

Takeda Pharm. (4502)

3Q results: earnings in line, announces change in CFO

Maintain Rating: BUY | PO: 5,000 JPY | Price: 4,306 JPY

3Q Core OP in line with market expectations at ¥865.6bn

Takeda announced 3Q FY3/24 earnings results on February 1 after the market close, reporting Core revenue of ¥3,212.9bn (+4.6% YoY AER, 0% YoY CER) and Core OP of ¥865.6bn (-9.3% AER, -12.7% CER), both in line with the aggregate consensus estimates of ¥3,130.1bn and ¥860.7bn. Our impression is sales were maintained better than expected while costs and R&D expenses rose markedly. The 3Q results were in line with expectations and we maintain our ¥5,000 price objective and Buy rating.

3Q Vyvanse sales of ¥86.6bn exceeded market expectations

3Q (October-December) sales of Vyvanse, which went off patent in August 2023, exceeded market expectations by 61% (¥86.6bn versus VA consensus ¥53.9bn) and is one reason why overall revenue did not decline as much as expected. In addition, 3Q sales of Entyvio reached ¥227.6bn, beating the VA consensus of ¥211.8bn. Expanded sales of plasma-derived therapeutics also contributed to minimizing the decline in revenue.

Licenses rare hematology disorder treatment rusfertide

Takeda announced on February 1 prior to the morning session that it had concluded a licensing agreement for rusfertide (polycythemia vera treatment). Under the agreement, Takeda acquires rights to jointly develop and co-market rusfertide in the US as well as worldwide commercial rights excluding US. In addition to making a \$300mn upfront payment, Takeda will pay out development milestones and tiered royalties on ex-US sales. The FY12/32 consensus forecast for rusfertide is \$1,186mn. We view this as a positive move from the perspective of strengthening a focus area portfolio and might well expect management to maintain a balance between aggressive future investment and shareholder returns.

CFO baton to pass from Costa Saroukos to Milano Furuta

Takeda announced that current CFO Costa Saroukos would retire from April 1 and be succeeded by Milano Furuta (current President of JPBU). Saroukos was instrumental in steadily implementing the post-Shire acquisition integration while establishing a financial foundation. We largely attribute the control over 3Q SG&A expenses to Mr. Saroukos' leadership. His replacement, Mr. Furuta, has a background in finance and experience in various leadership roles in Takeda's business operations. As he is Japanese, communication with domestic investors could be bolstered.

01 February 2024

Equity

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Stock Data

Price (Common / ADR)	4,306 JPY / 14.60 USD
Price Objective	5,000 JPY / 17.20 USD
Date Established	25-Oct-2023/ 25-Oct-2023
Investment Opinion	A-1-7 / B-1-7
52-Week Range	3,900-4,873 JPY
Market Value (mn)	6,759,848 JPY
Market Value (\$mn)	46,245 USD
Shares Outstanding (mn)	1,569.9
Average Daily Value (\$mn)	125.9 USD
Free Float	95.6%
BofA Ticker / Exchange	TKPHF / TYO
BofA Ticker / Exchange	TAK / NYS
Bloomberg / Reuters	4502 JP / 4502.T
ROE (2024E)	3.7%
Net Dbt to Eqty (Mar-2023A)	60.0%

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Timestamp: 01 February 2024 07:24AM EST

Exhibit 1: Results preview - Takeda

Quarterly results vs full year guidance

	FY3/24		3Q		9M		BofA est		Consensus		CoE	
	1Q	2Q	YoY		YoY		9M	Gap	9M	Gap	9M/FY	
mn JPY												
GI	293,500	303,400	339,200	9%	936,100	9%	905,400	3%	914,069	2%	LT growth	-
Entyvio	192,000	199,700	227,600	13%	619,300	13%	598,100	4%	603,516	3%	773,000	80%
Rare Hematology	81,400	71,300	77,300	1%	230,000	-1%	229,300	0%	229,536	0%	MSD decrease	-
Rare hereditary disease and others	111,300	116,900	126,800	11%	355,000	11%	346,300	3%	347,272	2%	HSD growth	-
PDT Immunology	186,500	201,900	222,800	18%	611,200	22%	604,300	1%	601,744	2%	+10%/+20%	-
Oncology	108,200	117,000	121,100	1%	346,300	0%	341,200	1%	342,406	1%	LSD growth	-
Neuroscience	176,700	154,000	144,200	-18%	474,900	0%	439,100	8%	433,624	10%	mid-20% decrease	-
Others	98,400	81,200	79,800	-28%	259,400	-23%	245,100	6%	159,087	63%	> 30% decrease	-
Core base												
Sales	1,058,618	1,043,089	1,111,186	7%	3,212,893	5%	3,122,207	3%	3,130,100	3%	3,980,000	81%
Gross Profit	737,418	699,489	731,809	-5%	2,168,716	0%	2,122,807	2%	2,142,900	1%	-	-
SG&A	248,300	253,100	267,700	2%	769,100	4%	754,200	2%	760,900	1%	-	-
R&D	162,700	183,900	187,500	7%	534,100	13%	518,700	3%	521,900	2%	680,000	79%
Operating Profit	326,300	262,400	276,900	-16%	865,600	-9%	849,800	2%	860,700	1%	1,015,000	85%
EBT	298,600	228,700	235,300	-20%	762,600	-11%	745,100	2%	-	-	-	-
Net Profit	233,400	174,400	235,800	-9%	643,600	-9%	578,800	11%	-	-	-	-
EPS	150	111	151	-10%	412	-10%	370	11%	382	8%	447	92%
MARGIN ANALYSIS												
Gross Profit	69.7%	67.1%	65.9%	-4.0%	67.5%	-0.5%	68.0%	-0.5%	68.5%	-1.0%	-	-
SG&A	23.5%	24.3%	24.1%	0.2%	23.9%	-0.2%	24.2%	-0.2%	24.3%	-0.4%	-	-
R&D	15.4%	17.6%	16.9%	0.9%	16.6%	0.0%	16.6%	0.0%	16.7%	0.0%	17.1%	-0.5%pt
Core OP Margin	30.8%	25.2%	24.9%	-5.1%	26.9%	-0.3%	27.2%	-0.3%	27.5%	-0.6%	25.5%	1.4%pt

Source: Company reports, Visible Alpha, BofA Global Research

LSD: Low-single digit, MSD: Mid-single digit, HSD: High-single digit, LT: Low-teen

BofA GLOBAL RESEARCH

Price objective basis & risk**Takeda Pharm. (4502 / TKPHF / TAK)**

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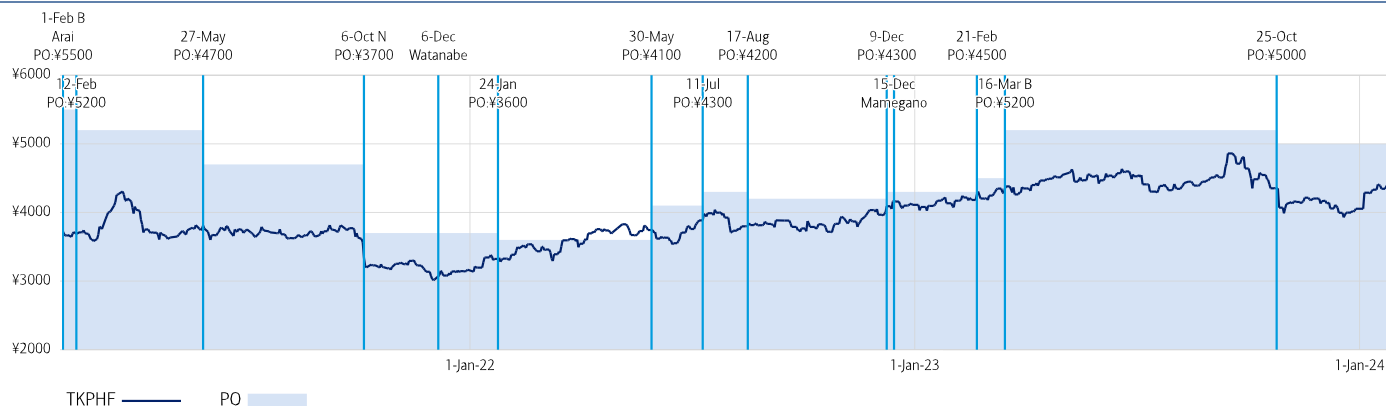
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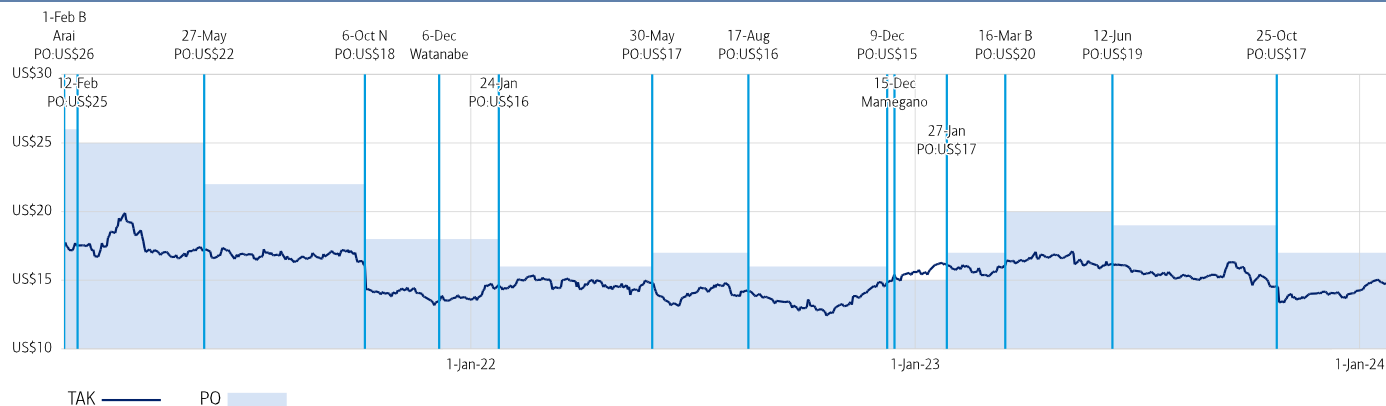
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Takeda Pharm. (TKPHF) Price Chart



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Takeda Pharm. (TAK) Price Chart



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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)

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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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