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## ANALYST QUICK NOTES

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### **Bristol-Myers Squibb Co. (NYSE: BMY: BUY)**

**Target Price: \$75**

**David Toung**

**1/30/2017**

- BMY is -18.3% YTD. We think it is time to look at the value in the stock that we believe has been overlooked by recent sellers.
- Bristol has Opdivo as its top product, one of the leading immuno-oncology drugs on the market to treat solid tumor cancers such as lung cancer, melanoma, renal cell carcinoma, and head-and-neck cancer. Opdivo is already approved as second-line treatment for non-small cell lung cancer, the most prevalent form of lung cancer. Opdivo had \$1.3 billion in worldwide sales in 4Q16, up 176%.
- The selling pressure on BMY seems to view Opdivo as a failed drug with a shrinking growth story – which really misreads the growth drivers for BMY in our opinion.
- Let's look at the growth drivers for BMY.
  - Opdivo is in four registrational studies in first-line lung cancer with data readouts over the next 18 months that could lead to approval. One or more is likely to be successful.
  - Opdivo is in 10 registrational studies for full range of solid tumor cancers.
  - Opdivo is approved for 10 indications in U.S. for cancers. Nearly that number in overseas markets.
  - Sprycel (leukemia), Orencia (rheumatoid arthritis), and Eliquis (anti-coagulant) are growing solid double-digits in sales.
  - Later this year, we expect key data readouts for drugs that treat systemic Lupus, NASH (non-alcoholic steatohepatitis) and psoriasis.
- BMY has fallen since August 2016 on the news that Opdivo failed to meet the endpoint in a clinical trial. It fell further in January when BMY said it would not pursue an accelerated path of approval for the Opdivo+Yervoy combination. To be sure, management inadvertently added to the selling pressure on Thursday's earnings conference call when it would not comment further on the regulatory path, leading to speculation Opdivo would fail in first-line lung.
- As well, Opdivo is behind Merck's Keytruda in first-line lung cancer, but we think Opdivo (in combination with Yervoy or with chemo) will get to approval in a very large addressable market.

- As we noted earlier, Opdivo, by itself or in combination with other drugs, is approved for 10 indications in U.S. and on track for additional approvals over the next 24 months.
  - Further, BMY has a lot more in its portfolio than Opdivo.
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