

## US Biopharmaceuticals

## GSK 4Q23 earnings: Read-through to our coverage universe

Earnings Review

## Read-throughs on the HIV, RSV, and COPD markets

GlaxoSmithKline (GSK, covered by our EU Pharma team Graham Parry and Sachin Jain) reported 4Q results this morning; below, we provide read-throughs to our Biopharma coverage. HIV revenues for the quarter were above consensus at £1,773M (+6% consensus AER), with solid growth (+6% y/y for 4Q23 and +2% y/y for 2023) due to strong patient demand for oral 2DR and LA uptake – in-line with our expectations based on HIV script trends, which bode well for Gilead ahead of 4Q. GSK also reported adult Arexvy sales (RSV vaccine) ahead of consensus by 13% AER (+£145M) and were optimistic about 2024 outlook based on multiple tailwinds.

## Thoughts on HIV product mix

As of 2023, 2DR therapies and LA injectables made up 55% of GSK's HIV sales (+13% y/y, +2% q/q). Dolutegravir products came ahead of consensus by 6% overall: Juluca (-5% cons AER), Dovato (+3% cons AER), Triumeq (+9% cons AER) and Tivicay (+9% cons AER). Despite competition from 2DR, we still think Biktarvy (BofA 4Q: \$3.2B, +\$23M cons; +10% y/y) will maintain leading market share, evident from 3Q23 trends. For LA injectable HIV treatment, Cabenuva, came above consensus (+£27M, +14% cons AER), while Apretude for PrEP (+1£M) was in-line. Furthermore, GSK forecasts that as much of 40% of the HIV business will be from LA injectables by the dolutegravir LOE (2028-2030) – supporting our positive outlook on LA injectables. Given script trends (see: [January HIV script trends](#)) and read-through from GSK, we continue to expect that Gilead will report overall HIV sales growth next week (2/6, AMC). We are above consensus on overall HIV sales in 4Q23 (\$4.9B, +\$57M; +3% y/y) and 2023 (\$18.3B, +\$63M; +13% y/y). On 2024 outlook, GSK has guided to high single-digit to low-double-digit growth (for Gilead in 2024: \$19.9B, +\$1.1B cons; +8% y/y). Separately, GSK expects to present every Q4M treatment data at the CROI conference in March, as well as provide an update on development plans for Q6M PrEP – behind Gilead's lenacapavir PrEP (PURPOSE 1 trial data in 2024). Maintain Buy on GILD, \$95 PO.

## Trends in the RSV market and commercial outlook

While Pfizer has already reported 4Q23 results (see: [our Pfizer 4Q note](#)), we'd highlight the following RSV market trends: 1) despite GSK's majority share in adult RSV market (68%), overall market penetration at 11% suggests there remains significant runway for growth, 2) additional long-term data from Pfizer and GSK in 1H24 should support continued uptake, including additional label extension in the adult population and potentially support year-round vaccination rather than just seasonal, and 3) additional RSV vaccine growth to come from ex-US markets in 2024. That said, we continue to see Pfizer uptake in the maternal / pediatrics RSV market as a tailwind for Pfizer, driven by the company's primary care salesforce. Maintain Neutral on Pfizer, \$35 PO.

## Nucala add-on in eosinophilic COPD

GSK expects to report data on Nucala as an add-on treatment (MATINEE study) in eosinophilic COPD data (likely 2H24), which could potentially erode some of the TAM for Regeneron / Sanofi's Dupixent COPD label expansion, expected to be approved in 2024 following two positive phase 2 studies (see [our KOL takeaways on the COPD market and NOTUS data](#)). We maintain underperform on Regeneron, \$710 PO, due to underlying concerns on Eylea erosion, though still expect robust Dupixent growth.

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**Refer to important disclosures on page 4 to 8. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.**

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## Abbreviations:

AER: Actual exchange rate  
2DR: two drug regimens  
HIV: Human immunodeficiency virus  
PrEP: Pre-exposure prophylaxis  
LA: Long acting  
CROI: Conference on Retroviruses and Opportunistic Infections  
AMC: after market close  
COPD: chronic obstructive pulmonary disease  
TAM: total addressable market  
Q4M: every 4 months  
Q6M: every 6 months  
RSV: Respiratory syncytial virus  
COPD: Chronic obstructive pulmonary disease

**Exhibit 1: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

<b>BofA Ticker</b>	<b>Bloomberg ticker</b>	<b>Company name</b>	<b>Price</b>	<b>Rating</b>
GILD	GILD US	Gilead Sciences Inc.	US\$ 78.62	B-1-7
PFE	PFE US	Pfizer	US\$ 27.02	B-2-7
REGN	REGN US	Regeneron Pharmaceut	US\$ 959.73	B-3-9

Source: BofA Global Research

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**Price objective basis & risk****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.

**Pfizer (PFE)**

Our \$35/share for Pfizer is based on a 50/50 blended average of our discounted cash flow (DCF) analysis and P/E multiple based on the large cap global therapeutics group. For our DCF, we use a weighted-average cost of capital (WACC) of 7% and 1% terminal growth for an intrinsic value of \$47/share. Our P/E analysis assumes a 10x multiple of our 2025 EPS estimate, which yields a \$24 intrinsic value.

Downside risks: 1) sales downside, 2) inability for pipeline to overcome patent loss of exclusivities (LOEs) after 2025, 3) M&A transactions that are perceived to be value destructive.

**Regeneron Pharmaceuticals Inc. (REGN)**

Our \$710 price objective is based on a probability-adjusted net present value (NPV) analysis of Eylea, including outside of US (OUS) revenues from the Bayer collaboration (\$161/share), Sanofi collaboration revenue including Dupixent and other product revenues (\$334/share), Libtayo (\$59/share), early pipeline assets (\$65/share), and the rest from net cash. We use a weighted-average cost of capital (WACC) ranging from 7% for approved products to 10% for pipeline products and terminal growth ranging from -3 to 3%. Upside risks to our price objective are 1) better-than-expected Eylea growth trajectory, 2) a larger contribution of Dupixent to Regeneron's topline from commercial uptake in new indications, and 3) better-than-expected economics realized by Regeneron from joint ventures. Downside risks to our price objective are 1) slower-than-expected growth from product sales, particularly Eylea and Dupixent, 2) failure to obtain approval for additional indications for Dupixent, and 3) pipeline setbacks.

## Analyst Certification

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### US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
	Insmo 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
	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
<b>NEUTRAL</b>				
	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
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	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA



## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Kymera 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

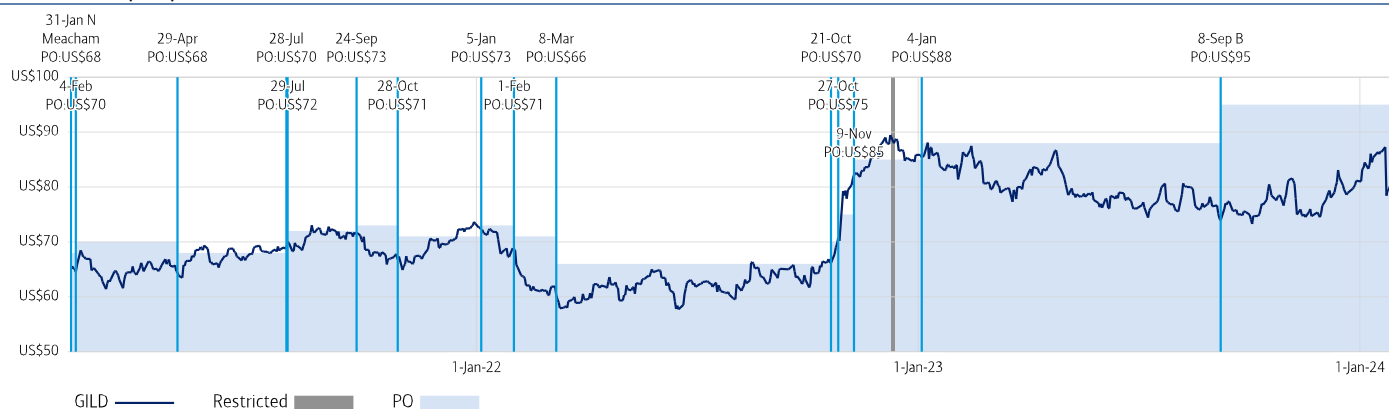
## UNDERPERFORM

	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

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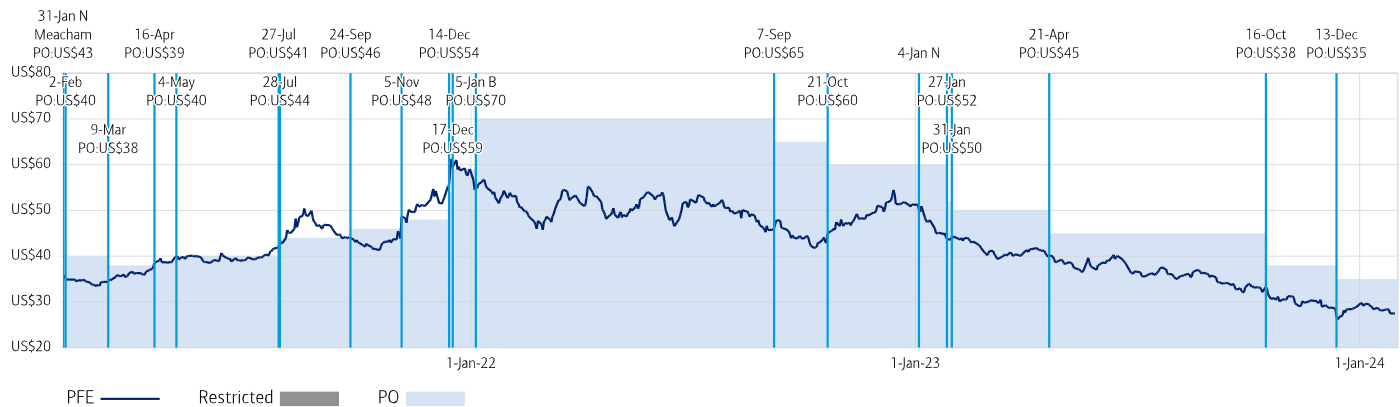
## Important Disclosures

## Gilead Sciences Inc. (GILD) Price Chart

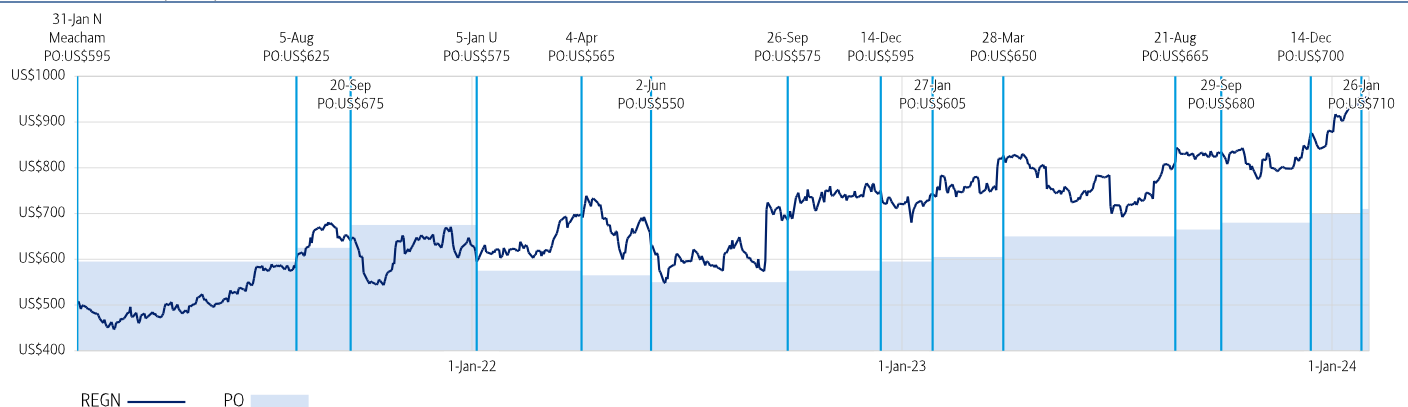


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**Pfizer (PFE) Price Chart**

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**Regeneron Pharmaceut (REGN) 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 <sup>R1</sup>	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 <sup>R1</sup>	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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