

## Bristol-Myers Squibb

## Await more clarity on commercial execution/success; Downgrade to Neutral

Rating Change: NEUTRAL | PO: 60.00 USD | Price: 52.76 USD

## Expanding the portfolio through BD, but LOEs still a worry

We are downgrading BMY shares to Neutral (from Buy) and lowering our PO to \$60 (from \$68). Our prior thesis was that the LOEs (loss of exclusivity) for Bristol were well-known (e.g. Eliquis, Opdivo) and that upside from the new product portfolio could ultimately fill the LOE hole and drive multiple expansion. However, sales performance from new launches has been mixed; even with impressive aggregate growth of the new launch portfolio (~87% in 2022, ~81% in 2023e), there has not been breakout product demand that has raised peak sales forecasts. The product differentiation profile across the launch portfolio is compelling / exciting in our view, but even assuming an impact from announced new deals (see our [Mirati](#), [Karuna](#), and [Rayze](#) notes), launch portfolio growth looks more linear, from \$3.7B (8% of 2023e total revenues) to \$18B (35% of 2027e total revenues). In our view, this may not be enough to get to a compelling LT revenue/ adjusted EPS growth profile. Hence, while we could see modest multiple expansion in 2024, we still expect investors to remain focused on the LOE headwinds especially if we don't see a material inflection in demand from new launches. Hence, we view the inflection point as more of a 2025 story (not 2024) and are moving to Neutral.

## Commercial execution remains a focus in 2024

We would point to a few products that have strong commercial potential – Sotyktu, Opdualag and Reblozyl. For Sotyktu, we are modeling WW growth of 230% (to \$775M) in 2024 based on broader access/reimbursement in psoriasis. Additional indications (lupus and Sjogren's) are in the works but won't impact 2024 demand. Opdualag saw rapid adoption in 2023 with BofA expectations of 50% growth in 2024 (to \$1B) with label expansion phase 3 opportunities a few years away (adjuvant melanoma, MSS CRC). Finally, Reblozyl has been the largest contributor to the new launch portfolio (35% in 2022; 25% in 2023e) with expectations of 45% growth in 2024 (to \$1.4B) based on the COMMANDS study. We are impressed with Bristol's capabilities in gene/cell therapy beyond commercial adoption for Abecma/Breyanzi but note that these categories are hyper-competitive with J&J, Gilead and many SMid biotechs with next-gen products.

## Model update to include Karuna/Rayze

Cons. 2024e has not fully reflected impact from Karuna/Rayze. We assume a greater revenue decline for Opdivo/Eliquis by 2030E (\$10.5B vs. prior \$11.6B). Continued inside.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	7.51	7.70	7.57	6.70	7.60
GAAP EPS	3.12	2.95	3.68	6.70	7.60
EPS Change (YoY)	16.6%	2.5%	-1.7%	-11.5%	13.4%
Consensus EPS (Bloomberg)			7.56	7.27	7.53
DPS	1.96	2.19	2.28	2.37	2.47
Valuation (Dec)					
P/E	7.0x	6.9x	7.0x	7.9x	6.9x
GAAP P/E	16.9x	17.9x	14.3x	7.9x	6.9x
Dividend Yield	3.7%	4.2%	4.3%	4.5%	4.7%
EV / EBITDA*	4.9x	5.2x	7.6x	8.0x	7.2x
Free Cash Flow Yield*	14.2%	11.1%	4.9%	13.6%	15.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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03 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	68.00	60.00
2024E Rev (m)	47,503.9	47,433.9
2025E Rev (m)	48,925.2	48,897.0
2025E EPS	7.76	7.60
2024E EBITDA (m)	18,255.9	18,778.9
2025E EBITDA (m)	20,729.7	20,684.4

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## Stock Data

Price	52.76 USD
Price Objective	60.00 USD
Date Established	3-Jan-2024
Investment Opinion	B-2-7
52-Week Range	48.25 USD - 75.18 USD
Mrkt Val (mn) / Shares Out (mn)	107,354 USD / 2,034.8
Free Float	99.9%
Average Daily Value (mn)	811.28 USD
BofA Ticker / Exchange	BMJ / NYS
Bloomberg / Reuters	BMJ US / BMJ.N
ROE (2023E)	53.7%
Net Dbt to Eqty (Dec-2022A)	97.0%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

# iQprofile<sup>SM</sup> Bristol-Myers Squibb

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	17.2%	18.4%	19.7%	19.0%	19.3%
Return on Equity	45.6%	49.3%	53.7%	43.3%	37.6%
Operating Margin	42.8%	42.1%	39.7%	38.5%	39.1%
Free Cash Flow	15,234	11,948	5,261	14,597	16,100

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.0x	0.8x	0.4x	1.2x	1.1x
Asset Replacement Ratio	0.1x	0.1x	0.6x	0.6x	0.7x
Tax Rate	15.9%	15.3%	15.5%	15.5%	15.5%
Net Debt-to-Equity Ratio	84.9%	97.0%	131.7%	73.5%	35.0%
Interest Cover	13.6x	14.2x	14.6x	10.2x	13.7x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	46,385	46,159	44,996	47,434	48,897
% Change	9.1%	-0.5%	-2.5%	5.4%	3.1%
Gross Profit	37,048	36,378	34,355	35,955	37,147
% Change	8.8%	-1.8%	-5.6%	4.7%	3.3%
EBITDA	30,516	28,903	19,569	18,779	20,684
% Change	9.7%	-5.3%	-32.3%	-4.0%	10.1%
Net Interest & Other Income	233	921	1,130	(258)	(31)
<b>Net Income (Adjusted)</b>	<b>16,854</b>	<b>16,533</b>	<b>15,736</b>	<b>13,843</b>	<b>15,592</b>
<b>% Change</b>	<b>14.1%</b>	<b>-1.9%</b>	<b>-4.8%</b>	<b>-12.0%</b>	<b>12.6%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	16,854	16,533	15,736	13,843	15,592
Depreciation & Amortization	10,686	10,276	2,055	2,117	2,180
Change in Working Capital	(1,261)	(2,229)	78	509	347
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(10,072)	(11,514)	(11,378)	(519)	(531)
Capital Expenditure	(973)	(1,118)	(1,230)	(1,353)	(1,488)
<b>Free Cash Flow</b>	<b>15,234</b>	<b>11,948</b>	<b>5,261</b>	<b>14,597</b>	<b>16,100</b>
<b>% Change</b>	<b>14.5%</b>	<b>-21.6%</b>	<b>-56.0%</b>	<b>177.4%</b>	<b>10.3%</b>
Share / Issue Repurchase	(6,287)	(8,001)	(4,000)	(1,000)	(1,000)
Cost of Dividends Paid	(4,396)	(4,634)	(4,742)	(4,903)	(5,071)
Change in Debt	(6,182)	(5,311)	(1,370)	(3,250)	(1,630)

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	13,979	9,123	1,712	7,930	16,795
Trade Receivables	9,369	9,886	11,631	12,139	12,388
Other Current Assets	9,914	8,264	4,253	4,513	4,623
Property, Plant & Equipment	6,049	6,255	5,430	4,666	3,973
Other Non-Current Assets	70,003	63,292	66,259	66,626	66,846
<b>Total Assets</b>	<b>109,314</b>	<b>96,820</b>	<b>89,285</b>	<b>95,874</b>	<b>104,626</b>
Short-Term Debt	4,948	4,264	4,264	4,264	4,264
Other Current Liabilities	16,920	17,626	17,871	18,966	19,562
Long-Term Debt	39,605	35,056	33,686	30,436	28,806
Other Non-Current Liabilities	11,835	8,756	5,943	5,790	5,480
<b>Total Liabilities</b>	<b>73,308</b>	<b>65,702</b>	<b>61,764</b>	<b>59,456</b>	<b>58,112</b>
<b>Total Equity</b>	<b>36,006</b>	<b>31,118</b>	<b>27,521</b>	<b>36,418</b>	<b>46,513</b>
<b>Total Equity &amp; Liabilities</b>	<b>109,314</b>	<b>96,820</b>	<b>89,285</b>	<b>95,874</b>	<b>104,626</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Pharmaceuticals

## Company Description

Bristol-Myers Squibb is a global pharma company focused on discovering, developing, licensing and marketing drugs for cardiovascular, virology, oncology, affective disorders, immunology, metabolic, and other indications.

## Investment Rationale

Our Neutral rating is driven by the uncertainty on long-term growth profile of the company given LOE headwinds despite recent acquisitions. That said, BMY has multiple new launches (recent/upcoming) which could potentially re-rate the stock if the company can execute the launch successfully.

## Stock Data

Average Daily Volume

15,376,724

## Quarterly Earnings Estimates

	2022	2023
Q1	1.98A	2.05A
Q2	1.93A	1.75A
Q3	1.99A	2.00A
Q4	1.82A	1.80E

## Important pipeline updates over next 12 months

1) Opdualag phase 2 data in 1L NSCLC (1Q24) and in 1L liver cancer (2024), which may provide meaningful incremental revenue despite the high bar from existing SOC and competitive markets with other combo regimens (TIGIT, ADC). 2) Karuna's KarXT approval (PDUFA Sept 26) and AbbVie/Cerevel's emraclidine's two pivotal data readouts in 2H24 present a meaningful upside/downside scenario. 3) Krazati KRAS G12C confirmatory data will be key to differentiate from Lumakras.

### Abbreviations:

BD: business development

LOE: loss of exclusivity

WW: worldwide

MOA: mechanism of action

KOL: key opinion leader

NSCLC: non small cell lung cancer

MM: multiple myeloma

BCMA: B-cell maturation antigen

NSCLC: non-small cell lung cancer

ADC: antibody-drug conjugate

PDUFA: The Prescription Drug User Fee Act

MSS CRC: Microsatellite stability colorectal cancer

DLBCL: diffuse B cell lymphoma

SOC: standard of care

1L: first line

LPA1: Lysophosphatidic acid receptor 1

TIGIT: checkpoint inhibitor

KRAS G12C: oncogene driver

IO: immune-oncology

## 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.

## Analyst Certification

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as financial advisor to Bristol-Myers Squibb Co. in connection with its proposed acquisition of RayzeBio, Inc., which was announced on December 26, 2023.

### 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
	Agiros 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
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmid 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
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	LianBio	LIAN	LIAN US	Geoff Meacham
	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

## US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX 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
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRJ	RXRJ US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD 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
	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

## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

### **Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

*IQmethod<sup>SM</sup>* is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

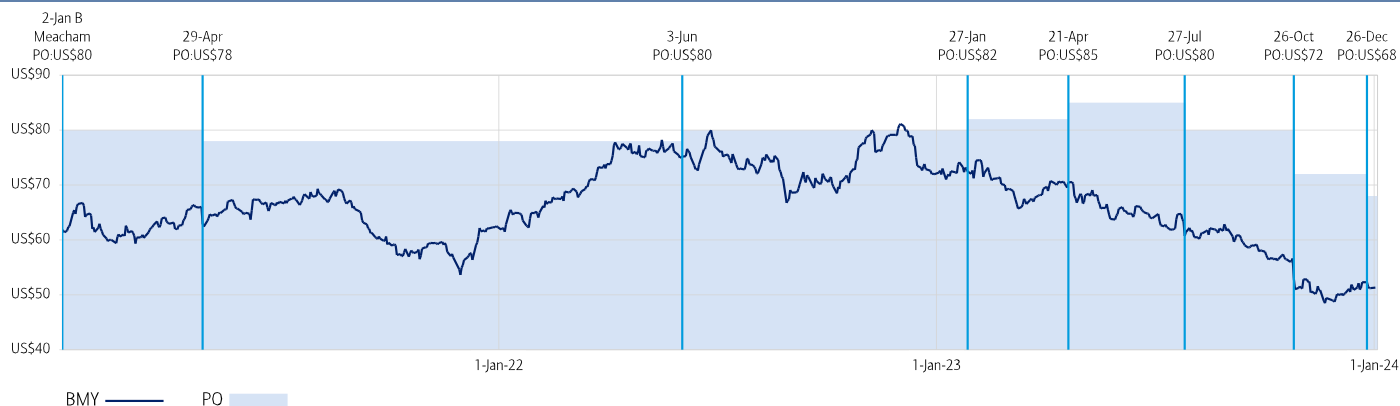
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# Disclosures

## Important Disclosures

### Bristol-Myers Squibb (BMY) Price Chart



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 <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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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