

Bristol-Myers Squibb

Sell-side analyst event takeaways

Maintain Rating: NEUTRAL | PO: 60.00 USD | Price: 51.18 USD

Commercial execution and deal integration NT focus

Bristol hosted a sell-side Q&A session this morning to answer analysts' questions following 4Q earnings earlier this month, which covered a broad range of topics, including cell therapy franchise outlook, KarXT differentiation, and M&A focus/ capacity. Overall, while the discussion was informative, there were no surprises that would change our near-term outlook for Bristol. Indeed, commercial execution and deal integration (Mirati, Karuna, and RayzeBio) will remain the key focus this year. And while we continue to like Bristol's broad portfolio of pipeline assets, commercial execution and growth momentum from new launches as crucial to Bristol's story, which will likely take time (2025) to see sales inflection. Maintain Neutral rating and \$60 PO.

KarXT has multiple, multi-billion-dollar opportunities

Management sees KarXT to potentially succeed beyond schizophrenia, including Alzheimer's disease psychosis. Indeed, Bristol believes that targeting M1 receptor (in addition to M4) is key to cognition benefit, which is critical for Alzheimer's related psychosis and agitation. Further, while management acknowledged that it's unlikely for the cognition benefit to be included in the label for schizophrenia given that it was assessed as an exploratory endpoint, commercially KarXT could still benefit from the cognition results based on clinical trial results and real-world data. That said, we think the jury is still out on KarXT can differentiate versus Cerevel's emraclidine (M4 agonist) in schizophrenia on cognition benefit alone at the expense of tolerability/ convenience. AbbVie/Cerevel's pivotal studies will read out in 2H24 and we believe a comparable effect size between the two drugs may give emraclidine an edge commercially.

Cell therapy franchise a key LT growth driver

Despite the commercial setback in Abecma/ Bryanzi last year, Bristol continues to invest in manufacturing to further improve margin and indication expansion for the next leg of growth. Indeed, Bristol remains bullish on Bryanzi's growth given its differentiated safety profile and believes Abecma's AdComm (KarMMA-3) next month will unlock further growth. That said, we note Gilead has been more cautious on Yescarta growth in the US this year given the capacity constraint (number of available slots rather than supply) given the number of available CAR-T therapies on the market and competition from clinical trials. We could potentially see a similar dynamic in play for Bryanzi as well. Separately, autoimmune disease such as SLE could be the next frontier of cell therapy opportunity given its curative potential. That said, there's more wood to chop as we await longer term safety and durability results. Specifically, question on the causality of T-cell malignancy remains undetermined, although Bristol sees a favorable benefit/risk profile for heavily treated patients. We expect to see phase 1 data in SLE later this year.

Other tidbits: M&A, LAG3, and TYK2

On M&A, Bristol maintains that it will be focusing on smaller, bolt-on and/or partnership type of deals in the near term. On LAG3, Bristol will leverage the totality data and modeling to inform the next step of development. On TYK2, Sotyktu will have first in market advantage across multiple indications before other oral agents come to market.

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Timestamp: 26 February 2024 11:22AM EST

26 February 2024

Equity

Geoff Meacham
Research Analyst
BofAS
+1 646 855 1004
geoff.meacham@bofa.com

Charlie Yang
Research Analyst
BofAS
+1 646 855 5732
charlie.yang@bofa.com

Susan Chor
Research Analyst
BofAS
susan.chor@bofa.com

Alexandria Hammond
Research Analyst
BofAS
alexandria.hammond@bofa.com

John Joy
Research Analyst
BofAS
john.joy@bofa.com

Stock Data

Price	51.18 USD
Price Objective	60.00 USD
Date Established	3-Jan-2024
Investment Opinion	B-2-7
52-Week Range	47.58 USD - 71.07 USD
Mkt Val (mn) / Shares Out (mn)	104,139 USD / 2,034.8
Free Float	99.9%
Average Daily Value (mn)	786.37 USD
BofA Ticker / Exchange	BMJ / NYS
Bloomberg / Reuters	BMJ US / BMJ.N
ROE (2024E)	36.1%
Net Dbt to Eqty (Dec-2023A)	95.5%
ESGMeter™	High

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Abbreviation:

M1/ M4: muscarinic
CAR-T: Chimeric antigen receptor
M&A: Mergers and acquisition
LT: long-term
NT: near-term
SLE: Systemic lupus erythematosus
LAG3: Lymphocyte-activation gene 3
TYK2: Tyrosine kinase 2

Price objective basis & risk

Bristol-Myers Squibb (BMY)

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.

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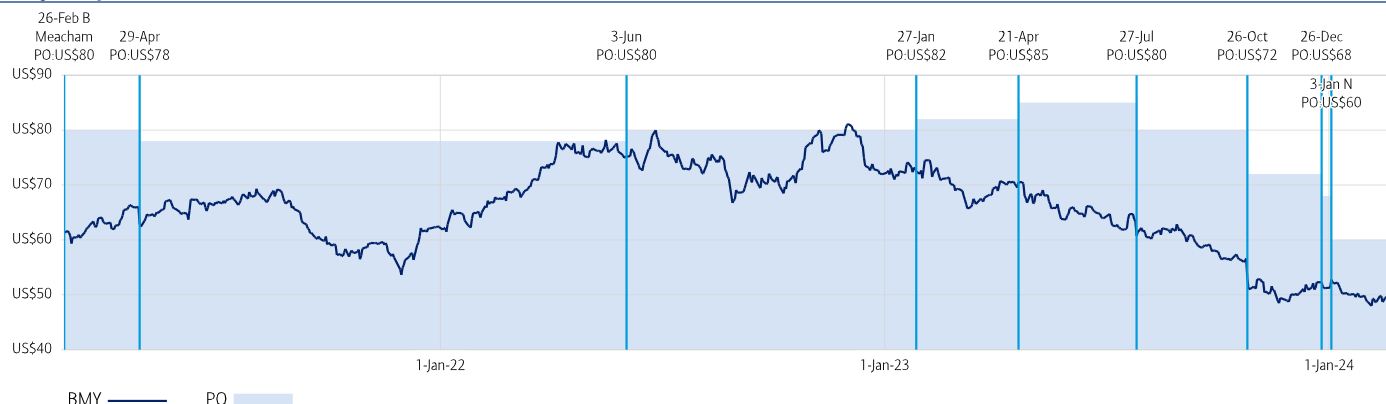
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Bristol-Myers Squibb (BMY) Price Chart



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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%

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