

US Biopharmaceuticals

The Priority Review – Week of February 12th

Industry Overview

Positive Biopharma sentiment after strong earnings

So far, 9 of 12 larger caps under our coverage have beat on revenue and 11 of 12 have beat on EPS, with strong prints driving recent momentum in the sector ([see our earnings tracker](#)). While Amgen and Gilead's 2024 guidance came in below consensus, we didn't see any negative topline surprises, which is a promising setup for the sector. While we haven't heard any new color from management teams on the IRA, we see risk from healthcare policy discussions and calls to deepen IRA discounts on the campaign trail this year. That said, we don't think real action is very likely for 2024 which may be why IRA commentary has been so muted in 4Q. We continue to receive inbounds from generalists on growth names (Lilly, Vertex, Merck) with a slight uptick in SMID biotech given the strong performance of recent IPOs and bolt on deals for late-stage assets.

Biogen 4Q commentary mixed on MS weakness

Biogen gave mixed commentary ([our takeaways on the Biogen call here](#)) on their 4Q call after leaving more to be desired on their 4Q print. Investors came into this year thinking 2024 would bring top line stability given the Skyclarys and Leqembi launch, with Spinraza and CD20 remaining stable. However, it seems revenue declines may persist with generics for Tecfidera in the EU and Tysabri in the US serving as significant headwinds to the MS franchise. Additionally, while the Leqembi launch is doing well by new patient adds, there are logistics issues onboarding patients, and Biogen/Eisai's elevated commercial spend may reflect weaker demand than originally thought. While bulls had a notion that 2024 could be the first year of revenue growth for Biogen, we think revenues will stabilize in 2025 with growth coming after.

Gilead CFO makes case for beating expectations

We think Gilead's CymaBay deal was well received, as investors recognized the potential of plugging a de-risked asset into a company with expertise in the liver disease space, and we think the PBC market can be highly profitable for Gilead. We caught up with Gilead's CFO this week ([see our CFO discussion takeaways here](#)), where he gave color on some of the recent hurdles the company faced ([see our thoughts on Evoke-01](#), discontinuation of the CD47 program). That said, there are still a lot of events to come including Trodelvy data in urothelial cancer and TNBC as well as HIV data coming at CROI. Additionally, we think investors aren't grasping the upside of upcoming trials of lenacapavir in PREP which we think should be a home run, give that consensus only sees a few billion in sales by the end of the decade. While 1Q can be seasonally light for gene/cell therapies like Yescarta and HIV (due to historical government buying patterns and pricing resets), we're sticking with our Buy rating. We think Gilead is best positioned among GARP names to beat what we view as modest expectations with several high upside catalysts over the year. Next week Moderna and BioMarin are reporting earnings, while Amgen is hosting a rare disease call. We think Moderna's recent volatility has come from evolving investor understanding of RSV and expect the call to focus on their 1345 RSV vaccine ([see our thoughts on the vaccine here](#)), as while data came in ok, our KOLs have suggested that reimbursement and access will be a major driver of share.

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2024 outlook

- [2024 US Biopharma Outlook report](#)
- [2024 Company Profiles report](#)
- [Bristol \(BMY\) Downgrade note](#)
- [Kymera \(KMYR\) Downgrade note](#)
- [LianBio \(LIAN\) Downgrade note](#)

4Q23 earnings reports

- J&J: [Initial thoughts on the JNJ 4Q23 results](#) and [thoughts post the JNJ 4Q23 call](#)
- Merck: [Initial thoughts on MRK 4Q23 results](#) and [thoughts post the 4Q23 MRK call](#)
- Bristol: [Initial Thoughts on BMY 4Q23 results](#) and [thoughts post the BMY 4Q23 call](#)
- AbbVie: [Initial thoughts on ABBV 4Q23 results](#) and [thoughts post the ABBV 4Q23 call](#)
- Pfizer: [Initial thoughts on PFE 4Q23 results](#) and [thoughts post the PFE 4Q23 call](#)
- Amgen: [Initial thoughts on AMGN 4Q23 results](#) and [thoughts post the AMGN 4Q23 call](#)
- Regeneron: [Initial thoughts on REGN 4Q23 results](#) and [thoughts post the REGN 4Q23 call](#)
- Lilly: [Initial thoughts on LLY 4Q23 results](#) and [thoughts post the LLY 4Q23 call](#)
- Vertex: [Initial thoughts on VRTX 4Q23 results](#) and [thoughts post the VRTX 4Q23 call](#)
- Gilead: [Initial thoughts on GILD 4Q23 results](#) and [thoughts post the GILD 4Q23 call](#)
- Biogen: [Initial thoughts on BIIB 4Q23 results](#) and [thoughts post the BIIB 4Q23 call](#)
- Royalty: [Thoughts post the RPRX 4Q23 call](#)

4Q23 earnings read-through notes

- Sanofi: [Sanofi read-through to our coverage](#)
- Novo: [Novo read-through to our coverage](#)
- Roche: [Roche read-through to our coverage](#)
- GlaxoSmithKline: [GSK read-through to our coverage](#)

4Q23 earnings tracker

- Week 1&2: [Weeks 1&2 Earnings Tracker](#) and [Weeks 1&2 Quotes Tracker](#)
- Week 3: [Week 3 Earnings Tracker](#) and [Week 3 Quotes tracker](#)
- Week 4: [Week 4 Earnings Tracker](#) and [Week 4 Quotes tracker](#)

Key takes from JPM Healthcare Conference

- [JPM Healthcare Conference Day 1 takeaways](#)
- [JPM Healthcare Conference Day 2 takeaways](#)
- [JPM Healthcare Conference Day 3 & 4 takeaways](#)

Key takes from our Vegas Healthcare Conference

- [Vegas Healthcare Conference Day 1 takeaways](#)
- [Vegas Healthcare Conference Day 2 take aways](#)
- [Vegas Healthcare Conference wrap up](#)

Upcoming catalysts, investor days and regulatory dates

- Pfizer Oncology R&D Day, February 29, 2024

Abbreviations:

IRA: Inflation Reduction Act

MS: Multiple sclerosis

CD47: Protein

TNBC: Triple negative breast cancer

HIV: Human immunodeficiency virus

CROI: Conference on Retroviruses and Opportunistic Infections

PREP: HIV therapy

RSV: Respiratory syncytial virus

KOL: Key opinion leader



Price objective basis & risk

Gilead Sciences Inc. (GILD, B-1-7, \$71.58)

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.

Analyst Certification

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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
	Insmmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan
	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
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
	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
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	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Alec W. Stranahan
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky



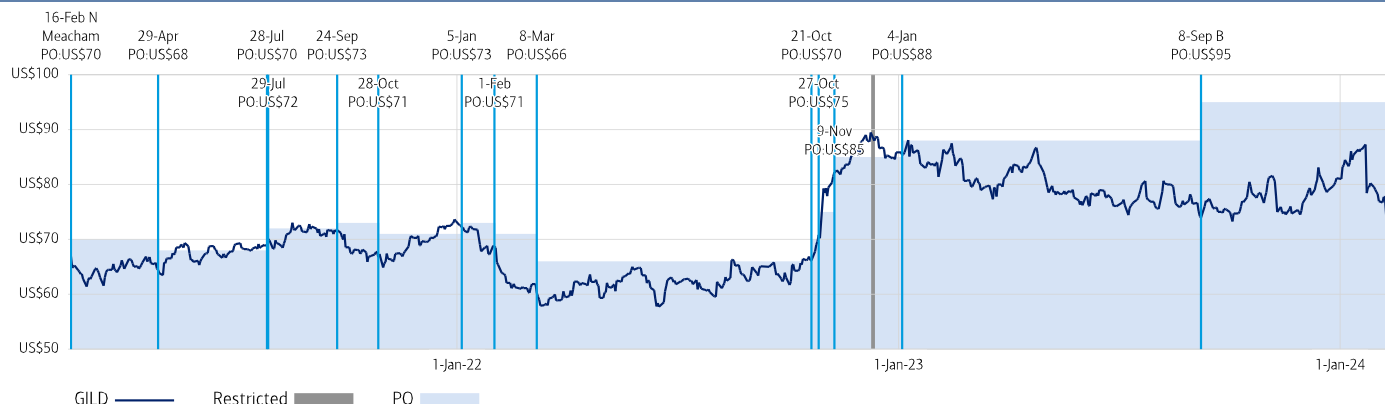
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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff 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

Gilead Sciences Inc. (GILD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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