCI, TARS

[SMID cap biopharma enters 2024 with an improved backdrop](#) aided by M&A interest (from large pharma), strong R&D productivity and improving access to capital. Our top picks reflect the names with the most compelling R&D pipeline catalysts and/or new product launches including: PCVX, ITCI, TEVA and TARS.

Top SMid Biotech Picks: ARGX, MRUS, RARE and SRPT

[Strong M&A momentum could continue into 2024](#) and a more favorable macro backdrop could propel the biotech sector, but full recovery could still take some time (2H24/2025). Focus will remain on high-quality, de-risked assets with strong clinical validation.

Top MCO pick: HUM; Top HC Fac Pick: THC

We think that both MCOs and hospitals can work in 2024. [MCOs put numerous headwinds behind them](#) (redeterminations, MA trend, MA rates, elections). [Hospitals enter Year 2 of 3-year recovery](#) in pricing, vols and labor.

Top Tools picks: TMO, AVTR, QGEN

We expect Tools markets to rebound as headwinds (destocking, biopharma spend, China) start to fade. However, many stocks are already "pricing in" a full recovery, limiting upside until fundamentals improve further. [Top picks are TMO, AVTR, QGEN](#).

Top Medtech picks: ISRG, BSX, SYK

We start 2024 at one of the lowest relative valuations in a decade, creating a much lower bar for stocks to work. EPS revisions likely drive stocks in 2024 as it's not clear what changes medtech multiples in 2024. Top picks: [ISRG, BSX, and SYK](#).

Top HC Distribution and IT pick: CVS

[CVS \(top 2024 pick\)](#) reset expectations and is positioned for a "controlled acceleration" of earnings into 2025. Adoption for digital health solutions may congregate around tools to control GLP-1 spend. Distributors remain our biggest focus group with MCK having the best total portfolio and COR having catch-up optionality.

Top Euro Pharm/Biotech Novo, AZN, NVS

We [remain positive on the European Pharma sector into 2024](#) given continued innovation-driven growth, full pipelines and attractive valuation.

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Refer to important disclosures on page 13 to 16. Analyst Certification on page 7. Price Objective Basis/Risk on page 2.

12641907

Timestamp: 05 January 2024 08:05AM EST

05 January 2024

Equity
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Health Care

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Exhibit 1: Stocks mentioned

Prices and ratings for stocks mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price | Rating |
|--------------------|-------------------------|----------------------|--------------|---------------|
| ARGX | ARGX US | Argenx | US\$ 388.72 | C-1-9 |
| AZN | AZN US | AstraZeneca | US\$ 68.78 | B-1-7 |
| AZNCF | AZN LN | AstraZeneca | 10864p | A-1-7 |
| AVTR | AVTR US | Avantor, Inc. | US\$ 21.88 | B-1-9 |
| BSX | BSX US | Boston Scientific | US\$ 58.17 | B-1-9 |
| CVS | CVS US | CVS Health | US\$ 80.51 | B-1-7 |
| LLY | LLY US | Eli Lilly | US\$ 614.5 | B-1-7 |
| GILD | GILD US | Gilead Sciences Inc. | US\$ 84.48 | B-1-7 |
| HUM | HUM US | Humana Inc | US\$ 466.54 | B-1-7 |
| ITCI | ITCI US | Intra-Cellular | US\$ 69.04 | C-1-9 |
| ISRG | ISRG US | Intuitive Surgical | US\$ 323.27 | B-1-9 |
| MRK | MRK US | Merck & Co. | US\$ 117.01 | A-1-7 |
| MRUS | MRUS US | Merus | US\$ 29.44 | C-1-9 |
| NVS | NVS US | Novartis | US\$ 105.57 | A-1-7 |
| NVSEF | NOVN SW | Novartis | CHF 89.84 | A-1-7 |
| QGEN | QGEN US | Qiagen | US\$ 43.8 | B-1-9 |
| XQGNF | QIA GY | Qiagen N.V. | EUR 39.59 | B-1-9 |
| SRPT | SRPT US | Sarepta | US\$ 94.28 | C-1-9 |
| SYK | SYK US | Stryker | US\$ 298.05 | B-1-7 |
| TARS | TARS US | Tarsus Pharma | US\$ 19.74 | C-1-9 |
| THC | THC US | Tenet Healthcare | US\$ 74.17 | C-1-9 |
| TEVA | TEVA US | Teva Pharmaceuticals | US\$ 10.88 | C-1-9 |
| RARE | RARE US | Ultragenyx Pharm | US\$ 47.09 | C-1-9 |
| PCVX | PCVX US | Vaxcyte | US\$ 64.34 | C-1-9 |

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**Argenx SE (ARGX)**

Our price objective of \$552 is based on our DCF-derived model with valuations assigned for efgartigimod in Myasthenia Gravis (\$304), Immune Thrombocytopenia (\$5), and Chronic Inflammatory Demyelinating Polyneuropathy (\$157), pipeline and corporate expenses (\$35) and cash. We assign 9% WACC for MG, 10% for ITP, and CIDP. Our DCF valuation is based on estimates out to 2038. We assume peak penetrations of 10%-35% in US depending on the indication.

Upside risks to our PO are (1) better-than-expected efficacy in efgartigimod indications, (2) faster-than-anticipated timeline to approval, (3) additional indications advancing in clinical development, (4) positive data from its partnerships, and (5) higher-than-expected pricing at launch.

Downside risks to our PO are (1) competitors have better-than-expected efficacy, (2) failure to achieve clinically meaningful results in ongoing studies, and (3) unexpected safety events in ongoing trials.

AstraZeneca (AZNCF / AZN)

Our PO of GBP145 (US\$88) is based on c19x FY25E PE, ahead of our target sector multiple of c16x due to potential for premium growth (11% 25-28E EPS CAGR vs sector c7%) and significant pipeline optionality.

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-

forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%,

3) Our DCF valuations imply c17x 25E PE

Upside risks to our PO are better-than-expected EPS momentum driven by better execution on product launches and pipeline success.

Downside risks to our PO are pipeline failure, risk of litigation, adverse currency moves, greater margin pressure driving EPS miss and a failure to inflect key product launches.

Avantor, Inc. (AVTR)

Our \$24 PO is based on 17x our 2024 adj EBITDA estimates in-line with LST peer average.

Risks to our PO are headwinds from the global COVID-19 pandemic, variability in customer R&D funding, increasing competition, supplier concentration, M&A integration, slower than expected geographic expansion, slower than expected deleveraging, and unfavorable currency swings.

Boston Scientific (BSX)

Our PO of \$60 is derived from 28x our 2024E EPS estimate, which is a premium to the large cap medtech comp group. We believe this multiple is justified given our view of BSX's accelerating earnings growth outlook based on opportunities to drive above average top line growth.

Downside risks to our PO are: 1) Watchman slowdown if ABT becomes more competitive than expected, 2) supply chain/inflationary pressures impact margins more than expected, 3) BSX sees a major setback in a clinical trial or product pipeline failure, 4) unexpected COVID related headwinds.

CVS Health (CVS)

Our \$95 price objective is based on about 11x our CY24 EPS estimate. This multiple is below the five-year average on an absolute basis and near the lower end of the historical range of 10.0x-17.5x. This also represents a bigger discount to the S&P500 vs. the last five years. The discount reflects margin pressure across CVS's core Pharmacy Services and Retail Pharmacy segments and uncertainty around drug prices.

Downside risks to our PO are failure to generate expected benefits from the Aetna combination (or have any regulatory issues in a highly regulated business), growing competitive risks in the pharmacy benefit market (including competitive pricing around rebates), business disruption tied to Covid any potential impact from ongoing opioid-related investigations, any issues with the closing and integration of the pending Signify Health/Oak Street transactions, costs and mitigation efforts needed to address the lost Stars ratings for CVS' MA plans, potential regulatory risk across the HCB and Pharmacy Services businesses, a slowdown in 340B, and slowing prescription/insurance trends. Upside risks to our PO are any potential prescription volume pickup, faster and stronger than expected synergies from Aetna, biosimilar contributions, and improving front-end performance (including better attach rates post-Covid).

Eli Lilly and Company (LLY)

Our \$700 price objective is based on a probability-adjusted net present value (NPV) analysis of franchise verticals including Endocrinology (\$393/share), Oncology (\$127/share), Cardiovascular (\$4/share), Neuroscience (\$12/share), Immunology (\$28/share), other pharmaceutical products and early pipeline assets (\$150/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.

Gilead Sciences Inc. (GILD)

Our \$95 price objective is based on a sum-of-the parts net present value (NPV) analysis. We forecast sales of key franchises or products to 2030 using a weighted average cost of capital (WACC) of 8%, and include a terminal value where appropriate. Under these assumptions, we value the HIV franchise at \$80/share, HCV and HDV at \$7/share, the Kite platform at \$8/share, remdesivir at \$2/share, Trodelvy at \$9/share, with the pipeline at \$5/share and net cash at -\$15/share.

Upside risks: 1) stronger-than-expected sales of Biktarvy in HIV and faster uptake of Descovy in PrEP, 2) greater durability of HCV revenues, 3) rapid uptake of Kite, 4) and success of the oncology pipeline may lead investors to assign further value to these programs.

Downside risks: 1) moderating sales of Biktarvy, Genvoya, Odefsey, and Descovy due to competition, which may include long-acting injectable formulations, 2) greater than expected erosion of HCV revenues, 3) limited upside from Gilead's CAR-Ts, 4) the oncology pipeline may have limited clinical success or be meaningfully delayed.

Humana Inc (HUM)

Our \$640 PO is based on 20.2x our 2024 EPS estimate, a premium to its 5-year average of 17.1x justified by the strong growth trajectory we expect for HUM's core business, Medicare Advantage.

Upside risks are potential for share repurchase and several non-healthcare catalysts, margin normalization, and the rebound in risk coding.

Downside risks are regular industry sensitivity points (cost trend, MA rates), as well as unknowns from a new administration.

Intra-Cellular Therapies (ITCI)

Our \$82 price objective (PO) is based on a risk-adjusted sum-of-the-parts analysis. 1) Caplyta risk-adjusted sales climb to \$2bn by 2027E, before loss-of-exclusivity (LOE) in 2034, 2) no terminal value, 3) operating margin reaching low-60s percentage, 4) 9% discount rate.

Downside risks to our PO: 1) lower-than-expected commercial uptake of Caplyta in schizophrenia, continued COVID disruption keeping a lid on script growth, 2) BPD commercial execution risk, 3) potential setbacks on ITCI's execution on pipeline clinical development plan, e.g. adjunctive MDD, mixed features.

Upside risks to our PO: 1) better-than-expected commercial uptake of Caplyta in schizophrenia, 2) bipolar depression launch significantly above our estimates, 3) further pipeline validation beyond our assumptions, for e.g. Caplyta in adjunctive MDD, mixed features

Intuitive Surgical (ISRG)

Our \$400 PO is based on roughly 53x our 2025E EPS. We think the premium multiple relative to average large cap peers is justified given ISRG's expected mid-teens top-line growth over the next several years, nearly 3x that of the medtech market, and ISRG is well ahead vs competition in one of the most significant growth markets in medtech (soft tissue robotics). ISRG pipeline also justifies our multiple as ISRG is spending over

\$500m a year in R&D and it's a matter of time before the fruits of these investments show up in estimates.

Downside risks are 1) lower surgical volumes due to covid, 2) slowdown in hospital capital spending, 3) other competitive entrants and 4) supply chain headwinds.

Merck & Co. (MRK)

Our \$130 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 2024E 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).

Merus (MRUS)

Our \$38 PO is based on a probability adjusted net present value analysis. Our valuation consists of \$16/sh for petosemtamab in 2L+ head and neck squamous cell cancer (HNSCC) and \$7/sh for peto' in 1L HNSCC. The remainder of our valuation comes from pipeline (\$8/sh) and cash (\$7/sh). Our discounted cash flow (DCF)-based model goes out to 2040. We assume 11% WACC for peto in 2L+, 13% in 1L and 14% for pipeline expenses, and assume no terminal value

Upside risks to our PO are 1) positive clinical data for lead programs, 2) potential for accelerated approval in 2L+ HNSCC and potentially 1L, 3) successful partnership for commercialization of zenocutuzumab, and 4) better-than-expected market penetration.

Downside risks to our PO are 1) negative results from upcoming clinical data readouts, 2) unexpected safety signals from lead assets, 3) failure to obtain accelerated approval in HNSCC, 4) failure to partner zenocutuzumab, and 5) lower than expected commercial uptake.

Novartis (NVSEF / NVS)

Our CHF109/USD125 PO is based on a 15x 25E PE, a c6% discount to our target sector multiple of c16x with 7% 25-28E EPS CAGR in line with sector, but due to lack of growth post 2028 caused by patent expiries and insufficient visibility on mid-to-late stage pipeline to address this.

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE.

Upside risks to our price objective are favourable currency moves, faster product launches, positive earnings momentum positive pipeline surprises, value-accretive M&A.

Downside risks are new competition to growth franchises, negative currency movements, early generic competition, pipeline failure, risk of litigation, failure to execute on product launches, regulatory changes, pricing pressure, significant changes in the US political environment, or value-destructive M&A.

Qiagen (QGEN / XQGNF)



Our \$52.00/€48 PO is based on about 17x FY25e EV/EBITDA. in-line with LST peers. The company has made progress in revamping its business and the stronger core end-markets.

Downside risks to our PO are lingering covid headwind, execution missteps, competition, changes in customer R&D funding levels or priorities, IP disputes, technology shifts, and F/X swings.

Sarepta Therapeutics (SRPT)

Our \$164 PO is based on a probability-adjusted net present value (NPV) analysis that includes \$19/share for Exondys, \$8/share for Vyondys, \$22/share for Amondys, \$77/share for micro-dystrophin gene therapy, \$36/share for LGMD assets. The remainder of our valuation comes from pipeline and cash. Our discounted cash flow (DCF) analysis assumes sales out to 2035, with weighted average cost of capital (WACC) of 9-13%.

Upside risks to our PO are 1) better-than-expected market uptake from its exon skipping assets, 2) SRP-9001 US label expansion, and 3) EU approval of SRP-9001 and other assets.

Downside risks to our PO are 1) failure and delay in approval for exon skipping assets, 2) unexpected safety or durability findings in gene therapy programs, 3) other micro dystrophin competitors, and 4) higher-than-expected royalty payments.

Stryker (SYK)

Our \$315 PO is based on 27x our 2024 EPS which is a premium to medtech but in line with where higher-quality, higher-growth names trade today on 2024 EPS.

Downside risks to our PO are a slowdown in hospital capital spending, supply chain disruption, or more inflation pressure on costs and materials. Upside risks to our PO are new product launches and continued share gains driving upside to revenue growth. Moderating inflation/improving supply chains could also drive upside.

Tarsus Pharmaceuticals (TARS)

Our \$42 price objective (PO) is based on a risk-adjusted DCF of TP-03 lead program. Key assumptions: 1) we forecast cash flows through 2038 patent life of TP-03. 2) 100% probability of success for TP-03 and 90% probability of achieving market expansion. 3) TP-03 generates \$513m in 2030E risk-adjusted sales, 4) discount rate of 10% and no terminal value.

Downside risks to our PO are (1) failure of TP-03 to show desired results in clinical trials, (2) slower-than-expected commercial uptake of TP-03, (3) potential dilutive cash raises to commercialize the drug.

Upside risks to our PO are (1) better-than-expected clinical data and/or commercial uptake of TP-03, (2) acquisition at a premium price.

Tenet Healthcare (THC)

Our \$95 PO is based on 8.4x our 2024 EBITDA less non-controlling interests estimate, above the high end of the company's historical 5.5x-8.5x range. While growth in the Acute care business will likely continue to be impacted by labor headwinds, the company's strong cost control should drive earnings and position the company well heading into the expected ramp in volumes as COVID normalizes. Meanwhile, continued repositioning into Ambulatory Surgery Centers (ASCs) will help both the organic growth and FCF profile.

Downside risks to our PO are: 1) Volume trends rebound slower than expected following

COVID-19, 2) Government reimbursement reductions, 3) Margin pressure/integration issues at recently acquired assets, 4) Above average leverage, 5) labor costs pressures.

Upside risks to our PO are: 1) Volumes are better than expected, 2) Continued acuity strength and pricing growth, 3) Better than expected cost controls.

Teva Pharmaceuticals (TEVA)

Our \$13 price objective (PO) is based on a '24E EV/EBITDA multiple of 8x, which is slightly above the peer group avg of 6.7x reflecting key new product launches following resolution of opioid litigation. Our valuation factors in \$4.7bn in contingent legal liabilities related to opioid litigation resolution (\$3.2bn) and generic price fixing (\$1.5bn). The \$3.2bn estimate for present value of opioid resolution cost is based on \$4.35bn gross liability, with a 13-year payout.

Upside risks: 1) Ability to execute BD (business development) activity to drive mid-SD revenue growth in '23-27 timeframe, 2) surprise high value new generic product launch.

Downside risks: 1) annual opioid costs may limit BD activity thus hindering TEVA's aspiration of achieving mid-SD revenue growth in '23-27 timeframe, 2) increased price erosion to key spec pharma brands

Ultragenyx Pharmaceuticals (RARE)

Our DCF-derived PO of \$84 for RARE consists of \$11/share for Dojolvi in LC-FAOD, \$20/share for Crysvita in XLH and TIO, \$0.5/share for Mepsevii in MPS7, \$15/share for Angelman, \$42/share for gene therapy assets and the remainder for cash and RARE's pipeline. We use a 9% WACC for approved products, 11-12% for clinical-stage products, such as gene therapy programs.

Upside risks to our price objective are: 1) better than expected uptake for its approved products, 2) positive data for clinical stage assets, and 3) accelerated approval for its drug candidates.

Downside risks are: 1) low penetration into rare disease populations, 2) negative data for clinical stage assets, 3) unexpected safety risks associated with clinical stage drug candidates, 4) unexpected generic competition.

Vaxcyte Inc (PCVX)

Our \$80 price objective (PO) is based on a risk-adjusted DCF analysis. Key assumptions: 1) we forecast cash flows through 2034, with VAX-24 launching in 2026E, 2) we see 55% likelihood to market for VAX-24, 3) we expect VAX-24 to generate \$4bn in nominal sales by 2034E, 4) we apply a discount rate of 11.5% and +1% terminal growth rate.

Downside risks to our PO are (1) failure of VAX-24 to show desired results in clinical trials, (2) slower-than-expected commercial uptake, (3) potential dilutive cash raises to develop and commercialize the drug.

Upside risks to our PO are (1) better-than-expected clinical data and/or commercial uptake of VAX-24, (2) acquisition at a premium price.

Analyst Certification

I, Kevin Fischbeck, CFA, 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.

US - Biotechnology Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|---------------------------------|-------------|------------------|--------------|
| BUY | | | | |
| | 4D Molecular Therapeutics, Inc. | FDMT | FDMT US | Tazeen Ahmad |
| | Alnylam Pharmaceuticals | ALNY | ALNY US | Tazeen Ahmad |
| | Amicus Therapeutics | FOLD | FOLD US | Tazeen Ahmad |
| | Annexon Biosciences | ANNX | ANNX US | Tazeen Ahmad |
| | Apellis Pharmaceuticals | APLS | APLS US | Tazeen Ahmad |
| | Argenx SE | ARGX | ARGX US | Tazeen Ahmad |
| | Arvinas | ARVN | ARVN US | Tazeen Ahmad |
| | Ascendis Pharma | ASND | ASND US | Tazeen Ahmad |
| | Biocryst Pharmaceuticals Inc | BCRX | BCRX US | Tazeen Ahmad |
| | BioNTech | BNTX | BNTX US | Tazeen Ahmad |
| | Denali Therapeutics | DNLI | DNLI US | Tazeen Ahmad |
| | Inozyme Pharma, Inc. | INZY | INZY US | Tazeen Ahmad |
| | Merus | MRUS | MRUS US | Tazeen Ahmad |
| | Neurocrine Biosciences | NBIX | NBIX US | Tazeen Ahmad |
| | PepGen Inc | PEPG | PEPG US | Tazeen Ahmad |
| | Prothena Corporation | PRTA | PRTA US | Tazeen Ahmad |
| | Rhythm Pharmaceuticals | RYTM | RYTM US | Tazeen Ahmad |
| | Sarepta Therapeutics | SRPT | SRPT US | Tazeen Ahmad |
| | Ultragenyx Pharmaceuticals | RARE | RARE US | Tazeen Ahmad |
| NEUTRAL | | | | |
| | Acadia Pharmaceuticals | ACAD | ACAD US | Tazeen Ahmad |
| | Incyte Corporation | INCY | INCY US | Tazeen Ahmad |
| | SAGE Therapeutics | SAGE | SAGE US | Tazeen Ahmad |
| UNDERPERFORM | | | | |
| | Achilles Therapeutics | ACHL | ACHL US | Tazeen Ahmad |
| | Fate Therapeutics | FATE | FATE US | Tazeen Ahmad |
| | Fulcrum Therapeutics | FULC | FULC US | Tazeen Ahmad |
| | Pharvaris | PHVS | PHVS US | Tazeen Ahmad |
| | PTC Therapeutics | PTCT | PTCT US | Tazeen Ahmad |

EMEA - Pharma & Biotech Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|------------------|-------------|------------------|------------------|
| BUY | | | | |
| | AstraZeneca | AZN | AZN US | Sachin Jain, CFA |
| | AstraZeneca | AZNCF | AZN LN | Sachin Jain, CFA |
| | Genmab | GNMSF | GMAB DC | Sachin Jain, CFA |
| | Genmab | GMAB | GMAB US | Sachin Jain, CFA |
| | Grifols S.A. | GIFLF | GRF SM | Graham Parry |
| | Grifols S.A. - B | GRFS | GRFS US | Graham Parry |
| | Grifols S.A. - B | GIFO | GRF/P SM | Graham Parry |
| | Merck KGaA | MKGAF | MRK GY | Sachin Jain, CFA |
| | Merck KGaA | MKKGY | MKKGY US | Sachin Jain, CFA |
| | Novartis | NVSEF | NOVN SW | Graham Parry |
| | Novartis | NVS | NVS US | Graham Parry |
| | Novo Nordisk | NONOF | NOVOB DC | Sachin Jain, CFA |
| | Novo Nordisk | NVO | NVO US | Sachin Jain, CFA |
| | Sandoz Group AG | SDZXF | SDZ SW | Graham Parry |
| | Sandoz Group AG | SDZNY | SDZNY US | Graham Parry |
| | Sanofi | SNYNF | SAN FP | Graham Parry |
| | Sanofi | SNY | SNY US | Graham Parry |
| NEUTRAL | | | | |
| | Bayer | BAYZF | BAYN GY | Sachin Jain, CFA |
| | Bayer | BAYRY | BAYRY US | Sachin Jain, CFA |
| | H. Lundbeck A/S | HLUKF | HLUNB DC | Sachin Jain, CFA |
| | Idorsia | IDRSF | IDIA SW | Sachin Jain, CFA |
| | Ipser | IPSEF | IPN FP | Sachin Jain, CFA |
| | Roche Holdings | RHHBF | ROG SW | Sachin Jain, CFA |
| | Roche Holdings | RHHBY | RHHBY US | Sachin Jain, CFA |

EMEA - Pharma & Biotech Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|---------|-------------|------------------|--------------|
| UNDERPERFORM | | | | |
| | GSK Plc | GSK | GSK US | Graham Parry |
| | GSK Plc | GLAXF | GSK LN | Graham Parry |
| | Orion | ORINF | ORNBV FH | Graham Parry |
| | UCB | UCBJF | UCB BB | Graham Parry |
| | UCB | UCBJY | UCBJY US | Graham Parry |

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|-------------------------------|-------------|------------------|----------------------|
| BUY | | | | |
| | Acadia Healthcare | ACHC | ACHC US | Kevin Fischbeck, CFA |
| | Addus HomeCare | ADUS | ADUS US | Joanna Gajuk |
| | Agilon Health | AGL | AGL US | Adam Ron |
| | Chemed Corporation | CHE | CHE US | Joanna Gajuk |
| | Elevance Health Inc | ELV | ELV US | Kevin Fischbeck, CFA |
| | Encompass Health | EHC | EHC US | Kevin Fischbeck, CFA |
| | HCA | HCA | HCA US | Kevin Fischbeck, CFA |
| | Humana Inc | HUM | HUM US | Kevin Fischbeck, CFA |
| | Option Care Health | OPCH | OPCH US | Joanna Gajuk |
| | Oscar Health | OSCR | OSCR US | Adam Ron |
| | Privia Health | PRVA | PRVA US | Adam Ron |
| | Select Medical Corp. | SEM | SEM US | Kevin Fischbeck, CFA |
| | Service Corp. | SCI | SCI US | Joanna Gajuk |
| | Surgery Partners, Inc | SGRY | SGRY US | Kevin Fischbeck, CFA |
| | Tenet Healthcare | THC | THC US | Kevin Fischbeck, CFA |
| | The Cigna Group | CI | CI US | Kevin Fischbeck, CFA |
| | UnitedHealth Group | UNH | UNH US | Kevin Fischbeck, CFA |
| | Universal Health Services | UHS | UHS US | Kevin Fischbeck, CFA |
| | US Physical Therapy | USPH | USPH US | Joanna Gajuk |
| NEUTRAL | | | | |
| | Alignment Healthcare | ALHC | ALHC US | Adam Ron |
| | AMN Healthcare | AMN | AMN US | Kevin Fischbeck, CFA |
| | Apollo Medical | AMEH | AMEH US | Adam Ron |
| | Brookdale | BKD | BKD US | Joanna Gajuk |
| | Centene Corporation | CNC | CNC US | Kevin Fischbeck, CFA |
| | Molina Healthcare, Inc. | MOH | MOH US | Kevin Fischbeck, CFA |
| UNDERPERFORM | | | | |
| | AdaptHealth Corp. | AHCO | AHCO US | Joanna Gajuk |
| | Agility Health Inc | AGTI | AGTI US | Kevin Fischbeck, CFA |
| | Cross Country Healthcare | CCRN | CCRN US | Kevin Fischbeck, CFA |
| | DaVita Inc | DVA | DVA US | Kevin Fischbeck, CFA |
| | Enhabit Home Health & Hospice | EHAB | EHAB US | Joanna Gajuk |
| | Pediatrix Medical Group, Inc. | MD | MD US | Kevin Fischbeck, CFA |

US - Medical Technology & Devices Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------|-------------|------------------|--------------|
| BUY | | | | |
| | Abbott Laboratories | ABT | ABT US | Travis Steed |
| | Axonics | AXNX | AXNX US | Travis Steed |
| | Bausch & Lomb | BLCO | BLCO US | Craig Bijou |
| | Becton Dickinson | BDX | BDX US | Travis Steed |
| | Boston Scientific | BSX | BSX US | Travis Steed |
| | Dexcom | DXCM | DXCM US | Travis Steed |
| | Inari Medical | NARI | NARI US | Travis Steed |
| | Inspire Medical | INSP | INSP US | Travis Steed |
| | Insulet | PODD | PODD US | Travis Steed |
| | Intuitive Surgical | ISRG | ISRG US | Travis Steed |



US - Medical Technology & Devices Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|---------------------------------|-------------|------------------|--------------|
| | Medtronic | MDT | MDT US | Travis Steed |
| | Paragon 28 | FNA | FNA US | Craig Bijou |
| | Procept BioRobotics Corporation | PRCT | PRCT US | Craig Bijou |
| | RxSight | RXST | RXST US | Craig Bijou |
| | Shockwave Medical | SWAV | SWAV US | Travis Steed |
| | Si-Bone | SIBN | SIBN US | Craig Bijou |
| | Stryker | SYK | SYK US | Travis Steed |
| | The Cooper Companies | COO | COO US | Craig Bijou |
| NEUTRAL | | | | |
| | Baxter International Inc | BAX | BAX US | Travis Steed |
| | Conmed | CNMD | CNMD US | Travis Steed |
| | Edwards Lifesciences | EW | EW US | Travis Steed |
| | GE HealthCare | GEHC | GEHC US | Craig Bijou |
| | Integer Holdings Corporation | ITGR | ITGR US | Craig Bijou |
| | Teleflex Incorporated | TFX | TFX US | Craig Bijou |
| | Zimmer Biomet | ZBH | ZBH US | Travis Steed |
| UNDERPERFORM | | | | |
| | Embeca | EMBC | EMBC US | Travis Steed |
| | Globus Medical | GMED | GMED US | Craig Bijou |
| | Integra Lifesciences | IART | IART US | Craig Bijou |
| | Nevro | NVRO | NVRO US | Travis Steed |
| | Outset Medical | OM | OM US | Travis Steed |
| | Silk Road Medical | SILK | SILK US | Travis Steed |
| | Tandem Diabetes Care | TNDM | TNDM US | Travis Steed |

US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|------------------------------|-------------|------------------|----------------|
| BUY | | | | |
| | Avantor, Inc. | AVTR | AVTR US | Michael Ryskin |
| | Bruker Corporation | BRKR | BRKR US | Derik de Bruin |
| | Certara | CERT | CERT US | Michael Ryskin |
| | Charles River Laboratories | CRL | CRL US | Derik de Bruin |
| | Elanco Animal Health | ELAN | ELAN US | Michael Ryskin |
| | Exact Sciences | EXAS | EXAS US | Derik de Bruin |
| | Guardant Health | GH | GH US | Derik de Bruin |
| | ICON plc | ICLR | ICLR US | Derik de Bruin |
| | IQVIA Holdings Inc | IQV | IQV US | Derik de Bruin |
| | LabCorp | LH | LH US | Derik de Bruin |
| | Maravai | MRVI | MRVI US | Michael Ryskin |
| | Qiagen | QGEN | QGEN US | Derik de Bruin |
| | Qiagen N.V. | XQGNF | QIA GY | Derik de Bruin |
| | Quest Diagnostics | DGX | DGX US | Derik de Bruin |
| | Stevanato Group S.p.A. | STVN | STVN US | Derik de Bruin |
| | Thermo Fisher Scientific | TMO | TMO US | Derik de Bruin |
| | West Pharmaceutical Services | WST | WST US | Derik de Bruin |
| | Zoetis Inc. | ZTS | ZTS US | Michael Ryskin |
| NEUTRAL | | | | |
| | 10x Genomics, Inc. | TXG | TXG US | Michael Ryskin |
| | Agilent Technologies | A | A US | Derik de Bruin |
| | Danaher Corporation | DHR | DHR US | Michael Ryskin |
| | Evotec SE | EVO | EVO US | Michael Ryskin |
| | Hologic, Inc. | HOLX | HOLX US | Derik de Bruin |
| | IDEXX Laboratories | IDXX | IDXX US | Michael Ryskin |
| | Mettler-Toledo | MTD | MTD US | Derik de Bruin |
| | NeoGenomics Inc. | NEO | NEO US | Derik de Bruin |
| | Rewity Inc | RVTY | RVTY US | Derik de Bruin |
| | Schrodinger, Inc. | SDGR | SDGR US | Michael Ryskin |
| | Waters Corp. | WAT | WAT US | Derik de Bruin |
| UNDERPERFORM | | | | |
| | Align Technology | ALGN | ALGN US | Michael Ryskin |

US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|-------------------------------|-------------|------------------|----------------|
| | Catalent, Inc. | CTLT | CTLT US | Derik de Bruin |
| | Fortrea | FTRE | FTRE US | Derik de Bruin |
| | Ginkgo Bioworks Holdings, Inc | DNA | DNA US | Derik de Bruin |
| | Illumina, Inc. | ILMN | ILMN US | Michael Ryskin |
| | Myriad Genetics | MYGN | MYGN US | Derik de Bruin |
| | Phibro Animal Health | PAHC | PAHC US | Michael Ryskin |

US - Healthcare Technology & Distribution Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|----------------------------|-------------|------------------|-----------------|
| BUY | | | | |
| | Accolade | ACCD | ACCD US | Allen Lutz, CFA |
| | American Well Corp | AMWL | AMWL US | Allen Lutz, CFA |
| | Cencora Inc | COR | COR US | Allen Lutz, CFA |
| | CVS Health | CVS | CVS US | Allen Lutz, CFA |
| | Definitive Healthcare Corp | DH | DH US | Allen Lutz, CFA |
| | dentalcorp | YDNTL | DNTL CN | Allen Lutz, CFA |
| | Envista | NVST | NVST US | Allen Lutz, CFA |
| | HealthEquity Inc | HQY | HQY US | Allen Lutz, CFA |
| | Hims & Hers | HIMS | HIMS US | Allen Lutz, CFA |
| | McKesson | MCK | MCK US | Allen Lutz, CFA |
| | Omniceil Inc. | OMCL | OMCL US | Allen Lutz, CFA |
| | Patterson Companies | PDCO | PDCO US | Allen Lutz, CFA |
| | Progyny | PGNY | PGNY US | Allen Lutz, CFA |
| | R1 RCM | RCM | RCM US | Allen Lutz, CFA |
| NEUTRAL | | | | |
| | Cardinal Health | CAH | CAH US | Allen Lutz, CFA |
| | Dentsply Sirona, Inc. | XRAY | XRAY US | Allen Lutz, CFA |
| | Doximity Inc | DOCS | DOCS US | Allen Lutz, CFA |
| | Teladoc Health | TDOC | TDOC US | Allen Lutz, CFA |
| UNDERPERFORM | | | | |
| | GoodRx | GDRX | GDRX US | Allen Lutz, CFA |
| | Henry Schein | HSIC | HSIC US | Allen Lutz, CFA |
| | Owens & Minor | OMI | OMI US | Allen Lutz, CFA |
| | Premier, Inc. | PINC | PINC US | Allen Lutz, CFA |
| | Walgreens Boots Alliance | WBA | WBA US | Allen Lutz, CFA |

US - Specialty Pharma & Biotechnology Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------------|-------------|------------------|-------------------|
| BUY | | | | |
| | Arcellx, Inc. | ACLX | ACLX US | Jason M. Gerberry |
| | Arrowhead Pharmaceuticals | ARWR | ARWR US | Jason M. Gerberry |
| | bluebird bio | BLUE | BLUE US | Jason M. Gerberry |
| | Exelixis | EXEL | EXEL US | Jason M. Gerberry |
| | Immunovant, Inc. | IMVT | IMVT US | Jason M. Gerberry |
| | Intra-Cellular Therapies | ITCI | ITCI US | Jason M. Gerberry |
| | Ionis | IONS | IONS US | Jason M. Gerberry |
| | Jazz Pharmaceuticals | JAZZ | JAZZ US | Jason M. Gerberry |
| | Lyra Therapeutics | LYRA | LYRA US | Jason M. Gerberry |
| | Oculus Holding AG | OCS | OCS US | Jason M. Gerberry |
| | Relay Therapeutics | RLAY | RLAY US | Jason M. Gerberry |
| | Tarsus Pharmaceuticals | TARS | TARS US | Jason M. Gerberry |
| | Teva Pharmaceuticals | TEVA | TEVA US | Jason M. Gerberry |
| | Vaxcyte Inc | PCVX | PCVX US | Jason M. Gerberry |
| | Xenon Pharmaceuticals | XENE | XENE US | Jason M. Gerberry |
| NEUTRAL | | | | |
| | Alkermes | ALKS | ALKS US | Jason M. Gerberry |
| | Amphastar Pharmaceuticals | AMPH | AMPH US | Jason M. Gerberry |



US - Specialty Pharma & Biotechnology Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------|-------------|------------------|-------------------|
| | Axsome Therapeutics | AXSM | AXSM US | Jason M. Gerberry |
| | Galapagos | GLPG | GLPG US | Jason M. Gerberry |
| | ProKidney Corp | PROK | PROK US | Jason M. Gerberry |
| | Roivant | ROIV | ROIV US | Chi M. Fong |

UNDERPERFORM

| | | | | |
|--|-----------------------|------|---------|-------------------|
| | Bausch Health Cos Inc | BHC | BHC US | Jason M. Gerberry |
| | FibroGen Inc. | FGEN | FGEN US | Jason M. Gerberry |
| | Harmony Biosciences | HRMY | HRMY US | Jason M. Gerberry |
| | Organon | OGN | OGN US | Jason M. Gerberry |
| | Viartis Inc. | VTRS | VTRS US | Jason M. Gerberry |

US - Biopharmaceuticals Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------|-------------|------------------|---------|
|-------------------|---------|-------------|------------------|---------|

BUY

| | | | | |
|--|-------------------------------|------|---------|--------------------|
| | 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 |
| | Minerals 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 |

NEUTRAL

| | | | | |
|--|----------------------|------|---------|--------------------|
| | 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 |

US - Biopharmaceuticals Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------------------|-------------|------------------|--------------------|
| | 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 |

UNDERPERFORM

| | | | | |
|--|---------------------------------|------|---------|--------------------|
| | AlloVir, Inc. | ALVR | ALVR US | Jason Zemansky |
| | 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 ^{R1} | 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 ^{R1} | 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% |

^{R1} 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 ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} 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.

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