

US Biopharmaceuticals

4Q23 Earnings Quotes – Week 3

Earnings Review

With the first three weeks of 4Q23 earnings season behind us, we have compiled what we'd highlight as the most important thematic quotes from earnings calls across the Biopharma space. Areas that particularly stood out which have industry relevance, include 1) 2024 outlook, 2) new launches / pipeline development, and 3) M&A / Business Development.

2024+ outlook

LLY on 2024+ outlook: "To summarize our initial 2024 financial guidance. Starting at the topline, revenue is expected to be between \$40.4 billion and \$41.6 billion. Using the midpoint of the 2024 range, this represents roughly 20% growth or 29% growth for our core business."

GILD on 2024+ outlook: "For 2024, we expect HIV sales to grow approximately 4%, reflecting annual treatment demand growth of 2% to 3%, Biktarvy market share gains, and continued double-digit growth in demand for HIV prevention."

New launches

LLY on new launches: "Today, we announced positive results from SYNERGY-NASH, a Phase 2 study of tirzepatide in adults with NASH... the study met its primary endpoint, with up to 74% of participants achieving an absence of NASH with no worsening of fibrosis at 52 weeks compared to less than 13% of participants reaching this endpoint on placebo. We are equally encouraged by results seen in the secondary endpoint evaluating improvement in fibrosis."

VRTX on new launches: "So in contrast to our cystic fibrosis launches, which have really seen incredibly rapid uptake, we have said that we are expecting the Casgevy launch to be more like a traditional biopharma launch, and we have said, we are expecting this to be a foundational year for us as we build momentum around CASGEVY."

M&A / Capital Allocation

VRTX on M&A: "Our priorities for cash deployment remain unchanged as we continue to prioritize investment in innovation including external innovation via business development. During 2023, we completed 10 transactions and recognized over \$500 million of AIPR&D. We also deployed over \$400 million to repurchase 1.3 million shares over the course of 2023."

AMGN on M&A: "In summary, we continue to execute on our multiple capital allocation priorities. First, we continue to prioritize investments in both internal and external innovation. Our increased spending in non-GAAP R&D of 8% in '23 over '22, coupled with the acquisition of Horizon Therapeutics, continues to broaden and strengthen our balanced portfolio across therapeutic areas."

See pages 2-14 of this note for additional key thematic quotes from 4Q23 calls

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Equity
United States
Biopharmaceuticals

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
+1 646 855 0102
susan.chor@bofa.com

Alexandria Hammond
Research Analyst
BofAS
+1 646 855 1654
alexandria.hammond@bofa.com

John Joy
Research Analyst
BofAS
+1 646 855 1136
john.joy@bofa.com

Abbreviations:

IRA: inflation reduction act
BD: business development
M&A: mergers and acquisitions
EGFR: estimated glomerular filtration rate
ESMO: European Society for Medical Oncology
FDA: Food and Drug Administration
CD19: Protein
MS: Multiple Sclerosis
PBM: Pharmacy Benefit Manager
CAR-T: Cell oncology technology
BCMA: B-cell maturation antigen

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Key Quotes from 4Q23 Earnings Calls

2024+ Outlook

JNJ on 2024+ Outlook: “As we look ahead, I have never been more excited about the future of our business. At our enterprise business review, we share that we expect our Innovative Medicine business to grow 5% to 7% from 2025 to 2030, with our industry-leading pipeline and portfolio delivering more than 10 assets that have the potential to generate over \$5 billion in peak year sales by 2030. We also expect a further 15 assets to have the potential for \$1 billion to \$5 billion in peak year sales.”

“Turning to other items on our P&L. We expect our 2024 adjusted pre-tax operating margin to improve by approximately 50 basis points, driven primarily by a continuation of efficiency programs across the organization. We expect this to be partially offset by anticipated STELARA biosimilar entrance in Europe in the second half of this year and some lingering inflation impact in MedTech inventory that will flow through 2024's P&L. This margin improvement encompasses dilution of additional investment associated with our planned acquisition of Ambrx, which will be treated as a business combination. Now we do acknowledge that this 50 basis point improvement simply gets us back to what your models expected given the elevated Q4 2023 R&D investment for new pipeline assets. Regarding other income and expense, we anticipate income to be \$1.2 billion to \$1.4 billion for 2024. This is less than the 2023 amount driven by the impact of actuarial assumptions on certain employee benefit programs, such as lower discount rates.”

“We are comfortable with you modeling net interest income between \$450 million and \$550 million, consistent with 2023 levels. Finally, we are projecting an effective tax rate for 2024 in the range of 16% to 17%, based on current tax laws and anticipated geographic income mix across our businesses. This tax rate takes into account an increase of approximately 1.5% or 150 basis points relative to the recently enacted Pillar 2 legislation.”

“Given all these factors, we expect adjusted operational earnings per share to grow 7.4% at the midpoint for a range of \$10.55 to \$10.75. Based on the euro spot rate of 1.09 from last week, we do not estimate any currency impact on earnings per share. I'll now provide some qualitative considerations on quarterly phasing for your models. We expect Innovative Medicine sales growth to be slightly stronger in the first half of the year compared to the second half given the anticipated entry of STELARA biosimilars in Europe towards the middle of the year. This headwind will be partially offset by continued uptake from our recently launched products. We project MedTech operational sales growth to be relatively consistent throughout the year, expecting procedures in 2024 to remain above pre-COVID levels. The first half of the year will continue to have modest impact from Russia sanctions as our licenses are approved. We anticipate China VBP pricing for surgical IOLs and orthopedic sports to begin in 2024, with impacts from 2023 VBP in electrophysiology, endocutters, energy, spine and trauma to begin to anniversary throughout 2024.”

PFE on 2024+ Outlook: “Upon achieving our de-levering goals, we anticipate returning to a more balanced capital allocation strategy, inclusive of share repurchases. Now given that we issued our full year 2024 revenue and adjusted diluted earnings per share guidance on December 13th, let me just hit a few of the highlights. We expect total Company full year 2024 revenues to be in the range of \$58.5 billion to \$61.5 billion, which reflects our expectation of strong contributions across our product portfolio. Importantly, excluding Comirnaty and Paxlovid, we anticipate operational revenue growth of 8% to 10%. We remain confident on delivering at least \$4 billion of net savings from our cost-realignment program by the end of this year. We believe right-sizing the cost base will put us on a strong footing towards margin expansion and increased operational efficiency moving forward. With it, we expect adjusted diluted earnings per share to be in the range of \$2.05 to \$2.25 a share for the full year of 2024. And as a reminder, this range is inclusive of an anticipated \$0.40 of earnings dilution from the Seagen

acquisition, and again, with the vast majority of this dilution resulting from the financing costs associated with the deal.”

“Our guidance for gross margin, although we don't provide it specifically, we give you some color around the fact that it's approximately 70%. Obviously, our focus going forward is to improve our margin rate and more importantly, improve our operating margin rate to the bottom-line. As we look here at 2024, there is a few things that have compressed our margin rate versus -- as COVID has declined year-over-year, that has served to, I'll say de-lever if you will, the P&L as COVID takes up and covers some fixed overhead. But importantly, what's happening is we are in-sourcing products that we've recently acquired. Those -- that in-sourcing requires time before we get up to peak yield and performance. So, that in the short-term dampens gross margin rate, but has a trajectory to improve gross margin rate over time. And then secondly, we have new launches that are coming online late in Q3 -- or late in the second half of 2023 and moving into '24, again those are not at peak performance yet, that will ultimately improve gross gross margin rate as we cycle into later years. And then finally, I will say that, over the last several years, we have absorbed some amount of inflation within our cost of goods sold. That is an area of opportunity for us as we think about improving performance longer-term. So, I hope that gives you some color.”

“R&D came in a little favorable than our expectations previously. A part of this is the fact that we are very focused on realigning our cost base, so consistent with the program. And then secondly, there probably is some timing that's dampening R&D in the fourth quarter that will slide into 2024 and into 2025. So, there is some timing implications to that performance level. But I think importantly, back to my prepared remarks, is, our focus is on delivering net savings of \$4 billion and if you look through the end of 2023, about half of that, we have achieved already. We're now focused on achieving the additional \$2 billion or so as we cycle into 2024, and all eyes are on that objective.”

ABBV on 2024+ Outlook: “We anticipate updates this year from several important R&D programs including. Approvals for Skyrizi in UC, 951 in the US and potentially accelerated approval for DLBCL in third-line plus follicular lymphoma. We also anticipate regulatory submissions for, our novel short-acting toxin and potentially Teliso-V in advanced non-squamous, non-small cell lung cancer. And third, we are focused on closing and integrating ImmunoGen answerable, these two exciting opportunities represent substantial sources of revenue growth well into the next decade. We remain on-track with the anticipated closing of both deals in the middle of the year. Today, we are also reaffirming our long-term sales outlook, which includes a return to robust revenue growth in 2025 with a high-single-digit CAGR through the end-of-the decade. Included in this outlook is an updated forecast for Skyrizi and Rinvoq. Based on the impressive growth of both therapies, which we expect will collectively generate approximately \$16 billion of revenue in 2024, we now anticipate Skyrizi and Rinvoq will collectively exceed more than \$27 billion in sales by 2027, with robust growth continuing into the next decade. This updated forecast reflects an increase of more than \$6 billion in revenue, compared to our prior 2027 guidance. We expect global sales for Skyrizi, to reach more than \$17 billion in 2027, reflecting continued share capture in psoriasis, where we are the clear market-leader, as well as strong uptake in IBD. And we expect Rinvoq to achieve more than \$10 billion of global sales in 2027, reflecting continued market growth and share momentum across each of Rinvoq approved indications including four in rheumatology, two in IBD and eight atopic dermatitis. This forecast comprehends modest contributions from several new disease areas for Rinvoq, which we anticipate will be launching in the second-half of the decade.”

BMJ on 2024+ Outlook: “We expect 2024 revenues to increase in a low single-digit range, reflecting our confidence in the growing momentum of our growth portfolio. Excluding Foreign Exchange, we expect revenues to increase in the low single-digit as well. Driving our momentum this year will be increasing the sales in our growth portfolio from products like Opdivo and our recently launched products. As we said previously, we expect a

more modest pace of growth than last year for Opdivo, with the potential for acceleration in the back half of the year from new indications. And while our legacy portfolio includes assets that are maturing, we expect strong growth from Eliquis in the US this year.”

MRK on 2024+ Outlook: “So, as you all know, our company has made great progress in expanding operating margin over a number of years. As we look to 2024, we expect operating margin to improve. And that’s really driven by the strength of the topline and mix of revenue by the roll-off of royalties that we’ve noted in KEYTRUDA and GARDASIL being disciplined in our expenses, while we do invest fully behind our expansive pipeline. As we go beyond 2024, we still point to an operating margin of greater than 40% in 2025, but our focus as a company and as the team is to really ensure that we are fueling the pipeline supporting the portfolio of products that we’re launching to drive growth into the long-term.”

“We expect another year of strong growth, driven by key marketed products and we’ll begin to benefit from the anticipated launches of impactful new products [ph], such as Sotatercept and V116, we project revenue to be between \$62.7 billion and \$64.2 billion, representing growth of 4% to 7%. This growth includes a negative impact from foreign-exchange of approximately 2% using mid January rates. The headwind is primarily due to the devaluation of the Argentine peso, which we expect will largely be offset by inflation related price increases consistent with market practice. Our gross margin assumption is approximately 80.5%, which includes the benefit from reduced royalties paid on KEYTRUDA and GARDASIL. Operating expenses are assumed to be between \$25.1 billion and \$26.1 billion, which includes an approximate \$650 million one time charge related to the announced acquisition of Harpoon Therapeutics. As a reminder, our guidance does not assume additional significant potential business development transactions. Other expense is expected to be approximately \$200 million. We assume a full-year tax-rate between 14.5% and 15.5%. We assume approximately 2.54 billion shares outstanding. Taken together, we expect EPS of \$8.44 to \$8.59. This range includes an approximate \$0.26 per share charge related to the planned acquisition of Harpoon Therapeutics, which is not tax-deductible and the negative impact from foreign-exchange of approximately \$0.25 using mid-January rates, including the impact from Argentina.”

VRTX on 2024 outlook “Now switching to guidance. For 2024, we expect total product revenue in a range of 10.55% to \$10.75 billion, representing revenue growth of 8% at the midpoint at current exchange rates. Included in this outlook is our expectation for continued growth in CF as we continue to reach more patients including younger ones in core markets and select other countries. Guidance also includes contribution from the commercial launch of CASGEVY in approved indications and geographies. We continue to expect a foundational year for CASGEVY in 2024, as we ramp up patient initiations and build toward a multi-billion dollar market opportunity overtime.

We are providing total product revenue guidance rather than specifics by disease area or product given the inherent uncertainty of new launches as well as the significant disparity in size of our established CF business relative to other revenues. As a reminder, on the accounting for CASGEVY and the CRISPR profit share arrangement, Vertex will book 100% of revenues for CASGEVY. The profit share with CRISPR calculated after product and commercial costs will be recorded in cost of goods sold. Any ongoing research and development costs will be recorded in operating expenses net of CRISPR’s share. For total Vertex operating expenses, we project \$4.3 billion to \$4.4 billion in full year 2024 combined non-GAAP SG&A, R&D, and acquired IPR&D. This operating expense range includes approximately \$125 million in currently anticipated IPR&D charges. We continue to invest a majority of our operating expenses into R&D given the momentum in our multiple mid and late-stage clinical development programs.

Note, that the costs for multiple Phase 3 studies have been a significant driver of our growth in our total operating expenses in recent years. Given that a number of Phase 3 studies were completed as we entered 2024, we were able to fund new additional Phase 3 studies without the same rate of growth in operating expenses. While we have substantially

completed our commercial investments for CASGEVY, we are also funding the expansion of our commercial capabilities in anticipation of other multi-billion dollar opportunities represented by our programs with near-term launch potential, while continuing to leverage an attractive business model afforded by our focus in specialty markets. With a more normalized impact from U.S. R&D tax credits in 2024, our full year 2024 non-GAAP effective tax rate is expected to be in the range of 20% to 21%."

LLY on 2024 outlook: "To summarize our initial 2024 financial guidance. Starting at the topline, revenue is expected to be between \$40.4 billion and \$41.6 billion. Using the midpoint of the 2024 range, this represents roughly 20% growth or 29% growth for our core business, which excludes the impact of the divestitures that took place in 2023.

In terms of phasing of our revenue growth throughout 2024, while we don't provide quarterly guidance, we expect revenue growth to accelerate in the second half of the year, consistent with the increased availability of incretin doses.

In terms of pricing for a core business which excludes divestitures, we expect a high-single-digit percent price decline in 2024. The lingering base period impact of the Mounjaro non-covered co-pay card dynamics will dampen these price declines in the first half of 2024, with more significant price declines expected in the second half of the year.

During this year, we're taking a streamlined approach to our guidance line items relating to expenses. Rather than providing three separate guidance line items for gross margin, research and development costs, and marketing and sales administrative costs, we are presenting a single new ratio representing our margin after plant costs calculated by subtracting R&D costs and marketing, selling, and administrative costs from gross margin; and dividing that figure by revenue. We express this ratio as a percentage, and for 2024, we expect it to be in the range of 31% to 33% on a non-GAAP basis.

While we are not providing a specific guidance number for gross margin as a percent of sales, our expectations remain consistent that we will maintain gross margin of approximately 80% on a non-GAAP basis, as productivity gains and volumes are offset by pricing pressures and the cost of new manufacturing facilities.

As for our expense growth across key categories, we expect marketing, selling, and administrative expenses to again grow in 2024, though at a slower pace than revenues, with growth driven by marketing investments in our recently launched and upcoming launch products.

We also expect R&D expenses in 2024 to increase driven by growing investments across all phases of our pipeline as we invest for the future with the majority of dollar growth driven by ongoing and new late-phase opportunities. We expect R&D expense to increase at a higher rate than marketing, selling and administrative expenses.

Other income and expenses is expected to be between \$400 million and \$500 million of expense, primarily driven by higher interest expense.

Turning to taxes, we expect our 2024 non-GAAP effective tax rate to be approximately 14%. Note that this rate does not assume deferral or repeal of the provision in the 2017 Tax Act requiring capitalization and amortization of research and development expenses for tax purposes. Should such a change take effect, our effective tax rate for 2024 would be moderately higher.

Earnings per share is expected to be in the range of \$12.20 to \$12.70 on a non-GAAP basis. Consistent with our prior practice, we're not including any potential or pending acquired IPR&D and development milestone charges in our 2024 guidance, and we will provide updates each quarter on the impact of IPR&D on earnings per share if acquired IPR&D and development milestone charges are incurred. For guidance modeling purposes, we're currently estimating diluted weighted average share outstanding for 2024 to be approximately \$903 million.



We entered 2024 with strong momentum and a remarkable opportunity to help millions more patients with our medicines. For our investors, 2024 should be another exciting year driven by expected revenue growth in our core business near an approaching 30% and continued investments to drive future growth. Our outlook for top-tier revenue growth and operating margin expansion remains on track.”

AMGN on 2024 outlook: “For 2024, we’re expecting revenue of \$32.4 billion to \$33.8 billion, and non-GAAP earnings per share of \$18.90 to \$20.30. As we continue to integrate Horizon, we expect the acquisition to be accretive to non-GAAP EPS in 2024, and we’re on track to meet the synergies target previously communicated of at least \$500 million in pre-tax costs by year three after closing, or in 2026.

Our revenue range reflects our strong growth outlook, driven by numerous opportunities across our four therapeutic area pillars. We will record a full-year of legacy Horizon product sales, and we expect continued volume-driven growth in our priority products Repatha, TEZSPIRE, EVENITY, Otezla, Prolia, and BLINCYTO, consistent with industry trends in our recent history, we expect mid-single-digit price declines for our portfolio in 2024.

As a reminder, as you model the first quarter of 2024 and consistent with our historical trends, we expect first quarter product sales to be the lowest quarter as a percentage of the full year due to benefit plan changes, insurance re-verifications, and increased copay charges. So, we expect the first quarter of 2024 total revenue to grow roughly 20% year-over-year.

For the full year, we expect other revenue to be in the range of approximately \$1.3 billion to \$1.4 billion. And we continue to efficiently run the business through our disciplined approach to managing operating expenses. In 2024, we’re making incremental R&D investments to support our promising late-stage pipeline, including our rapidly advancing oncology programs, as discussed following ESMO in October, and other programs, including MeriTide. Furthermore, the addition of Horizon has an impact on the 2024 operating margin given the timing of when synergies are realized.

As a result, we project the full year non-GAAP operating margin as a percentage of product sales to be roughly 48%. Note that we expect non-GAAP operating margin growth to accelerate in each of the quarters following the first quarter. There are primarily three reasons for this.

First, typical lower product sales in Q1, as I mentioned, above than in each of the following quarters. Second, increased spend on our commercial brands will continue, building on the investments we made in the second half of 2023, including Repatha, Otezla, and our bone portfolio of EVENITY and Prolia.

And third, Q1 2024 reflects the addition of Horizon, for which we are just at the beginning stages of realizing synergies, given the acquisition close date of October 6. So we expect non-GAAP operating margin to be roughly 43% in the first quarter. I would reiterate that we expect operating margin growth to accelerate in each of the quarters following the first quarter. We project non-GAAP cost of sales be in the range of 17% to 18% as a percentage of product sales for the 2024 year.

Taking into account the full year of Horizon-related expenses, we expect non-GAAP R&D expenses in 2024 to increase approximately 20% year-over-year, with investments also increasing to advance key pipeline assets, including AMG 193, MeriTide, rocatinlimab, and tarlatamab. We see significant potential in our innovative pipeline, and it is important that we strategically invest now to fully unlock the opportunities ahead to create long-term value for patients, staff, and shareholders. And for non-GAAP SG&A spend, we expect 2024 full-year amounts as a percentage of product sales to be between 21% and 22%.

We anticipate non-GAAP OI&E to be in the range of \$2.6 billion to \$2.7 billion. As mentioned on our Q3 '23 call, the '24 guidance includes the interest expense related to the

\$28 billion of debt raised for the Horizon acquisition. We expect a non-GAAP tax rate of 16% to 17%.”

GILD on 2024 outlook: “For 2024, we expect HIV sales to grow approximately 4%, reflecting annual treatment demand growth of 2% to 3%, Biktarvy market share gains, and continued double-digit growth in demand for HIV prevention. In terms of quarterly HIV revenue, keep in mind that the first quarter is always impacted by the reset of patient co-pays and deductibles. Additionally, we’ve historically seen inventory build-up in the fourth quarter that has led to notable drawdowns by wholesalers in the first quarter”

“You’re absolutely right, our product sales guidance for products excluding Veklury implies 4% to 6% growth year-over-year, again continuing the trend of strong growth that you’ve seen over the last two years. I’d also highlight that it implies a substantial moderation of our operating expense growth, which is an important piece of the puzzle that we spent a lot of time talking about.

To your question specifically on product growth, the growth drivers for 2024 are the same as the growth drivers last year. You continue to see strong growth in our HIV business. As you see in the quarter, you really need to focus on the full year for HIV to see the growth trend. And we saw another year of very strong growth across our HIV business for the full year in '23. We expect the same thing in '24. And you heard on the call that we were expecting at least 4% growth for the HIV business next year. And then, of course, the Cell Therapy business and Trodelvy are expected to continue to grow as well.”

New launches / pipeline development

JNJ on new launches: “In 2024, we expect data readouts for many of these assets, including Phase III trials for TREMFYA in IBD, ERLEADA in early stage prostate cancer, our targeted oral peptide JNJ-2113 in psoriasis, nipocalimab in myasthenia gravis, as well as aticaprant and seltorexant in major depressive disorder. We also expect Phase II readouts for our combination therapy guselkumab and golimumab, JNJ-4804, in psoriatic arthritis, nipocalimab in Sjogren's Disease, and TAR-200 in non-muscle invasive bladder cancer. In MedTech, we share that we expect to grow at the upper range of our markets, which are anticipated to grow by 5% to 7% between 2022 and 2027, and that by 2027, we expect one-third of our revenue to be generated by new products. In 2024, we'll see strong progress towards these goals.”

PFE on new launches: “Completing the acquisition of Seagen doubled our oncology research and resources overnight, and meaningfully extended the reach and medical impact of our US commercial and medical footprint, with a range of portfolio expansion opportunities boosted by Seagen's broad and deep pipeline. Seagen's in-line medicines are expected to immediately enhance Pfizer's top-line growth, and our combined portfolio provides the opportunity to lead genitourinary cancers, and be a leader in breast cancer, and deliver at least eight potential blockbuster products by 2030.. On the commercial side, the PADCEV launch in locally advanced metastatic bladder cancer in combination with pembrolizumab and XTANDI launch in nonmetastatic castration-sensitive prostate cancer. We are excited by the strength of the PADCEV EV-302 data and recent FDA approval, as it represents an opportunity to broaden the reach of this potentially practice-changing, platinum-free regimen to even more patients in the frontline metastatic urothelial cancer setting.. We are also looking forward to Phase 3 Data readouts from Vepdegestrant in second line HR+ metastatic breast cancer and Braftovi in first line BRAF colorectal cancer. We also plan to advance our late-stage pipeline with Phase 3 Starts of CDK4 in post-CDK4/6 metastatic breast cancer and B6A in non-small cell lung cancer.”

ABBV on new launches: “These are very impressive results considering all patients who were inadequate responders to anti-TNF therapy. And 70% of the patients were Hurley Stage III, which is the most advanced-stage of the disease. Based on these results, we plan to begin a Phase three program in HF later this year. We also plan to evaluate Lutikizumab

in ulcerative colitis and Crohn's given the role that IL-1 likely plays in these diseases. Patients with UC who have an IL one beta signature have shown resistance to anti-TNF and other biologics providing strong rationale for a potential biomarker approach. Additionally, we believe Lutikizumab has the potential to be used in combination to provide transformational levels of efficacy in IBD. We plan to evaluate combo approaches with Lutikizumab and Skyrizi as well as with other pipeline assets in Crohn's. Our Phase-II studies in IBD are expected to begin later this year. Our regulatory applications are under review for Skyrizi in ulcerative colitis. With approval decisions expected in the US and Europe later this year. One Skyrizi is approved in UC, along with Rinvoq we will have two assets with different mechanisms of action in IBD both offering very-high levels of efficacy. AbbVie will be very well-positioned with an industry-leading suite of treatment options for patients suffering from moderate-to-severe ulcerative colitis and Crohn's disease."

"We remain on-track to begin a Phase-III monotherapy study in third-line multiple myeloma. This year, and we plan to begin combination trials in earlier lines of therapy. In 2025. In the area of solid tumors, we recently-announced positive topline results from the Teliso-V Phase-II Luminosity study in previously treated non-small cell lung cancer Teliso-V demonstrated strong clinical benefits across key endpoints including overall response rate, duration of response and overall survival with a tolerable safety profile. We believe these results have the potential to support accelerated approval. And we plan to discuss the data with regulators in the coming months. Pending alignment with the FDA our submission is planned for the second-half of this year. We're also making good progress with our next-generation c-Met ADC ABBV-400 which utilizes the same c-Met blocking antibody has Teliso-V but has a proprietary Topo one warhead to afford, deeper and more durable responses with an improved therapeutic index."

REGN on new launches: "In mid-2024, we plan to start our first clinical trial to evaluate the combination of our muscle preservation antibodies in combination with semaglutide. Also in 2024, we are anticipating proof-of-concept data for Factor XI antibodies in the setting of prevention of venous thromboembolism after knee replacement surgery. Based on preclinical and healthy volunteer data, our antibody approach demonstrated more complete Factor XI blockade compared to competing approaches and development for coagulation disorders and the program is on a rapid path to a registrational trial starting late this year or early next year."

MRK on new launches: "In cardiometabolic, we're very excited by the anticipated FDA action on our application for Sotatercept in the United States, which we believe has the potential to transform the treatment journey for many patients suffering from pulmonary arterial hypertension. Our commercial and manufacturing teams are fully prepared with a strong uptake, we expect. Sotatercept is an important component of our growing cardiometabolic pipeline, which we believe has significant long-term potential. In vaccines, the FDA accepted for priority review our filing for V116. If approved, V116 would be the first vaccine specifically designed to address the majority of invasive pneumococcal disease and adults, ages 65 and older. Based on its compelling profile, V116 has the potential to become an important new preventive option for adults, and we believe it can achieve majority market-share in this setting. We look forward to a potential approval in June. And in oncology, we continue to expand into additional tumor types and earlier stages of certain cancers, as well as progress our increasingly broad pipeline of novel candidates."

"So when we think about the tissue targeting, we think of ADCs. And the answer is I think the ADC field will continue to develop and I think there'll be other payload other linkers, but also the specificity by which you do the tissue targeting in relationship to the antibody may change. There is also clearly evidence of potential movements into peptide drug conjugates that we're interested in, as well as the possibility that the payload is no longer chemotherapy based, but other sort of compound based. So we're interested in that. In tissue targeting, more broadly, we are interested in -- so we view that as -- okay, that's how we're going to move sort of toxic cell chemotherapy agents into tissue targeting sort of scheme, making chemotherapy precision medicine. But we also are very interested in the IO

space in relationship to tissue targeting and that is our foray and that has really helped our proposed acquisition with Harpoon that has a very interesting asset in relationship to tissue targeting and engagers.”

VRTX on new launches

“Now switching to guidance. For 2024, we expect total product revenue in a range of 10.55% to \$10.75 billion, representing revenue growth of 8% at the midpoint at current exchange rates. Included in this outlook is our expectation for continued growth in CF as we continue to reach more patients including younger ones in core markets and select other countries. Guidance also includes contribution from the commercial launch of CASGEVY in approved indications and geographies. We continue to expect a foundational year for CASGEVY in 2024, as we ramp up patient initiations and build toward a multi-billion dollar market opportunity overtime.”

“We're also working toward multiple additional near term commercial opportunities driving toward our five launches in five years goal. The recent approvals for CASGEVY in both sickle cell disease and beta-thalassemia deliver the first two. Now with the positive Phase 3 results from VX-548 in acute pain and for the vanzacaftor triple therapy in CF, these are potentially the next two, and with a strong clinical-stage pipeline with first-in-class or best-in-class assets, we are well on our way to our goal of five launches by 2028. In addition to the rapidly advancing clinical-stage pipeline, the next wave of innovation also continues to make progress, and as we announced last month, we are pleased to be advancing two new disease areas into the clinic”

“So in answer to your first question on vanzacaftor, the answer is both. I think vanzacaftor is going to be an attractive treatment option, both for patients who currently being treated, who might want superior control of their CFTR function, because both patients and physicians know that CFTR function and dysfunction is the underlying cause of CF, and so if you can further improved CFTR function, you're going get better clinical outcomes down the line, so I think we're going to see interest from those who are currently being treated, but I also think we're going to see a lot of interest from patients who previously discontinued one of our CFTR modulators given the profile that we've demonstrated today. And then on CASGEVY, a couple of comments really. The first one I would make is, we're very excited about the demo and the opportunity to work with CMS for those states who are interested in working with CMS and are interested in outcomes-based agreements.”

“I think we've described the patient journey for CASGEVY, it has kind of these multiple phases from patients being evaluated by their physician and deciding with their physician that this is a journey that they want to go on. You then have to go through the cell process and then the cells are infused, each of those steps can take a number of months, and as you know, we've said that we'll be recognizing revenue at the point of infusion. So in contrast to our cystic fibrosis launches, which have really seen incredibly rapid uptake, we have said that we are expecting this launch to be more like a traditional biopharma launch, but we are expecting this -- and we have said, we are expecting this to be a foundational year for us as we build momentum around CASGEVY. Having said that, in terms of the destination, we continue to believe the destination for CASGEVY is going to be used in thousands of patients and represents a multi-billion dollar opportunity. Thank you.”

LLY on new launches “As we think about Mounjaro launches outside the U.S., we have already launched in a number of select markets. We have a foundation to be competitive in many of our markets, and we anticipate continued launches. We've just launched in vial format in select markets outside of the U.S., namely in Australia, Canada and Germany and Poland. And we just received KwikPen approval in the U.K., and so we're anticipating launch there.

As we get additional regulatory approvals for our multi-use KwikPen and we monitor our ramp-up in capacity for supply, we'll continue to launch in other markets throughout the

year. So, we anticipate further growth, anticipated for launches of Mounjaro outside of the U.S. and continue with that throughout the year as well as into 2025.”

“I’ll start with our progress against diabetes, obesity, and complications thereof. Today, we announced positive results from SYNERGY-NASH, a Phase 2 study of tirzepatide in adults with biopsy-proven metabolic dysfunction associated steatohepatitis, also known as NASH.

As shown on Slide 17, the study met its primary endpoint, with up to 74% of participants achieving an absence of MASH with no worsening of fibrosis at 52 weeks compared to less than 13% of participants reaching this endpoint on placebo. We are equally encouraged by results seen in the secondary endpoint evaluating improvement in fibrosis.

While the study was not designed to be statistically powered to evaluate improvement in fibrosis, the study results showed a clinically meaningful treatment effect across all doses on the proportion of participants achieving a decrease of at least one fibrosis stage with no worsening of MASH to placebo.

The adverse events were consistent with those observed in other clinical trials studying tirzepatide in people living with obesity or type 2 diabetes. The full SYNERGY-NASH results will be presented at a Medical Congress later this year.”

AMGN on new launches: “In general medicine, as previously disclosed, top-line 52-week data from the 592-patient MeriTide Phase 2 study is expected by late 2024. Leveraging the durability of weight loss observed in Phase 1 and rapid enrollment enjoyed in Phase 2, we recently added a Part 2 to this study, which explores durable weight loss beyond 52 weeks.

Our planning for a comprehensive Phase 3 program across multiple indications remains on track. Lastly, you may have seen that yesterday Nature Metabolism published a manuscript from Amgen R&D that provides the integration of MeriTide preclinical and Phase 1 data. Beyond MeriTide, our obesity strategy encompasses several assets with AMG 786 in Phase 1 and additional preclinical assets advancing. Our approach is tailored to meet the dynamic needs of obesity treatment, demonstrating a longitudinal commitment to innovation and patient care in this field.

The Phase 3 outcome study of Olpasiran our potentially best-in-class Lp(a) targeting small interfering RNA molecule in atherosclerotic cardiovascular disease has enrolled more than 7,000 patients globally. This rapid enrollment accomplished in just one year across 34 countries and over 700 sites underscores the medical community’s strong interest in and the potential impact of Olpasiran.

We’ve deliberately expanded our initial enrollment target from 6,000 to over 7,000 patients to ensure comprehensive demographic representation and to satisfy regional regulatory requirement. We are on track to complete enrollment in the first half of 2024. In oncology, we’re focused on approaching high conviction targets with differentiated therapies for large effect size.

We’re pleased to announce that the FDA granted priority review for BLINCYTO, an early-stage, CD19-positive B-ALL, with a PDUFA date of June 21, 2024. The ongoing Phase 3 Golden Gate study is enrolling patients to evaluate the effectiveness of alternating BLINCYTO with low-intensity chemotherapy, here in older adults diagnosed with Philadelphia chromosome negative B-ALL.”

GILD on new launches

M&A / Capital Allocation/ Strategy

JNJ on BD: “M&A and external innovation has been the core of our pharma portfolio growth and transformation. As I said initially, we are agnostic to sector. In the case of pharma, our preferred mode has been trying to go to assets that were around proof-of-concept. So generally speaking, from a size perspective, it’s been about deals that have been either of a smaller size or have been different modalities like licenses or partnerships. Just

last year, we completed overall at Johnson & Johnson more than 50 deals. The thing is that the headlines are only made by the ones that are M&A. So we've done multiple deals in our pharmaceutical side in order to be able to enhance our existing portfolio, and our bias is to go for transactions that are going to enable us to create more value by leveraging our clinical development strength, our manufacturing capabilities and our commercial reach. So hence, why the majority of the deals that you see in our pharmaceutical side are at an earlier stage."

"Are we looking broader than that? Yes, we do, but mainly, we find more opportunities to create value at an earlier stage. For example, this year we did a number of deals that went less publicized. We did, as I commented before, a deal with CBMG, now called AbelZeta, in CAR-T with CD19 and CD20, which we believe could be best-in-class CAR-Ts in this area that could launch in this decade. Or at the end of the year, we also did another deal in antibody drug conjugates with a Korean company called LegoChem, which was underreported. We continue to work in identifying deals in our pharmaceutical space that enables us to be able to put all our capabilities to work in the clinical development side, in manufacturing and in commercial, and that's been the source of very significant value creation in products that all of you know, like DARZALEX or CARVYKTI, that come from that type of approach of going earlier on into the development process."

PFE on BD: "And then, once we bring our de-levers to the levels that we are aspiring, we will start also moving into share buybacks, and of course, M&A, which means that for '24, we will see everything in existence, because we never say never to business development opportunities could come. But our strategy, it is that you will not see anything major in business development in terms of dollars"

MRK on BD: Now turning to capital allocation, where our strategy remains unchanged. We will prioritize investments in our business to drive near and long-term growth. We are excited by the significant progress our team has made to advance and augment our innovative pipeline in 2023. In 2024, we will increase this investment, including the initiation of more late-stage clinical trials across multiple novel candidates, each of which has significant potential to address important unmet medical needs. We remain committed to our dividend and plan to increase it over-time. Business development remains a high-priority. We maintain ample capacity, given our strong investment-grade credit rating and cash-flow, to pursue additional, science-driven, value enhancing transactions going-forward. We will continue to execute a modest level of share repurchases.

BMJ on BD: "As we've discussed previously, as we think about capital allocation, business development continues to be a top priority for us. Obviously, we've just executed a number of deals towards the end of last year, and we've got to stay focused on executing those deals. Having said that, we certainly are going to continue to be interested in bringing innovation into the company that makes strategic and financial sense to do. So I would characterize those a bit more as bolt-on opportunities at this point. We're also, of course, continuing to look at partnerships and licensing deals as well. But that's how I would characterize it."

REGN on BD: "And with regards to business development, I mean, just because we can, it doesn't mean we're going to force something, it has to be right, it has to be a franchise, has to be modality, you've heard George mentioned that it has to be kind of incremental to what we currently have in the clinic here with regards to RGC and the targets we develop and all of that."

VRTX on BD: "Our priorities for cash deployment remain unchanged as we continue to prioritize investment in innovation including external innovation via business development. During 2023, we completed 10 transactions and recognized over \$500 million of AIPR&D. We also deployed over \$400 million to repurchase 1.3 million shares over the course of 2023. "

LLY on BD: “On Slide 13, we provide an update on capital allocation. Looking forward to 2024 and beyond, we have confidence in our existing commercial portfolio bolstered by the recent launches of Mounjaro, Jaypirca, Omvoh, and Zepbound, and the potential launches of donanemab and lebrizumab, all of which we expect to serve as drivers for continued growth through the balance of the decade.

On Slide 14, you'll see a summary of our outlook outlining our capital deployment decisions in relation to achievement of our strategic deliverables. We will invest in our current portfolio and in the future innovation through R&D, business development, and a comprehensive manufacturing expansion agenda designed to drive revenue growth and speed life-changing medicines to patients. We will continue to return capital to our shareholders through dividend increases in line with earnings growth over time and share repurchases with excess capital.”

AMGN on BD: “In summary, we continue to execute on our multiple capital allocation priorities. First, we continue to prioritize investments in both internal and external innovation. Our increased spending in non-GAAP R&D of 8% in '23 over '22, coupled with the acquisition of Horizon Therapeutics, continues to broaden and strengthen our balanced portfolio across therapeutic areas. With our strong late-stage innovative pipeline moving forward through development, we expect our non-GAAP R&D to continue to increase in 2024.

Second, we continue investing in our business for long-term growth, including our state-of-the-art manufacturing facilities in Ohio and North Carolina. Amgen, Ohio, our new advanced assembly and final product packaging plant, has just received licensure from the FDA for commercial production in January, roughly two years after we broke ground.

And our innovative drug substance plant under construction in North Carolina is expected to be operational by 2026. In addition, we've positioned the organization to accelerate investments in innovation, including leveraging the power of generative artificial intelligence.

And third, we return capital to shareholders through growing dividends, including \$2.13 per share in the quarter. This represented a 10% increase over that paid in each of 2022's four quarters.”

GILD on BD: “This is Dan. Maybe I'll start and then ask others to add, but I appreciate the question. I think just to reinforce our M&A strategy, I mean, nothing has changed from a business development perspective, and particularly that's against the context of the background of nearly doubling our clinical trials underway over the past four years, multiple late-stage results. As you know, we're expecting more than 20 results still this year, and against the backdrop of no significant patent expirations in our business until early parts of the next decade.

So I think we'll continue to be opportunistic about pursuing business development in the three areas that we are focused on, which is obviously virology, oncology, and inflammation. We'll be driven by the science. We continue to articulate that, building our late research early development pipeline is probably one of our biggest focuses, and we'll continue to look at later-stage deals as they fit into our portfolio and our range.

It might also be important to note that we are back to pre-Immunomedics levels now relative to our leverage ratios, and so we're comfortable with our ability to put capital to work.

But nothing has changed, and we feel we have everything within Gilead right now to achieve our ambitions over the second half of this decade.”

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