Bristol-Myers Squibb (NYSE: BMY)

April 3, 2019
Healthcare Sector

Selected Historical Financials

Income statement model	2018	2019	2020	2021
Revenue	22,561.0	23,689.1	24,873.5	26,117.2
COGS	(6,547.0)	(6,911.4)	(7,257.0)	(7,619.8)
SG&A	(4,551.0)	(5,097.8)	(5,352.7)	(5,620.4)
Research and development	(6,345.0)	(7,026.6)	(7,377.9)	(7,746.8)
Other Expenses	1,033.0	962.7	897.1	836.0
EBITDA	**6,788.0**	**6,400.1**	**6,606.5**	**6,830.9**
D&A	637.0	784.2	823.5	864.6
EBIT	**6,151.0**	**5,615.9**	**5,783.0**	**5,966.2**
Interest expense, net	(183.0)	(8.6)	117.4	228.5
Profit before Tax	**5,968.0**	**5,607.3**	**5,900.4**	**6,194.8**
Taxes	(1,021.0)	(1,177.5)	(1,239.1)	(1,300.9)
Net income	**4,947.0**	**4,429.8**	**4,661.3**	**4,893.9**
Diluted shares	1,643.0	1,643.0	1,643.0	1,643.0
EPS	**$ 3.01**	**$ 2.70**	**$ 2.84**	**$ 2.98**
Growth & margins (%)				
Revenue Growth	*8.6%*	*5.0%*	*5.0%*	*5.0%*
EBITDA growth	*11.0%*	*-5.7%*	*3.2%*	*3.4%*
EBIT growth	*15.5%*	*-8.7%*	*3.0%*	*3.2%*
Net Income growth	*407%*	*-10.5%*	*5.2%*	*5.0%*
EPS growth	*393%*	*-10%*	*5%*	*5%*
Gross margin	*71.0%*	*70.8%*	*70.8%*	*70.8%*
EBITDA margin	*30.1%*	*27.0%*	*26.6%*	*26.2%*
EBIT margin	*27.3%*	*23.7%*	*23.2%*	*22.8%*
Balance sheet ($mn)	**2018**	**2019**	**2020**	**2021**
Cash and Cash Equivalents	6,911.0	5,421.0	6,942.8	11,277.7
Accounts Receivable	5,965.0	6,723.3	7,059.5	7,412.4
Inventories	1,195.0	1,292.0	1,356.6	1,424.4
Other current assets	3,089.0	3,243.5	3,405.6	3,575.9
Total Current Assets	**17,160.0**	**16,679.7**	**18,764.5**	**23,690.4**
PP&E	5,027.0	6,611.7	8,275.6	10,022.7
Goodwill	6,538.0	6,538.0	6,538.0	6,538.0
Other Intangible Assets	1,091.0	1,091.0	1,091.0	1,091.0
Other Long Term Assets	5,170.0	5,920.0	6,216.0	6,526.8
Total Assets	**34,986**	**36,840**	**40,885**	**47,869**
Short Term Debt (Revolver)	1,703.0	-	-	-
Accounts Payable	1,892.0	2,273.4	2,387.1	2,506.4
Other Current Liabilities	7,059.0	7,412.0	7,782.5	8,171.7
Total Current Liabilities	**10,654.0**	**9,685.4**	**10,169.6**	**10,678.1**
Long Term Debt	5,646.0	2,607.2	-	-
Other Long Term Liabilities	4,559.0	4,787.0	5,026.3	5,277.6
Total Liabilities	**20,859**	**17,080**	**15,196**	**15,956**
Shareholder's Equity	14,127.0	19,760.8	25,689.0	31,913.1
Total Liabilities & Equity	**34,986**	**36,840**	**40,885**	**47,869**
Additonal financial info				
Nebt debt/equity	*40%*	*13%*	*0%*	*0%*
Inventory days	*66.6*	*68.2*	*68.2*	*68.2*
Recievable days	*96.5*	*103.6*	*103.6*	*103.6*
Payable days	*105.5*	*120.1*	*120.1*	*120.1*
Cash flow statement ($mn)	**2018**	**2019**	**2020**	**2021**
Net income	4,947.0	4,429.8	4,661.3	4,893.9
Depreciation & Amortization	637.0	784.2	823.5	864.6
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Change in Working Capital	176.0	(275.3)	(78.7)	(82.6)
Cash flow from Operations	**5,940.0**	**4,416.7**	**5,349.4**	**5,616.4**
Capex	(951.0)	(2,368.9)	(2,487.4)	(2,611.7)
Net Investment Activities	77.0	-	-	-
Others	-	-	-	-
Cash flow from Investing	**(874.0)**	**(2,368.9)**	**(2,487.4)**	**(2,611.7)**
Dividends	(2,613.0)	(2,339.8)	(2,462.1)	(2,584.9)
Share Issuance / (Repurchase)	(320.0)	3,543.8	3,729.0	3,915.1
Debt Paydown	(5.0)	(4,741.8)	(2,607.2)	-
Cash flow from Financing	(3,535.0)	(3,537.8)	(1,340.3)	1,330.2
Net Cash Flow	**1,531.0**	**(1,490.0)**	**1,521.8**	**4,334.9**

Source: Company filings and Bloomberg research

Current Price: $46.80 USD
52-Week Range: $44.30-$63.69
Last Date Modified: 04/02/2019

Recommendation: Sell
Target Price: $50.04
6.9% Upside

Investment Highlights

We issue a **sell (hold) recommendation** with a target price of **$50.04**, which implies a 6.9% holding period return.

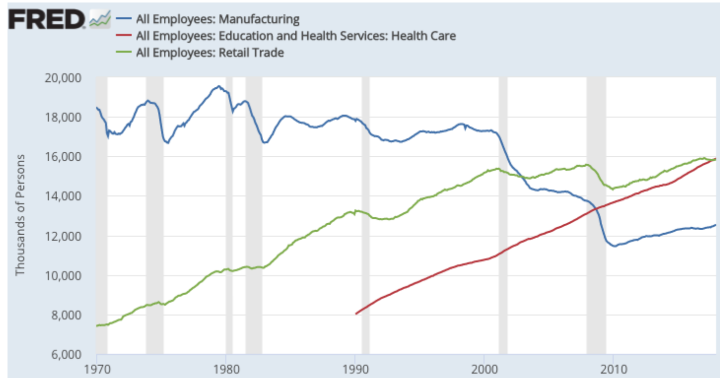
- **Lack of Revenue Diversification:** Bristol-Myers is overly dependent on sales come from Opdivo (immuno-oncology treatment) and Eliquis (prevents heart attacks in patients with atrial fibrillation). While Eliquis is expected to experience strong growth, Opdivo is now almost consistently outperformed by Merck's Keytruda and other competitors and growth prospects are poor. Additionally, the company lacks an internal pipeline that is strong enough to take weight off of Opdivo and Eliquis.

- **Non-Guaranteed Benefits from Celgene Merger:** Bristol-Myers is in the process of acquiring Celgene to revive revenue growth perspectives. However, benefits from this deal are not guaranteed and may require significant time to appear. It will take several years to see how the current drugs in Celgene's pipeline develop and undergo the FDA approval process. Additionally, though Bristol-Myers will inherit a huge influx of cash through the Celgene acquisition, it will likely be years before the company will be able to use it to acquire smaller pipeline companies.

Industry Overview and Competitive Positioning

Global healthcare expenditures are expected to reach $8.7 trillion in 2020 from $7 trillion in 2015, with global healthcare spending as a percent of GDP is expected to grow slightly from 10.4% to 10.5% within the same period (Deloitte). The United States alone accounted for $3.4 trillion in healthcare spending in 2016, sitting at about 18% of GDP, and is expected to grow to $5.5 trillion, accounting for 20.1% of GDP by 2025 (CMS).

The U.S. healthcare industry is also expected to grow faster and add more jobs between 2014 to 2024 than any other sector (US Bureau of Labor Statistics). In fact, per the Federal Reserve Bank of St. Louis, 2017 was the first year where the number of workers in healthcare surpassed that of every other sector: healthcare is now the largest employer in the United States. This growth trend is largely driven by the generally aging population present in the United States; by 2025 it is anticipated that a full quarter of the American workforce will be over the age of 55, necessitating growth in the healthcare and elderly care industries.



Strong Global Investment and Consolidation in the Pharmaceutical Industry

In 2018, PwC tallied a total of 248 pharmaceutical and life science deals worth $221.3B (22% increase from 2017). However, the $82B Takeda/Shire megadeal was the primary driver of this year-over-year increase. Excluding this deal, total M&A activity in 2018 stood at $139.6, a 24.3% decrease over 2017. This finding is supported by PwC's research, which indicated that the total volume of deals declined in 2018 compared to 2017. Despite this, PwC expects a robust year in 2019, citing strong fundamentals and stabilization across management boards and stock prices.

In addition, investment by private equity, venture capital, and developmental capital in the global biotech sector in 2018 was among the highest on record. This year continued the year-on-year increase in the total number of deals with 622 deals publicized last year, combining for a total deal value of $10.1B. This amount of deals reversed a two-year decline and made 2018 the year with the second-most deals ever in the global biotech sector.

Furthermore, the $74B Bristol-Myer Squibb and Celgene merger demonstrates the ongoing trend of consolidation in the pharmaceutical space. However, it also demonstrates the need for inorganic growth, generated through acquisitions, to drive overall growth. Although mergers point towards a short-term solution, it is currently not clear how successful they will be in producing organic growth in the long-term.

Decline in Returns on Research and Development Investments

There is currently a significant decline in the returns on research and development (R&D) investments in the biopharma industry. R&D returns have decreased from 10.1% in 2010 to 3.2% in 2018. Although the overall decline is predicted to continue, Deloitte predicts cancer and gene therapy research to be a focus of investment in 2019. Celgene and Bristol-Myers are both currently doing heavy investment in this space. Out of the 10 Phase III drugs in Celgene's pipeline, 8 are for various types of cancer. Similarly, out of the 4 Phase III drugs in Bristol-Myers' pipeline, 3 are for oncological purposes. In addition, Celgene has 14 out of 19 Phase I and II drugs focused on oncology and Bristol-Myers has 14 out of 27.

Competitive Positioning through Long-Term Success and Trust

Bristol-Myers Squibb is a globally integrated Fortune 500 pharmaceutical company with a 25.9% 5-year anticipated sales growth rate headquartered in New York City. It aims to address and research the world's most serious and life-threatening diseases, focusing on areas such as oncology, immunoscience, fibrosis, and cardiovascular disease. BMY is coming off a year where they had two out of the top ten best selling drugs in the pharmaceutical industry.

Celgene is also a globally integrated Fortune 500 company headquartered in Summit, New Jersey. It focuses on therapies for cancer and inflammatory disorders and has a strong pipeline, with several additional promising, potentially blockbuster drugs currently in FDA Phase III trials. In 2018, full year revenue grew by 18% and it anticipates sales to grow at a lower rate of 12.8% in 2019.

Business Description

Bristol-Myers Squibb (BMY) is a global biopharmaceutical company founded in 1933 specializing in the development and sale of preventative and therapeutic drugs for serious diseases. Their capabilities are focused in chemically synthesized drugs and biologics, specifically in the areas of oncology, immunoscience, cardiovascular treatment, and fibrotic diseases. The company's breadth of pharmaceuticals is globally marketed and reflects a market cap of $81.4 billion, though 56% of their revenue is US-based. Products are primarily sold to wholesalers and specialty distributors in the United States, with non-U.S. businesses dealing more with direct customers such as distributors, retailers, hospitals, government agencies, and pharmacies. In 2018 the company posted a revenue of $22.56 billion, a year-over-year increase of 9%.

Bristol-Myers Squib's most notable products are *Opdivo,* an immuno-oncology treatment for lung cancer, and *Eliquis,* a blood-thinner that prevents heart attacks in patients with atrial fibrillation, which saw individual revenue increases of 36% and 32%, respectively. These products jointly account for 58% of revenue in 2018. Other prioritized drugs include *Orencia* (for rheumatoid arthritis), *Spryce*l (for chronic myelogenous leukemia), *Yervoy* (melanoma treatment), and *Empliciti* (multiple myeloma immunotherapy). The company is continuing trials to expand the possible uses of these pharmaceuticals, with a strong emphasis on oncology in clinical studies.

Bristol-Myers Squibb's pipeline includes 38 new compounds in development, 18 of which have passed the first phase of clinical trials. The mature end of their pipeline heavily represents oncology pharmaceuticals and autoimmune therapies, many of which are extending the uses of existing products in their portfolio.

Management Overview

Giovanni Caforio (CEO, Chairman): Giovanni Caforio, M.D. has been the chief executive officer of Bristol-Myers Squibb since May 2015 and has been serving on the company's Board of Directors since June 2014. Born and educated in Italy, Giovanni received his M.D. from the University of Rome. In May 2017, he assumed the role of chairman of the board. Prior to becoming CEO, Giovanni served as COO with responsibility for leading a fully integrated worldwide commercial organization and the companywide functions of Enterprise Services and Global Manufacturing & Supply. In his current position, Giovanni has led the company's focus on researching and developing transformational medicines while evolving the company's operating model in order to increase speed and competitiveness.

Charles Bancroft (CFO): As the company's CFO, Bancroft assumed the position in 2012 and has since focused on evolving and sustaining BMY's business success, while continuously improving performance and efficiency. His current role includes overseeing Global Finance, Business Insights & Analytics, Global Procurement and Information Technology. Joining the company in 1984 from KPMG, he has held positions of increasing responsibility within the finance sector of the company. Additionally, he worked extensively in the international markets within regions such as Latin America, Africa, Middle East, and Japan. He received his B.S. in Accounting from Drexel University and his M.B.A. in Finance from Temple University.

Chris Boerner (CCO): Christopher Boerner is the Chief Commercial Officer of Bristol-Myers Squibb, where he leads commercial strategy and execution across all geographies. In his previous role, Chris was the head of international markets at Bristol-Myers Squibb, accountable for commercial activities in all ex-U.S. markets. He joined the company in February 2015. Boerner previously worked as the EVP of commercial for Seattle Genetics where he was in charge of all commercial activities for the company. Additionally, he worked at Dendreon Company where he was head of marketing. Chris received his Ph.D. and M.A. in Business Administration from the Haas School of Business at the University of California, Berkeley, and holds an A.B. in economics and history from Washington University in St. Louis.

Thomas J. Lynch (CSO - Chief Scientific Officer): Dr. Thomas Lynch joined Bristol-Myers Squibb in March 2017 as Chief Scientific Officer. He has been in charge of leading the Research & Development organization, bringing broad leadership experience, significant experience in drug development and a deep understanding of the patient perspective as a treating oncologist. He previously served as a Director on Bristol-Myers Squibb's Board from 2013-2017. He has over 30 years of experience in the healthcare industry and served as Chairman and Chief Executive Officer of Massachusetts General Physicians Organization before joining BMY.

Investment Thesis

We recommend a sell/hold on Bristol-Myer Squibb due to a lack of revenue diversification in an increasingly competitive space, declining sales in several major revenue drivers without promise of new pipeline success, and the uncertainty surrounding the pending acquisition of Celgene.

Lack of Revenue Diversification

While Bristol-Myers does have several notable drugs driving revenue, the business is overly dependent on two pharmaceuticals; more than half of Bristol-Myer's sales come from Opdivo (immuno-oncology treatment for lung cancer) and Eliquis (prevents heart attacks in patients with atrial fibrillation). Because Bristol-Myers relies on the performance of these drugs, it does not have a diverse set of revenue generators, creating additional risk for investors. While Eliquis is expected to experience strong growth, Opdivo is now almost consistently outperformed by Merck's Keytruda and other competitors, and growth prospects are poor. Opdivo faces stiff competition from cancer drugs that work similarly, increasing pressure on Bristol-Myers to bolster growth. Furthermore, Opdivo failed to secure a regulatory green light as a monotherapy in first-line lung cancer. Since Opdivo's failure, Keytruda's sales have grown more quickly. As a result, Keytruda's $7.2 billion in sales outpaced Opdivo's $6.7 billion for the first time in 2018, further increasing revenue pressure and likely contributing to the eventual acquisition of Celgene.

Lack of Internal Revenue Drivers

Bristol Myers has a relatively small pipeline, so we do not expect any internal growth prospects to take significant pressure off of Opdivo and Eliquis. According to analyst coverage, their third best-selling drug Orencia, is not expected to grow in revenue over the next three to four years, and their fourth best-seller, Sprycel, is expected to decline in revenue by 50% ($1.87 billion to $935 million) from 2019 to 2020. Additionally, these products are expected to lose market exclusivity and face competitive pressures from biosimilars as early as 2021 and 2020, respectively.

Non-Guaranteed Benefits from Celgene Merger

While Bristol-Myers recently pulled the trigger on a Celgene acquisition to revive revenue growth perspectives, benefits from this deal are not guaranteed and may require significant time to appear. It will take several years to see how the current drugs in Celgene's pipeline develop and undergo the FDA approval process. Celgene's late-stage pipeline is the focus in the buyout because its primary product, Revlimid, accounts for the majority share (almost two-thirds) of company revenue. Revlimid loses patent protection in a few years, and authorized generics will begin chipping away at Revlimid's market share in 2022, putting nearly $10 billion in annual revenue at risk. Celgene does have a stable of promising drugs in its pipeline, but historically only 10% of clinical-stage drugs ever end up on pharmacy shelves.

Long Wait Time for Additional M&A Activity

As Revlimid is slowly expected to lose market share and current pipeline drugs will take years to develop, the effects of the Celgene acquisition will not be felt immediately. The combined company will have $45 billion in cash giving the company the ability to acquire smaller pipeline companies, but this will also be a time-intensive endeavor. Because the effects of this acquisition are still unknown and have considerable time to manifest, there are better uses for funds rather than investing in BMY (if the Celgene deal goes through), to capitalize and maximize returns for the level of risk we are willing to incorporate.

Market Profile (MM)	
EV:	$74,877
Market Cap.:	$78,091
Shares Out:	1632.7
Net Debt	($1,535)
Float:	95.97%

Financial Profile	
Dividend Yield:	3.40%
Avg. Daily Vol:	19.42
Beta (adj.):	0.835
P/E:	15.9x
PEG	1.3x
P/B	5.6x
EV/Sales	3.4x
EV/EBITDA	11.0x

Source: Factset, Bloomberg

Financial Analysis

In our **DCF analysis**, the terminal growth method of 2.0% returned an intrinsic value of **$45.23**; the multiples method returned an intrinsic value of **$54.85**, using a 14.2x 2018E exit multiple.

In our **comparable companies analysis,** we compared Bristol-Myers Squibb (BMY) to Pfizer (PFE), Merck (MRK), and Abbvie (ABBV). Bristol-Myers Squibb had mixed profitability margins, solid revenue growth rates (soft comparison), and good leverage ratios compared to their peers (Bloomberg research). A case can be made for including Eli Lily as an additional comp, which would have altered the data against Bristol-Myers.

Comparable Company Analysis

Bristol-Myers Squibb
Comparable Companies Analysis - Financial Statistics and Ratios
($ in millions, except per share data)

		Market Valuation		LTM Financial Statistics					LTM Profitability Margins				Growth Rates					
													Revenue		EBITDA		EPS Diluted	
Company	Ticker	Equity Value	Enterprise Value	Sales	Gross Profit	EBITDA	EBIT	Net Income	Gross Profit (%)	EBITDA (%)	EBIT (%)	Net Income (%)	Hist. 1-year	Est.1 -year	Hist. 1-year	Est. 1-year	Hist. 1-year	Est. 1-year
Bristol-Myers Squibb Co.	BMY	84,415.5	81,201.5	22,561.0	16,072.0	7,027.0	6,160.6	6,604.0	71.0%	25.5%	22.7%	21.8%	8.6%	11.3%	28.4%	16.0%	393.4%	28.2%
Pfizer	PFE	249,547.1	272,824.1	53,647.0	42,408.0	25,169.0	18,785.0	13,521.3	79.0%	38.0%	26.1%	20.8%	2.1%	-0.8%	2.0%	-10.0%	-47.0%	24.0%
Merck	MRK	198,694.8	215,125.8	42,294.0	31,901.0	18,652.0	14,133.0	11,803.0	75.4%	30.3%	19.6%	14.7%	5.4%	5.4%	19.8%	8.0%	167.0%	80.0%
Abbvie	ABBV	136,332.8	168,581.8	32,773.0	25,117.0	15,114.0	13,349.0	11,189.0	76.6%	24.9%	19.5%	17.4%	16.2%	0.4%	-26.6%	4.0%	11.0%	105.0%
Mean		194,858.2	218,843.9	42,904.7	33,142.0	19,645.0	15,422.3	12,171.1	77.0%	31.1%	21.7%	17.6%	7.9%	1.7%	-1.6%	0.7%	43.7%	69.7%
Median		198,694.8	215,125.8	42,294.0	31,901.0	18,652.0	14,133.0	11,803.0	76.6%	30.3%	19.6%	17.4%	5.4%	0.4%	2.0%	4.0%	11.0%	80.0%

		General		Return on Investment				LTM Leverage Ratios			LTM coverage Ratios		Credit Ratings		EV / EBITDA		P / E	
Company	Ticker	Current Share Price	% of 52-wk. High	ROI (%)	ROE (%)	ROA (%)	Implied Div. Yield (%)	Debt / Tot. Cap. (%)	Debt / EBITDA (x)	Net Debt / EBITDA (x)	EBITDA / int. Exp. (x)	EBIT / Int. Exp. (x)	Moody's	S & P	2017	2018	2017	2018
Bristol-Myers Squibb Co.	BMY	$ 51.51	75.51%	21.5%	38.4%	14.5%	3.2%	34.2%	1.28x	-.58x	31.45x	27.97x	A2	A+	21.9x	14.1x	19.7x	12.9x
Pfizer	PFE	$ 41.39	89.07%	11.5%	16.6%	6.7%	3.5%	39.6%	2.05x	1.12x	15.49x	10.64x	A1	AA	12.0x	13.4x	17.6x	19.3x
Merck	MRK	$ 80.45	97.97%	9.5%	20.4%	7.3%	2.7%	48.3%	1.96x	1.27x	16.60x	10.75x	A1	AA	15.7x	16.8x	14.6x	17.4x
Abbvie	ABBV	$ 78.24	64.42%	16.9%	108.0%	8.7%	5.5%	126.5%	4.95x	3.96x	6.04x	4.74x	Baa2	A-	16.4x	20.7x	19.0x	12.7x
Mean		$66.69	83.8%	12.6%	48.3%	7.6%	3.9%	71.5%	2.99x	2.12x	12.7x	8.7x	NA	NA	14.7x	17.0x	17.0x	16.5x
Median		$78.24	89.1%	11.5%	20.4%	7.3%	3.5%	48.3%	2.05x	1.27x	15.5x	10.6x	NA	NA	15.7x	16.8x	17.6x	17.4x

Discounted Cash Flow Analysis

Key Information

WACC	8%	Total debt	$7,349.0
Terminal multiple	14.2x	Cash	$8,884.0
Perpetuity Growth Ra	2%	Net debt	($1,535.0)

Projected financials

($ in millions)

	2018A	2019E	2020E	2021E	2022E	2023E	Terminal year	'19 - '23 CAGR
Revenue	$22,561	$23,689	$24,874	$26,117	$27,423	$28,794	$28,794	*5.0%*
%growth		*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*		
EBITDA	**$6,788**	**$6,400**	**$6,606**	**$6,831**	**$7,074**	**$7,335**	**$7,335**	***3.5%***
%margin	*30.1%*	*27.0%*	*26.6%*	*26.2%*	*25.8%*	*25.5%*		
Less: D&A	637	784	823	865	908	953	953	
EBIT	**$7,425**	**$7,184**	**$7,430**	**$7,695**	**$7,982**	**$8,289**	**$8,289**	***3.6%***
%margin	*32.9%*	*30.3%*	*29.9%*	*29.5%*	*29.1%*	*28.8%*		
Cash taxes	(1,270)	(1,509)	(1,560)	(1,616)	(1,676)	(1,741)	(1,741)	
%tax rate	*17.1%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	
Tax Adjusted EBIT	$6,155	$5,676	$5,870	$6,079	$6,305	$6,548	$6,548	*3.6%*
Depreciation and Amortizatior	637.0	784	823	865	908	953	953	
Capital expenditures	(951.0)	(2,369)	(2,487)	(2,612)	(2,742)	(2,879)	(2,879)	
Decrease (increase) in NWC	176.0	(275)	(79)	(83)	(87)	(91)	(91)	
Free Cash Flow	**$6,017**	**$3,816**	**$4,127**	**$4,250**	**$4,384**	**$4,531**	**$4,531**	***4.4%***
%growth			*8.2%*	*3.0%*	*3.2%*	*3.3%*		

Terminal Multiple Method

Terminal year EBITDA	$7,335.4
Terminal EBITDA multiple	14.2x
Terminal value	$104,162.0
Discount period	5.00
Discount rate	7.9%
Discount factor	1.464
Present value of terminal value	$71,138.9
Present value of cash flows	$17,438
Total enterprise value	$88,576.6
Less: Net debt	1,535
Implied equity value	$90,111.6
Diluted shares	1,643.0
Implied share price	$54.85
Terminal year free cash flow	$4,530.8
Implied perpetuity growth rate	3.3%

Perpetuity Growth Method

Terminal year free cash flow	$4,530.8
Perpetuity growth rate	2.0%
Terminal value	$78,003.0
Discount period	4.50
Discount rate	7.9%
Discount factor	1.409
Present value of terminal value	$55,343.8
Present value of cash flows	$17,438
Total enterprise value	$72,781.5
Less: Net debt	1,535
Equity value	$74,316.5
Diluted shares	1,643.0
Implied share price	$45.23
Terminal EBITDA	7,335.4
Implied terminal EBITDA multiple	11.0x

Terminal Multiple Sensitivity

WACC	12.2x	13.2x	14.2x	15.2x	16.2x
6.9%	$50.5	$53.7	$56.9	$60.1	$63.3
7.4%	$49.6	$52.7	$55.9	$59.0	$62.1
7.9%	$48.7	$51.8	$54.8	$57.9	$60.9
8.4%	$47.9	$50.9	$53.9	$56.8	$59.8
8.9%	$47.1	$50.0	$52.9	$55.8	$58.7

Perpetuity Growth Sensitivity

WACC	0.0%	1.0%	2.0%	3.0%	4.0%
6.9%	$41.0	$46.3	$53.8	$65.1	$84.1
7.4%	$38.5	$43.0	$49.1	$58.1	$72.2
7.9%	$36.2	$40.1	$45.2	$52.5	$63.4
8.4%	$34.3	$37.6	$42.0	$47.9	$56.6
8.9%	$32.6	$35.5	$39.2	$44.2	$51.2

Investment Risks

Dependence on Key Product

Bristol-Myers Squibb derives a majority of their revenue and earnings from several key products. Bristol Myers Squibb's six prioritized brands comprised approximately 86% of revenues in 2018. Growth products such as Opdivo and Eliquis represent, and are expected to increasingly represent, a significant part of Bristol-Myers Squibb's revenue, earnings and cash flows. A reduction in revenue from any of these products could adversely impact Bristol-Myers Squibb's earnings and cash flows.

Potential Pipeline Failures

Compounds or products may appear promising in development but fail to reach market within the expected or optimal timeframe, or at all. In addition, product extensions or additional indications may not be approved. Furthermore, products or indications approved under the U.S. FDA's Accelerated Approval Program may be contingent upon verification and description of clinical benefit in confirmatory studies and such studies may not be successful. For example, in November 2018, Bristol Myers Squibb announced that the CheckMate-451 study did not meet its primary endpoint of overall survival with Opdivo+Yervoy versus placebo as a maintenance therapy in patients with extensive-stage SCLC after completion of first-line platinum-based chemotherapy.

IP Infringement and Legal Actions

Third parties may claim that Bristol Myers Squibb infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require them to enter into license agreements, which may not be available on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Bristol Myers Squibb to significant damages or an injunction preventing the manufacture, sale, or use of the affected product or products. Any of these events could have a material adverse effect on Bristol Myers Squibb's profitability and financial condition. In addition, if the proposed Celgene acquisition is consummated, Bristol Myers Squibb will also be subject to certain intellectual property claims of Celgene.