



ANALYST QUICK NOTES

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

Target Price: \$75

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Overview

- Bristol's 1Q17 was a surprise on the upside. Adjusted EPS of \$0.84 beat the consensus by \$0.11 and the company lifted 2017 guidance.
- BMY was a beaten-down stock (-22% over past 52 weeks) but recovered +4.8% over the past five days as management expressed greater confidence in Opdivo and other drugs in its portfolio.
- Here is why we think there is more upside to Bristol's growth story.
 - Opdivo, Bristol's immuno-oncology drug, is showing better growth than expected in the face of increased competition in the U.S., as domestic sales grew 6% sequentially and 60% Y/Y. BMY is now more optimistic about Opdivo sales in 2017, expecting growth in sale (instead of being flat). About 60% of Opdivo sales are in lung cancer.
 - Opdivo in overseas markets is expected to see strong growth from expanded indications and broader reimbursement coverage. Opdivo just received approval in the EU for head and neck cancer, its seventh approved indication in EU.
 - Yervoy, another oncology, returned to growth after declining in 4Q16. This is partly due to the strength of the Opdivo-Yervoy combination in treating first-line lung cancer in clinical studies.
 - Eliquis, an anti-coagulant, exceeded \$1 billion in quarterly sales and is on track to surpass \$4 billion in annual sales. It has the leading share among newer class of oral anticoagulants. There is a big addressable market to replace as warfarin, the standard of care drug, has been on the market for decades and still holds 50% share.
 - Orencia, with sales +12%, continues to gain traction in rheumatoid arthritis. Orencia has advantage of being in a self-injectable form (sub-cutaneous) delivery form.
- BMY took a big hit when Opdivo failed in a lung cancer clinical trial in 2016, but given its unexpected strength in 1Q17 and the number studies the drug is in (either as mono-agent, or in combination with other drugs or with chemo), we see there is more upside for Opdivo.

- One more point – management is now more confident in the growth of its own portfolio and is increasing spending on R&D.
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