

## Bristol-Myers Squibb

## Our Conference Takeaways

Maintain Rating: NEUTRAL | PO: 60.00 USD | Price: 51.44 USD

## New launch portfolio the focus, and no 2024 guidance

Bristol kicked off this year's healthcare conference with a presentation focusing on its new launch portfolio, including recent acquisitions (Mirati / Karuna/ Rayze). Our top takeaways from the presentation/Q&A are: 1) potential to add 16+ new drugs through 2030, including Mirati's Krazati and PRMT5/MTA inhibitor, Karuna's KarXT, RayzeBio's RYZ101, and SystImmune's BL-B01D1; 2) continued disciplined and strategic approach to BD, suggestions more bolt-on/ licensing activities rather than large transactions; 3) reaffirmed \$25B+ non-risk adjusted revenue from the "Big 9" new launches in 2030; 4) building on leadership in I/O, hematology, and cardiovascular and continue to grow presence in immunology and neuroscience (discussed below); 4) converting 65-75% of the US Opdivo indications to subcutaneous formulation to extend past LOE into the early 2030s; and 5) reaffirmed medium-term financial targets including: a) low/mid-single digit revenue CAGR from 2020-2025, b) \$8B – 10B growth from in-line brands from 2020-25 (primarily I/O & Eliquis), c) >\$10B from new product portfolio in 2026, d) >37% operating margins. Overall, 2024 remains the year of commercial execution but we see inflection point as more of a 2025 story (not 2024). Maintain Neutral, \$60 PO.

## Updates were light and focused on new launch portfolio

As expected, today's presentation focused on Bristol's new launch portfolio, with discussions focused on Bristol's strategy to achieve sustainable, top-tier growth. Importantly, management highlighted that they aim to shorten the transition period, starting in 2026, as much as possible by accelerating R&D growth. We think management did a good job to set up a positive tone particularly on its strategy to 1) extend IO leadership via subcutaneous formulation and opdualag and through expansion into targeted therapies and platform capabilities (ADC, radiopharma, cell therapy, and targeted protein degradation), 2) strengthen hematology portfolio across various conditions, including Breyanzi in CLL (PDUFA March 2024), Reblozyl in 1L myelofibrosis (INDEPENDENCE data in 2025) and MDS (ELEMENT data in 2027), 3) sustain leadership in cardiovascular via Camzyo/ MYK-224 and milvexian (nHCM data in 2025), 4) grow presence in immunology with Sotyktu (PsA data in 2024/25 and lupus data in 2026) and CD19 NEX T in lupus (data in 2024) and other indications, and 5) establish presence in neuroscience, including neuropsych via Karuna.

## Thesis Impact

We would not characterize today's presentation as particularly thesis-changing. We think strong commercial execution with consistent q/q upside and an inflection point on a few launch products are the key to Bristol's story and could potentially drive multiple expansion, but we see the inflection point as more of a 2025 story (See [our Bristol downgrade note](#)). That said, we continue to like the Bristol story over mid-to-long term which is centered on growth from core products and one of the best new product cycles in the industry.

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## Stock Data

Price	51.44 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
Mkt Val (mn) / Shares Out (mn)	104,668 USD / 2,034.8
Free Float	99.9%
Average Daily Value (mn)	782.95 USD
BofA Ticker / Exchange	BMV / NYS
Bloomberg / Reuters	BMV US / BMV.N
ROE (2023E)	53.7%
Net Dbt to Eqty (Dec-2022A)	97.0%
ESGMeter™	High

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Abbreviation:

See page 2 for abbreviations

Abbreviations:

IND: investigational new drug

MDS: myelodysplastic syndromes

1L: first line

LOE: loss of exclusivity

ADC: antibody-drug conjugate

I/O: immune-oncology

PsA: psoriatic arthritis

CRC: colorectal cancer

MF: myelofibrosis

BCMA: B-cell maturation antigen

CD19: cluster of differentiation 19

CLL: Chronic lymphocytic leukemia

CART: chimeric antigen receptor T cell

GPRC5D: G protein–coupled receptor, class C, group 5, member D

TCR: T cell receptor

SLE: systemic lupus erythematosus

I&I: immunology and inflammation

UC: Ulcerative Colitis

JAKi: Janus Kinase Inhibitor

CD: Crohn’s Disease

AR: androgen receptor

LDD: ligand-directed degrader

CELMoD: Cereblon E3 ligase modulators

SjS: Sjögren’s Syndrome

ADC: antibody drug conjugate

BCL6: B-cell lymphoma

nHCM: Non-Obstructive Hypertrophic Cardiomyopathy

MTP: Methylthioadenosine Phosphorylase

PRMT5/ MTA: Protein arginine methyltransferase 5/ ethylthioadenosine

KRAS: Kirsten rat sarcoma viral oncogene homologue

PDUFA: The Drug Prescription User Fee Act

KOL: key opinion leader

## 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.

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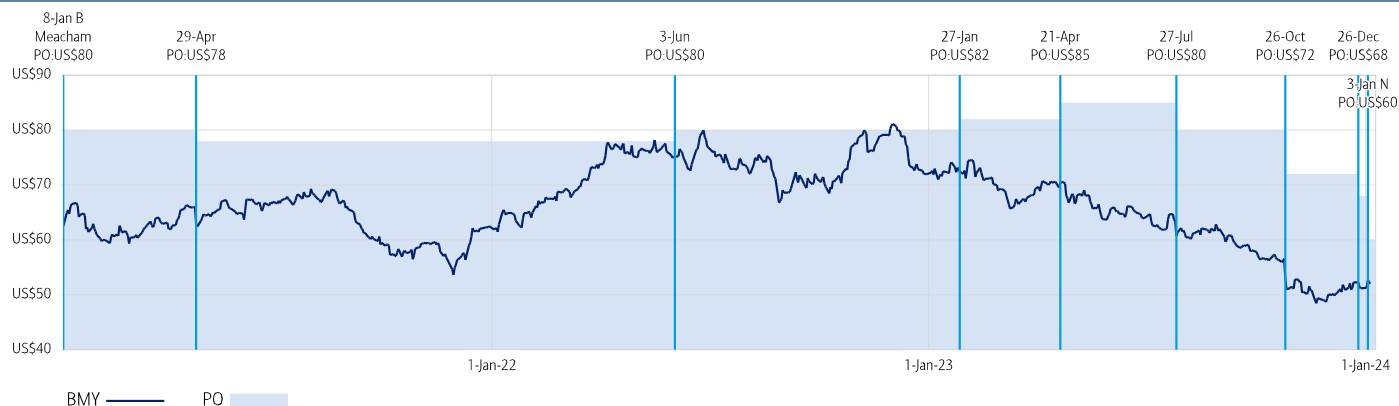
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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
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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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