

22 May 2013 | 28 pages

Pharmaceuticals (GICS) | Drugs (Citi)
North America | United States

Bristol Myers Squibb (BMJ)

Transforming Cancer, Generating leverage, Creating Value. BUY

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

■ **Upgrading to Buy/ raising PT to \$55.** We have increased our 2017 EPS forecast by 31%, 27% above consensus. Our DCF-derived intrinsic value is \$53. Active immunotherapy (IT) will become the backbone of at least 60% of cancer indications over the next ten years, we believe. BMJ's very broad checkpoint agent portfolio (including its first to market anti-PD1 antibody nivolumab), makes it uniquely positioned to capture a very significant share of an emergent \$24bn checkpoint agent market with consequent significant P&L leverage. Peak immunotherapy revenues for BMJ's portfolio will likely exceed \$10bn by 2022. We anticipate nivolumab FDA filing in mid '14, with approval later that year on the back of response rate & interim PFS. Our \$55 PT (from \$33) reflects a 24x FY14e multiple, commensurate with an anticipated 17% 2014-2019 EPS CAGR in line with US biotechs (BUY rated Biogen, Celgene, Gilead).

■ **Checkpoint inhibitor revenues at least \$24bn/ annum.** While some commentators have become fixated on BMJ's share versus Roche, we believe that the real question is the overall market potential for the class. We highlight our cutting edge in depth immunotherapy report ([Immunotherapy – The Beginning of the End for Cancer. - Transforming Cancer into Chronic Disease. Winners and Losers](#)) published today, which lays out the likely evolution of immunotherapy and BMJ's leading position.

■ **BMJ's current phase III program is only tip of iceberg.** We see (i) significant indication expansion outside initial indications in lung cancer, renal cancer and melanoma driven by combination use with multiple existing cancer treatment modalities (ie. chemo, antibodies, TKI, vaccines, DXT) to induce responsiveness to checkpoint agents; (ii) increasing price per patient through adoption of dual checkpoint agent usage such as anti-KIR, anti-LAG-3 etc; (iii) increasing treatment duration per patient due to likely use in multiple lines of therapy as well as maintenance and potentially adjuvant indications.

■ **BMJ's immunotherapy portfolio gives edge vs Roche.** BMJ benefits from having an 18-month lead time versus its nearest competitor, Roche anti-PDL1. BMJ has a wealth of other checkpoint and cytokine immunotherapies in clinical development including LAG-3, anti-KIR, anti-CD137. Anti-KIR combinations with nivolumab are already in the clinic with potentially lower adverse events than seen with Yervoy/nivolumab combinations.

Buy	1
<i>from Neutral</i>	
Price (21 May 13)	US\$44.06
Target price	US\$55.00
<i>from US\$33.00</i>	
Expected share price return	24.8%
Expected dividend yield	3.2%
Expected total return	28.0%
Market Cap	US\$72,371M

Price Performance (RIC: BMJ.N, BB: BMJ US)



EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.64A	0.48A	0.41A	0.47A	1.99A	1.99A
2013E	0.41A	0.46E	0.46E	0.49E	1.83E	1.81E
Previous	0.41E	0.44E	0.44E	0.48E	1.79E	na
2014E	na	na	na	na	2.29E	2.13E
Previous	na	na	na	na	2.09E	na
2015E	na	na	na	na	2.13E	2.05E
Previous	na	na	na	na	2.08E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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BMY.N: Fiscal year end 31-Dec						Price: US\$44.06; TP: US\$55.00; Market Cap: US\$72,371m; Recomm: Buy					
Profit & Loss (US\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	21,244	17,621	16,522	17,676	18,211	PE (x)	19.3	22.1	24.1	19.2	20.7
Cost of sales	-5,598	-4,610	-4,587	-5,061	-5,609	PB (x)	4.7	5.3	5.6	5.4	5.5
Gross profit	15,646	13,011	11,935	12,615	12,603	EV/EBITDA (x)	9.2	9.9	20.1	15.9	16.7
Gross Margin (%)	73.6	73.8	72.2	71.4	69.2	FCF yield (%)	5.9	8.6	4.1	4.5	5.2
EBITDA (Adj)	7,476	7,259	3,774	4,829	4,607	Dividend yield (%)	3.0	3.1	3.2	3.3	3.5
EBITDA Margin (Adj) (%)	35.2	41.2	22.8	27.3	25.3	Payout ratio (%)	58	69	77	63	73
Depreciation	-448	-382	-295	-309	-324	ROE (%)	23.4	13.2	19.9	27.3	24.9
Amortisation	-353	-607	-626	-636	-649	Cashflow (US\$m)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	6,986	4,676	3,292	4,264	4,014	EBITDA	7,448	5,079	3,774	4,829	4,607
EBIT Margin (Adj) (%)	32.9	26.5	19.9	24.1	22.0	Working capital	-69	558	366	-806	-35
Net interest	-54	-76	-146	-189	-205	Other	-2,539	1,304	-711	-321	-347
Associates	281	183	149	5	5	Operating cashflow	4,840	6,941	3,428	3,702	4,226
Non-op/Except	107	-1,858	263	400	450	Capex	-367	-548	-412	-438	-465
Pre-tax profit	6,981	2,339	3,118	4,100	3,884	Net acq/disposals	-1,070	-6,179	-662	-689	-716
Tax	-1,721	161	-477	-537	-596	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	-1,559	-542	-12	-16	-15	Investing cashflow	-1,437	-6,727	-1,075	-1,127	-1,181
Reported net profit	3,701	1,958	2,629	3,547	3,272	Dividends paid	-2,254	-2,286	-2,309	-2,347	-2,522
Net Margin (%)	17.4	11.1	15.9	20.1	18.0	Financing cashflow	-2,657	-4,333	-2,204	-1,854	-2,791
Core NPAT	3,913	3,362	3,018	3,777	3,502	Net change in cash	743	-4,120	150	722	254
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	4,473	6,393	3,016	3,264	3,761
Reported EPS (\$)	2.16	1.16	1.59	2.16	1.99						
Core EPS (\$)	2.28	1.99	1.83	2.29	2.13						
DPS (\$)	1.33	1.37	1.41	1.44	1.55						
CFPS (\$)	2.82	4.11	2.08	2.25	2.56						
FCFPS (\$)	2.61	3.79	1.83	1.98	2.28						
BVPS (\$)	9.44	8.32	7.84	8.10	8.04						
Wtd avg ord shares (m)	1,700	1,670	1,632	1,628	1,630						
Wtd avg diluted shares (m)	1,717	1,688	1,650	1,646	1,648						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	9.0	-17.1	-6.2	7.0	3.0						
EBIT (Adj) (%)	11.5	-33.1	-29.6	29.5	-5.9						
Core NPAT (%)	5.1	-14.1	-10.2	25.1	-7.3						
Core EPS (%)	5.7	-12.6	-8.2	25.5	-7.4						
Balance Sheet (US\$m)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	8,733	2,829	2,979	3,701	3,954						
Accounts receivables	3,743	3,083	3,200	3,424	3,527						
Inventory	1,384	1,657	1,519	1,709	1,902						
Net fixed & other tangibles	6,323	6,440	6,557	6,686	6,827						
Goodwill & intangibles	8,420	16,413	16,449	16,502	16,569						
Financial & other assets	4,367	5,475	5,453	5,476	5,487						
Total assets	32,970	35,897	36,158	37,497	38,266						
Accounts payable	2,603	2,202	2,455	2,489	2,635						
Short-term debt	115	826	826	826	826						
Long-term debt	5,376	6,568	7,885	9,135	9,726						
Provisions & other liab	9,009	12,663	12,233	11,830	11,956						
Total liabilities	17,103	22,259	23,399	24,280	25,143						
Shareholders' equity	15,956	13,623	12,743	13,202	13,108						
Minority interests	-89	15	15	15	15						
Total equity	15,867	13,638	12,758	13,217	13,123						
Net debt	-3,242	4,565	5,732	6,260	6,598						
Net debt to equity (%)	-20.4	33.5	44.9	47.4	50.3						

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com
For definitions of the items in this table, please click [here](#).

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Favored Names and Profiles

Figure 1. Bristol Myer Squibb is now our favored Major name in the Global Pharmaceuticals

	Movement	Rating	Price Target	Investment Thesis	Cancer Immunotherapy	"Shrink, Smarten, Spin"	Biologics	Vaccines	Diagnostics	Consumer Health	Emerging Markets	Generics	Animal Health
<div>Most Favoured</div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> 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Source: Citi Research

Figure 2. Changes to our estimates. Citi vs consensus.

\$ mlns (except per share)		2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Yervoy	new	706	1,016	1,270	1,442	1,569	1,600	1,632	1,665	1,698
	old	706	1,019	1,206	1,373	1,510	1,661	1,827	2,010	2,211
	Δ	0%	0%	5%	5%	4%	-4%	-11%	-17%	-23%
Nivolumab	new				700	1,750	2,800	3,801	4,816	5,705
	old				162	405	648	880	1,115	1,320
	Δ				332%	332%	332%	332%	332%	332%
Anti-LAG3	new					70	175	280	380	482
	old					17	41	66	90	114
	Δ					324%	324%	324%	324%	324%
Anti-KIR (lirilumab)	new					105	263	420	570	722
	old					4	11	18	24	30
	Δ					2286%	2286%	2286%	2286%	2286%
Urelumab (Anti-CD137)	new					105	263	420	570	722
	old					6	14	22	30	38
	Δ					1809%	1809%	1809%	1809%	1809%
P&L										
Sales	new	17,621	16,522	17,676	18,211	19,988	22,661	25,004	27,962	30,399
	old	17,621	16,505	18,174	18,111	18,842	20,675	22,135	23,403	24,915
	Δ	0%	0%	-3%	1%	6%	10%	13%	19%	22%
Consensus			16,450	17,737	17,855	18,804	20,709			
Citi vs. cons	Δ		0%	0%	2%	6%	9%			
Non-GAAP Operating Profit	new	4,676	3,292	4,264	4,014	4,646	6,483	7,762	9,657	11,345
	old	4,676	3,190	4,099	4,075	4,145	5,065	5,866	6,202	6,727
	Δ	0%	3%	4%	-1%	12%	28%	32%	56%	69%
Consensus			3,370	4,043	3,686	3,856	4,782			
Citi vs. cons	Δ		-2%	5%	9%	20%	36%			
Non-GAAP Op Profit Margin	new	26.5%	19.9%	24.1%	22.0%	23.2%	28.6%	31.0%	34.5%	37.3%
	old	26.5%	19.3%	22.6%	22.5%	22.0%	24.5%	26.5%	26.5%	27.0%
	Δ (bps)	0	60	157	-46	124	411	454	804	1,032
Consensus			20.5%	22.8%	20.6%	20.5%	23.1%			
Citi vs. cons	Δ (bps)		-56	133	140	274	552			
Non-GAAP EPS (Diluted)	new	1.99	1.83	2.29	2.13	2.43	3.35	3.99	4.96	5.84
	old	1.99	1.79	2.09	2.08	2.11	2.56	2.95	3.12	3.39
	Δ	0%	2%	10%	2%	16%	31%	35%	59%	72%
Consensus			1.82	2.16	2.07	2.14	2.63			
Citi vs. cons			0%	6%	3%	14%	27%			
DPS	new	1.37	1.41	1.44	1.55	1.60	1.69	2.02	2.51	2.96
	old	1.37	1.41	1.41	1.47	1.49	1.50	1.49	1.58	1.72
	Δ	0%	0%	2%	5%	7%	13%	35%	59%	73%
Consensus			1.40	1.43	1.47	1.53	1.55			
Citi vs. cons	Δ		1%	1%	5%	4%	9%			

Source: Citi Research, consensus from Factset

Figure 3. Global Large-Cap Pharma Valuations

Company	Analyst	Currency	Current price	Market cap (\$bn)	Rating/Risk	Target			2014E multiple	
						Price	% upside	ETR	PE	EV/EBITDA
US Large Cap Pharma										
AbbVie	Not Rated	USD	46.7	73.9	Not Rated	NR	NR	NR	14.5	9.5
Bristol Myers	Andrew S Baum	USD	43.7	71.7	Buy	55.0	26%	29%	20.9	16.5
Eli Lilly	Andrew S Baum	USD	55.0	61.9	Buy	60.0	9%	13%	19.5	9.9
Johnson&Johnson	Matthew J Dodds	USD	88.5	248.5	Buy	95.0	7%	10%	15.3	9.5
Merck	Andrew S Baum	USD	46.0	138.9	Neutral	44.0	-4%	-1%	12.1	8.2
Pfizer	Andrew S Baum	USD	28.5	201.9	Buy	31.0	9%	12%	11.4	7.2
US Large-cap Pharma (mkt-cap wt avg)									14.5	9.3
European Large Cap Pharma										
AstraZeneca	Mark Dainty, ACA	GBP	33.9	64.8	Neutral	30.0	-12%	-6%	10.8	7.7
Bayer	Andrew S Baum	EUR	84.7	90.2	Buy	90.0	6%	8%	12.1	8.5
GlaxoSmithKline	Andrew S Baum	GBP	1,742.0	130.9	Buy	1,810	4%	8%	13.6	10.5
Novartis	Andrew S Baum	CHF	72.4	202.7	Buy	83.0	15%	18%	12.2	10.9
Novo-Nordisk	Mark Dainty, ACA	DKK	989.5	92.2	Buy	1150.0	16%	18%	18.4	13.6
Roche	Andrew S Baum	CHF	251.0	223.9	Buy	300.0	20%	22%	15.3	11.3
Sanofi	Mark Dainty, ACA	EUR	85.1	145.2	Buy	101.0	19%	22%	12.1	7.2
EU Large-cap Pharma (mkt-cap wt avg)									13.6	10.2
Global Large-cap Pharma (mkt-cap wt avg)									14.0	9.8

Source: Citi Research, datacentral

Figure 4. Selected Large-cap Biotech multiples

	Marketcap (\$m)	Current Price	Rating	Target Price	2014-19 CAGR		PE	
					Rev	EPS	2013	2014
Alexion	20,036	102.7	Neutral	102.0	17%	21%	34.2	31.9
Amgen	78,178	104.2	Buy	133.0	-1%	3%	14.1	12.5
Biogen Idec	54,912	231.3	Buy	235.0	10%	16%	28.9	22.7
Celgene	51,515	123.5	Buy	140.0	11%	16%	21.1	17.8
Gilead	86,137	56.5	Buy	75.0	6%	16%	28.4	16.6
Regeneron	25,467	260.0	Neutral	287.0	13%	9%	32.4	27.2
Market-cap weighted average					7%	12%	24.5	18.7

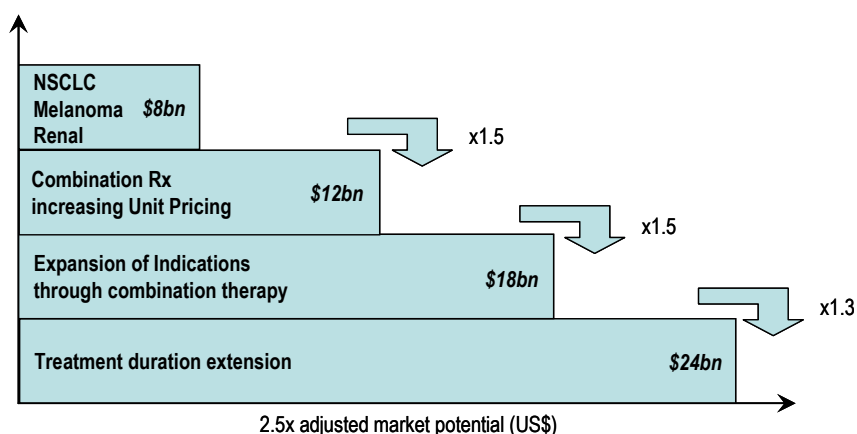
Source: Citi Research, datacentral

Transforming Cancer, Generating leverage, Creating Value. BUY

Market is underestimating the impact that BMY's immunotherapy franchise has on revenue and margin outlook, in our view. BMY should have a 17% EPS CAGR, similar to US biotech's Gilead and Biogen, and we think it deserves a commensurate multiple

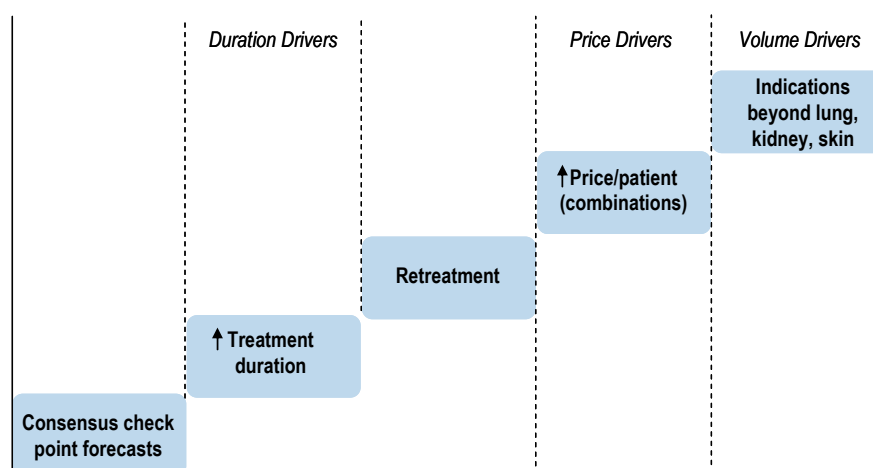
Market grossly underestimating sales and leverage from BMY's checkpoint portfolio, in our view. We have increased our forecasts by up to 27% following an in-depth analysis of the opportunities for BMY's immunotherapy portfolio outlined in our companion report [Immunotherapy – The Beginning of the End for Cancer. - Transforming Cancer into Chronic Disease. Winners and Losers](#). While we are unable to predict the dominant indications or even combinations for BMY's checkpoint portfolio, we are confident that the portfolio in aggregate will likely exceed \$10bn in 2022. We anticipate BMY to grow revenues at 10% CAGR between 2014 and 2019, with EPS growth at 17% CAGR over the same period aided by a mix driven increase in contribution margins. Further out, we have extended the anticipated introduction of generic competition for Eliquis unto 2026 (compared with 2023 previously). We note the acceptance of SPC (Supplementary Protection Certificate) in the EU extending patent protection until 2026 and we assume BMY is seeking a patent term extension in the US to the same time period.

Figure 5. Checkpoint agents have market potential in excess of \$20bn by 2021



Source: Citi Research

Figure 6. Market potential for checkpoint inhibitors remains underappreciated

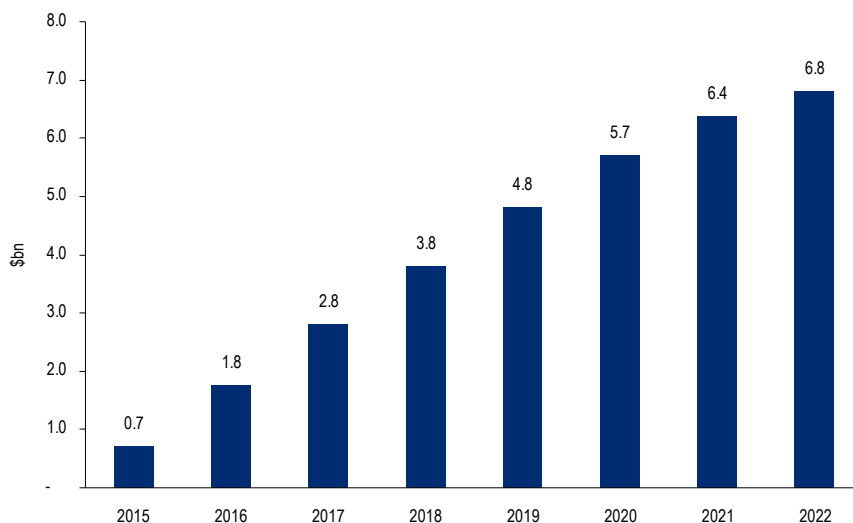


Source: Citi Research

The market is ignoring the potential of BMY's checkpoint portfolio agents in combination with chemo, radiotherapy and monoclonals, in our view. We anticipate the market opportunity expands from \$7bn to \$24bn per annum.

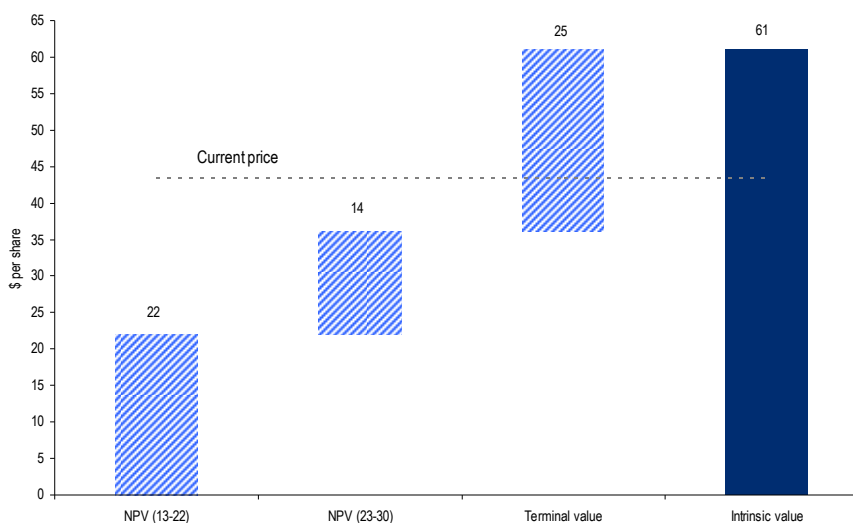
We think the market is disregarding both the commercial potential of BMY portfolio of agents as outlined in our companion report. Equally important, consensus estimates reflect little leverage as a result of the introduction of these very high contribution margin products. We anticipate EBIT margins to increase from 24% to 35% over 2014 to 2019.

Figure 7. \$7bn peak sales potential for nivolumab



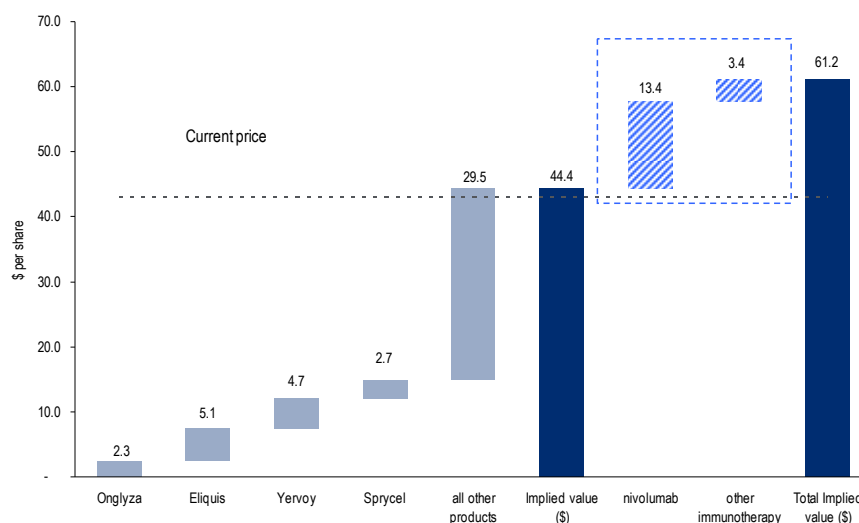
Source: Citi Research

Figure 8. Three-stage DCF analysis that more appropriately captures the full potential of the immunotherapy franchise beyond our forecasted horizon



Source: Citi Research

Figure 9. Current share price does not fully factor in the full potential/profitability of the immunotherapy franchise



Source: Citi Research Note: analysis derived from a three-stage DCF model which is available on request

Figure 10. Sensitivity analysis of intrinsic value to peak immunotherapy sales.

		Immunotherapy sales						
		5,000	8,000	11,000	14,000	17,000	20,000	23,000
Terminal growth rate	0%	49	50	52	53	54	56	57
	1%	52	53	54	55	56	57	58
	2%	55	56	57	58	59	60	60
	3%	60	61	61	62	62	63	63
	4%	67	67	68	68	68	68	68
	5%	79	79	78	77	76	75	75

Source: Citi Research.

Our 3-stage DCF model and our analysis of the impact of the immunotherapy franchise on contribution margins is available on request

Valuation

Our NPV-derived intrinsic value is based on a three-stage DCF in order to capture the patent expirations of Onglyza, Sprycel and Eliquis during the 2020 to 2026 period. Our \$55 price target reflects a target multiple of c.24x times 2014E EPS. BMY's 10% revenue CAGR and 17% EPS CAGR over 2014-19 makes US biotech a more relevant valuation benchmark, we believe.

Our DCF-derived intrinsic value of \$53 reflects a WACC of 8.1% and terminal growth rate of 0%. We project free cash flows for an explicit forecast period of 10 years and thereafter apply terminal growth assumptions. We employ a CAPM-derived WACC of 8.1% and assume a 0% terminal growth rate. A three-stage DCF that extends beyond our forecast horizon of 10 years gives us an intrinsic value of \$61/share, which we believe more accurately captures the durability and profitability of BMY's incipient immunotherapy franchise and other key pipeline assets

The sensitivity to different sales projections for BMY's immunotherapy franchise is demonstrated in Figure 10.

Drivers for performance

Our positive call on BMY is dependent on confirmation of the market opportunity we have outlined for nivolumab and other combination therapies across multiple indications and in multiple combinations. In the near term, we anticipate interim analysis of the ongoing phase III nivolumab programs in 2014. We anticipate rapid regulatory review and expect approval as early as 4Q 2014 in the US. We assume EMA will demand OS survival data prior to approval. We expect the first data from pilot nivolumab combination trials with non-Yervoy checkpoint inhibitors to report out in 2014, notably anti-KIR and anti-CD137. Separately, we note the numerous ongoing clinical trials combining Yervoy and PD1 with other treatment modalities ranging from cryoablation to chemotherapy.

Outside immunotherapy, we anticipate some acceleration of Eliquis as Medicare reimbursement status is broadened over the next 12 months. Positive data from the ongoing outcome trial with SAVOR would re-energize DPPIV script growth, in particular benefitting Onglyza. We anticipate data in 3Q 2013.

Key Catalysts

Figure 11. Bristol Myers Squibb Key Catalysts to 2016

Date	Product	Event Category	Event Sub-type	Comment
01 Jun 2013	nivolumab (anti-PD1)	Clinical	Data Release	Final Ph1b data for anti-PD1 in solid tumours at ASCO (1/6 and 3/6))
02 Jun 2013	Yervoy / nivolumab (anti-PD-1)	Clinical	Data Release	Data to be presented from Phase I combination trial in metastatic melanoma at ASCO (31 May - 4 Jun, 2013)
02 Jun 2013		Conference	Investor Event	BMJ ASCO Investor Event
29 Jun 2013	Eliquis	Clinical	Data Release	Data from Ph 3 AMPLIFY trial in venous thromboembolism (VTE) treatment to be presented at ISTH (29/6-4/7)
2Q 2013	Yervoy	Clinical	Data Release	Overall survival (OS) data possible from Phase II study 042 in melanoma brain metastases
3Q 2013	nivolumab (anti-PD1)	Clinical	Data Release	Potential interim analysis of Ph3 study in NSCLC
3Q 2013	Onglyza	Clinical	Data Release	SAVOR-TIMI 53 Ph3 CV outcome data in adult type 2 diabetes patients with cardiovascular risk factors in mid-13
4Q 2013	Abilify (once-monthly im depot)	Regulatory	EU CHMP Opinion	EU opinion for once-monthly intramuscular depot formulation for the maintenance treatment of schizophrenia
1Q 2014	daclatasvir + asunaprevir	Regulatory	Filing	US / EU regulatory filing of quad therapy in combination with peg-interferon and ribavirin in Hepatitis C genotype 1/4 null and partial responders
1Q 2014	Forxiga	Regulatory	US PDUFA / Action Date	Potential FDA approval of resubmitted NDA for type II diabetes - late 2013 / early 2014
4Q 2014	nivolumab (anti-PD1)	Clinical	Data Release	mNSCLC: First data expected from the registrational trials for '558 (anti-PD1 antibody)
2H 2015	nivolumab (anti-PD1)	Clinical	Data Release	Metastatic Melanoma: First data expected from the registrational trials for '558 (anti-PD1 antibody)
2016	Bydureon	Clinical	Data Release	Data from EXSCEL long term cardiovascular outcomes trial of Bydureon

Source: Company Data and Citi Research

Company Financials

Figure 12. Bristol Myers Squibb Annual Sales Model

\$ mlns	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Cardiovascular											
Plavix	2,547	146	35	20	18	16	-	-	-	-	-
Avapro / Avalide	503	175	137	123	111	100	-	-	-	-	-
Eliquis (apixaban)	-	442	1,025	1,950	2,600	3,270	3,759	4,996	5,358	5,612	5,841
Other Cardiovascular	365	317	269	242	218	196	177	159	143	129	116
Total	3,415	1,080	1,465	2,336	2,947	3,583	3,936	5,155	5,501	5,741	5,957
Virology											
Reyataz	1,521	1,548	1,564	1,506	1,454	957	541	407	313	251	201
Sustiva Franchise	1,527	1,595	1,228	566	411	299	225	160	128	102	82
Baraclude	1,388	1,564	1,700	1,655	942	643	444	311	218	152	107
Other Virology	40	25	13	7	3	-	-	-	-	-	-
Total	4,476	4,732	4,506	3,734	2,811	1,899	1,210	878	659	505	389
Oncology											
Eributx	702	697	686	667	650	631	505	-	-	-	-
Sprycel	1,019	1,182	1,324	1,407	1,434	1,414	1,400	1,414	1,419	652	351
Yervoy	706	1,016	1,270	1,442	1,569	1,600	1,632	1,665	1,698	1,732	1,767
Other Oncology	464	428	389	354	323	294	268	245	223	204	186
Total	2,891	3,323	3,669	3,871	3,976	3,939	3,805	3,324	3,341	2,588	2,305
Neuroscience											
Abilify	2,827	2,298	2,158	677	-	-	-	-	-	-	-
Other Neuroscience	19	12	7	5	3	-	-	-	-	-	-
Total	2,846	2,310	2,165	682	3	-	-	-	-	-	-
Immunoscience											
Orencia	1,176	1,434	1,678	1,929	2,149	2,350	2,439	2,552	2,591	2,641	2,701
Nulojix	11	40	67	102	119	137	151	166	183	201	221
Other Immunoscience	-	-	-	-	-	-	-	-	-	-	-
Total	1,187	1,474	1,745	2,032	2,268	2,488	2,590	2,718	2,774	2,842	2,922
Metabolics											
Onglyza/Kombiglyze	709	872	1,179	1,469	1,800	2,162	2,470	2,595	2,685	931	468
Byetta	149	355	280	252	227	204	184	165	149	134	120
Bydureon	78	262	325	422	507	583	670	771	886	975	1,072
Forxiga (dapagliflozin)	-	108	325	473	631	762	902	942	974	999	1,020
Other Metabolics	172	235	246	259	272	285	285	285	285	285	285
Total	1,108	1,832	2,355	2,875	3,436	3,996	4,512	4,759	4,979	3,324	2,966
Other Therapeutic Areas, Total	1,698	1,772	1,772	1,772	1,772	1,772	1,772	1,772	1,772	1,772	1,772
Pipeline											
Other Phase III Pipeline	-	-	-	911	2,277	3,642	4,945	6,265	7,421	8,296	8,851
Phase II Pipeline	-	-	-	-	499	1,343	2,144	2,863	3,358	3,902	4,412
Phase I Pipeline	-	-	-	-	-	-	91	228	594	822	913
Total Pipeline	-	-	-	911	2,775	4,985	7,179	9,357	11,373	13,020	14,176
Key Products	14,865	13,734	14,979	15,573	17,397	20,113	22,502	25,501	27,975	27,402	28,127
Mature Products and All Other	2,756	2,788	2,697	2,639	2,591	2,547	2,502	2,461	2,423	2,390	2,359
Total Pharmaceuticals Sales	17,621	16,522	17,676	18,211	19,988	22,661	25,004	27,962	30,399	29,792	30,487

Source: Company Data and Citi Research

Figure 13. Bristol Myers Squibb Pipeline

Product	Preclin.	I	II	III	Filed	Year	Peak Sales	Risk Adj Peak Sales	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Cardiovascular							3,550	781	-	-	-	-	78	195	312	424	537	637
LXR Modulators						2017	1,000	220	-	-	-	-	22	55	88	119	151	179
PCSK9 Adnectin						2017	1,000	220	-	-	-	-	22	55	88	119	151	179
CCR2 / 5 Antagonists						2017	750	165	-	-	-	-	17	41	66	90	114	134
Factor Xla Parental						2017	200	44	-	-	-	-	4	11	18	24	30	36
Factor Xla Oral						2017	200	44	-	-	-	-	4	11	18	24	30	36
IKur Antagonists						2017	200	44	-	-	-	-	4	11	18	24	30	36
PEG-Relaxin						2017	200	44	-	-	-	-	4	11	18	24	30	36
Virology							2,750	1,085	-	-	81	230	393	550	707	849	962	1,038
Daclatasvir (NS5A inhibitor)						2015	1,000	540	-	-	54	135	216	293	372	440	492	525
Asunaprevir (NS3 Inhibitor)						2015	250	135	-	-	14	34	54	73	93	110	123	131
Peginterferon lambda-1a						2015	250	135	-	-	14	34	54	73	93	110	123	131
HIV Attachment Inhibitor						2016	250	55	-	-	-	6	14	22	30	38	45	50
NRT Inhibitor						2016	200	44	-	-	-	4	11	18	24	30	36	40
HIV Maturation Inhibitor						2016	200	44	-	-	-	4	11	18	24	30	36	40
NS5B Primer Grip Inhibitor						2016	200	44	-	-	-	4	11	18	24	30	36	40
NSSB Non Nuc						2016	200	44	-	-	-	4	11	18	24	30	36	40
NSSB Site 1 Inhibitor						2016	200	44	-	-	-	4	11	18	24	30	36	40
Oncology							20,550	11,725	-	-	819	2,401	4,159	5,861	7,554	9,107	10,342	11,181
Brivanib						2015	200	108	-	-	11	27	43	59	74	88	98	105
Elotuzumab						2015	2,000	1,080	-	-	108	270	432	586	743	880	984	1,050
Necitumumab						2015	-	-	-	-	-	-	-	-	-	-	-	-
Anti-Fucosyl GM1						2016	200	44	-	-	-	4	11	18	24	30	36	40
JAK2 Inhibitor						2016	1,000	220	-	-	-	22	55	88	119	151	179	200
IL-21						2016	200	44	-	-	-	4	11	18	24	30	36	40
Anti-KIR (lirilumab)						2016	3,000	1,050	-	-	-	105	263	420	570	722	856	957
Urelumab (Anti-CD137)						2016	3,000	1,050	-	-	-	105	263	420	570	722	856	957
Notch Inhibitors						2016	200	44	-	-	-	4	11	18	24	30	36	40
Anti-PD1 (nivolumab)						2015	7,000	7,000	-	-	700	1,750	2,800	3,801	4,816	5,705	6,377	6,804
Anti-PD-L1						2016	1,000	220	-	-	-	22	55	88	119	151	179	200
Anti-CXCR4						2016	750	165	-	-	-	17	41	66	90	114	134	150
Anti-LAG3						2016	2,000	700	-	-	-	70	175	280	380	482	571	638
Neuroscience							2,350	517	-	-	-	52	129	207	281	356	421	471
α-7 Nicotinic Agonist						2016	200	44	-	-	-	4	11	18	24	30	36	40
Triple Reuptake Inhibitors						2016	200	44	-	-	-	4	11	18	24	30	36	40
Microtubule Stabilizer						2016	750	165	-	-	-	17	41	66	90	114	134	150
Avagacestat (Gamma Secretase Inhibitor)						2016	1,000	220	-	-	-	22	55	88	119	151	179	200
Myostatin Adnectin						2016	200	44	-	-	-	4	11	18	24	30	36	40

Source: Company Data and Citi Research

Figure 14. Bristol Myers Squibb Pipeline continued

Product	Preclin.	I	II	III	Filed	Year	Peak Sales	Risk Adj Peak Sales	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Immunoscience							3,000	660	-	-	-	66	165	264	358	454	538	601
CCR1 Antagonists						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-IP10						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-CD28						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-IL6 (clazakizumab)						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-CD40						2016	300	66	-	-	-	7	17	26	36	45	54	60
IL-17/IL-23 biAb						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-IL31						2016	300	66	-	-	-	7	17	26	36	45	54	60
Anti-CD40L						2016	300	66	-	-	-	7	17	26	36	45	54	60
LPA1 Antagonist						2016	300	66	-	-	-	7	17	26	36	45	54	60
S1P1 modulator						2016	300	66	-	-	-	7	17	26	36	45	54	60
Metabolics							1,000	284	-	-	11	27	61	103	145	184	219	248
PEG-FGF21						2017	200	44	-	-	-	-	4	11	18	24	30	36
11βHSD Inhibitors						2017	200	44	-	-	-	-	4	11	18	24	30	36
GPR119 Agonist						2017	200	44	-	-	-	-	4	11	18	24	30	36
GPR40 Agonist						2017	200	44	-	-	-	-	4	11	18	24	30	36
metreleptin						2015	200	108	-	-	11	27	43	59	74	88	98	105
TOTAL (\$)							33,200	15,052	-	-	911	2,775	4,985	7,179	9,357	11,373	13,020	14,176

Source: Company Data and Citi Research

Figure 15. Bristol Myers Squibb Annual Profit and Loss Account

\$ mlns (except per share data)	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
GROUP											
Turnover	17,621	16,522	17,676	18,211	19,988	22,661	25,004	27,962	30,399	29,792	30,487
% Growth	-17.1%	-6.2%	7.0%	3.0%	9.8%	13.4%	10.3%	11.8%	8.7%	-2.0%	2.3%
% Growth (CER)	-15.1%	-6.2%	7.0%	3.0%	9.8%	13.4%	10.3%	11.8%	8.7%	-2.0%	2.3%
Non-GAAP COGS	(4,325)	(4,322)	(4,861)	(5,409)	(5,996)	(6,481)	(7,126)	(7,745)	(8,025)	(7,805)	(7,957)
% Sales	24.5%	26.2%	27.5%	29.7%	30.0%	28.6%	28.5%	27.7%	26.4%	26.2%	26.1%
% Growth	-21.7%	-0.1%	12.5%	11.3%	10.9%	8.1%	10.0%	8.7%	3.6%	-2.7%	1.9%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(285)	(265)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
COGS	(4,610)	(4,587)	(5,061)	(5,609)	(6,196)	(6,681)	(7,326)	(7,945)	(8,225)	(8,005)	(8,157)
% Sales	26.2%	27.8%	28.6%	30.8%	31.0%	29.5%	29.3%	28.4%	27.1%	26.9%	26.8%
Non-GAAP gross profit	13,296	12,200	12,815	12,803	13,992	16,180	17,878	20,216	22,374	21,986	22,530
Non-GAAP gross profit margin	75.5%	73.8%	72.5%	70.3%	70.0%	71.4%	71.5%	72.3%	73.6%	73.8%	73.9%
% Growth	-15.4%	-8.2%	5.0%	-0.1%	9.3%	15.6%	10.5%	13.1%	10.7%	-1.7%	2.5%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(285)	(265)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Gross profit	13,011	11,935	12,615	12,603	13,792	15,980	17,678	20,016	22,174	21,786	22,330
Gross profit margin	73.8%	72.2%	71.4%	69.2%	69.0%	70.5%	70.7%	71.6%	72.9%	73.1%	73.2%
Non-GAAP SG&A	(4,932)	(5,039)	(4,486)	(4,600)	(4,946)	(5,193)	(5,297)	(5,403)	(5,511)	(5,621)	(5,734)
% Sales	28.0%	30.5%	25.4%	25.3%	24.7%	22.9%	21.2%	19.3%	18.1%	18.9%	18.8%
% Growth	-3.9%	2.2%	-11.0%	2.5%	7.5%	5.0%	2.0%	2.0%	2.0%	2.0%	2.0%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(85)	(25)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
SG&A	(5,017)	(5,064)	(4,516)	(4,630)	(4,976)	(5,223)	(5,327)	(5,433)	(5,541)	(5,651)	(5,764)
% Sales	28.5%	30.7%	25.5%	25.4%	24.9%	23.0%	21.3%	19.4%	18.2%	19.0%	18.9%
Non-GAAP R&D	(3,688)	(3,869)	(4,066)	(4,189)	(4,400)	(4,504)	(4,819)	(5,156)	(5,517)	(5,903)	(6,317)
% Sales	20.9%	23.4%	23.0%	23.0%	22.0%	19.9%	19.3%	18.4%	18.1%	19.8%	20.7%
% Growth	2.3%	4.9%	5.1%	3.0%	5.0%	2.4%	7.0%	7.0%	7.0%	7.0%	7.0%
% Growth (CER)	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(216)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
R&D	(3,904)	(4,019)	(4,216)	(4,339)	(4,550)	(4,654)	(4,969)	(5,306)	(5,667)	(6,053)	(6,467)
% Sales	22.2%	24.3%	23.8%	23.8%	22.8%	20.5%	19.9%	19.0%	18.6%	20.3%	21.2%
Non-GAAP operating profit	4,676	3,292	4,264	4,014	4,646	6,483	7,762	9,657	11,345	10,462	10,479
Non-GAAP operating profit margin	26.5%	19.9%	24.1%	22.0%	23.2%	28.6%	31.0%	34.5%	37.3%	35.1%	34.4%
Margin expansion/(compression)	(635)bps	(661)bps	419 bps	(208)bps	120 bps	537 bps	243 bps	349 bps	279 bps	(221)bps	(74)bps
% Growth	-33.1%	-29.6%	29.5%	-5.9%	15.7%	39.5%	19.7%	24.4%	17.5%	-7.8%	0.2%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(586)	(440)	(380)	(380)	(380)	(380)	(380)	(380)	(380)	(380)	(380)
Operating profit	4,090	2,852	3,884	3,634	4,266	6,103	7,382	9,277	10,965	10,082	10,099
Operating profit margin	23.2%	17.3%	22.0%	20.0%	21.3%	26.9%	29.5%	33.2%	36.1%	33.8%	33.1%
Interest payable	(182)	(210)	(246)	(269)	(282)	(297)	(305)	(305)	(310)	(317)	(320)
Interest income	106	64	57	63	68	77	87	98	111	127	142
Net finance costs	(76)	(146)	(189)	(205)	(214)	(220)	(218)	(207)	(198)	(190)	(179)
Non-GAAP net finance costs	(76)	(146)	(189)	(205)	(214)	(220)	(218)	(207)	(198)	(190)	(179)
Non-GAAP adjustment	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Other income/expense	299	282	400	450	450	450	450	450	450	450	450
Non-GAAP adjustment	(2,157)	(19)	-	-	-	-	-	-	-	-	-
Other income / expense	(1,858)	263	400	450	450	450	450	450	450	450	450
Non-GAAP share of after tax profits of associates & JVs	183	149	5	5	5	5	5	5	5	5	5
Non-GAAP adjustment	-	-	-	-	-	-	-	-	-	-	-
Share of after tax profits of associates & JVs	183	149	5	5	5	5	5	5	5	5	5

Source: Company Data and Citi Research

Figure 16. Bristol Myers Squibb Annual Profit & Loss Account

\$ mlns (except per share data)	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Non-GAAP profit before tax	5,082	3,577	4,480	4,264	4,887	6,718	7,999	9,904	11,602	10,727	10,756
Non-GAAP profit before tax margin	28.8%	21.6%	25.3%	23.4%	24.4%	29.6%	32.0%	35.4%	38.2%	36.0%	35.3%
% Growth	-31.6%	-29.6%	25.2%	-4.8%	14.6%	37.5%	19.1%	23.8%	17.1%	-7.5%	0.3%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(2,743)	(459)	(380)	(380)	(380)	(380)	(380)	(380)	(380)	(380)	(380)
Profit before tax	2,339	3,118	4,100	3,884	4,507	6,338	7,619	9,524	11,222	10,347	10,376
Profit before tax margin	13.3%	18.9%	23.2%	21.3%	22.5%	28.0%	30.5%	34.1%	36.9%	34.7%	34.0%
Non-GAAP tax	(1,178)	(547)	(687)	(746)	(855)	(1,176)	(1,400)	(1,733)	(2,030)	(1,877)	(1,882)
Non-GAAP effective tax rate	23.2%	15.3%	15.3%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
% Growth	-39.7%	-53.6%	25.6%	8.5%	14.6%	37.5%	19.1%	23.8%	17.1%	-7.5%	0.3%
Non-GAAP adjustment	(1,339)	(70)	(150)	(150)	(150)	(150)	(175)	(175)	(175)	(175)	(175)
Tax	161	(477)	(537)	(596)	(705)	(1,026)	(1,225)	(1,558)	(1,855)	(1,702)	(1,707)
Effective tax rate	-6.9%	15.3%	13.1%	15.3%	15.6%	16.2%	16.1%	16.4%	16.5%	16.5%	16.5%
Non-GAAP profit after tax	3,904	3,030	3,793	3,517	4,032	5,542	6,599	8,171	9,572	8,850	8,874
Non-GAAP profit after tax margin	29.4%	24.8%	29.6%	27.5%	28.8%	34.3%	36.9%	40.4%	42.8%	40.3%	39.4%
% Growth	-28.7%	-22.4%	25.2%	-7.3%	14.6%	37.5%	19.1%	23.8%	17.1%	-7.5%	0.3%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(1,404)	(389)	(230)	(230)	(230)	(230)	(205)	(205)	(205)	(205)	(205)
Profit after tax	2,500	2,641	3,563	3,287	3,802	5,312	6,394	7,966	9,367	8,645	8,669
Profit after tax margin	14.2%	16.0%	20.2%	18.1%	19.0%	23.4%	25.6%	28.5%	30.8%	29.0%	28.4%
Profit attributable to non-controlling interests	(541)	(12)	(16)	(15)	(18)	(25)	(30)	(38)	(45)	(42)	(42)
Non-GAAP profit attributable to shareholders	3,363	3,018	3,777	3,502	4,014	5,517	6,569	8,133	9,527	8,808	8,832
% Growth	-14.2%	-10.3%	25.1%	-7.3%	14.6%	37.4%	19.1%	23.8%	17.1%	-7.5%	0.3%
% Growth (CER)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjustment	(1,404)	(389)	(230)	(230)	(230)	(230)	(205)	(205)	(205)	(205)	(205)
Net Earnings	1,959	2,629	3,547	3,272	3,784	5,287	6,364	7,928	9,322	8,603	8,627
Discontinued operations' profit/ (loss)	-	-	-	-	-	-	-	-	-	-	-
Net Earnings post discontinued operations	1,959	2,629	3,547	3,272	3,784	5,287	6,364	7,928	9,322	8,603	8,627
Earnings attributable to unvested restricted shares	(1)	-	-	-	-	-	-	-	-	-	-
Profit attributable to shareholders	1,958	2,629	3,547	3,272	3,784	5,287	6,364	7,928	9,322	8,603	8,627
Shares Outstanding (basic)	1,670	1,632	1,628	1,630	1,632	1,631	1,628	1,622	1,613	1,604	1,598
Shares Outstanding (diluted)	1,688	1,650	1,646	1,648	1,650	1,649	1,646	1,640	1,631	1,622	1,616
Non-GAAP EPS (basic)	2.01	1.85	2.32	2.15	2.46	3.38	4.03	5.01	5.91	5.49	5.53
% Growth	-12.7%	-8.2%	25.5%	-7.4%	14.5%	37.5%	19.3%	24.3%	17.8%	-7.0%	0.7%
Non-GAAP EPS (diluted)	1.99	1.83	2.29	2.13	2.43	3.35	3.99	4.96	5.84	5.43	5.47
% Growth	-12.8%	-8.2%	25.5%	-7.4%	14.5%	37.5%	19.3%	24.3%	17.8%	-7.0%	0.7%
EPS (basic)	1.17	1.61	2.18	2.01	2.32	3.24	3.91	4.89	5.78	5.36	5.40
% Growth	-46.1%	37.4%	35.3%	-7.9%	15.5%	39.8%	20.6%	25.0%	18.2%	-7.2%	0.7%
EPS (diluted)	1.16	1.59	2.16	1.99	2.29	3.21	3.87	4.83	5.71	5.30	5.34
% Growth	-46.2%	37.4%	35.2%	-7.9%	15.5%	39.8%	20.6%	25.0%	18.2%	-7.2%	0.7%
DPS	1.37	1.41	1.44	1.55	1.60	1.69	2.02	2.51	2.96	2.75	2.77
% Growth	3.0%	3.0%	2.0%	7.4%	3.4%	5.9%	19.4%	24.4%	17.9%	-7.1%	0.6%

Source: Company Data and Citi Research

Figure 17. Bristol Myers Squibb Annual Balance Sheet

\$ mlns	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
ASSETS											
Current assets											
Cash and cash equivalents	1,656	1,806	2,528	2,781	3,213	4,600	5,576	6,892	9,072	11,507	13,399
Marketable securities	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173
Trade receivables	3,083	3,200	3,424	3,527	3,872	4,389	4,843	5,416	5,888	5,770	5,905
Inventories	1,657	1,519	1,709	1,902	2,108	2,278	2,505	2,723	2,821	2,744	2,797
Deferred Income taxes	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597
Prepaid expenses and others	355	333	356	367	403	457	504	563	612	600	614
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total current assets	9,521	9,628	10,786	11,347	12,365	14,494	16,198	18,364	21,164	23,392	25,485
Non-current assets											
Property, plant and equipment	5,333	5,450	5,579	5,720	5,873	6,040	6,220	6,415	6,624	6,848	7,089
Goodwill	7,635	7,635	7,635	7,635	7,635	7,635	7,635	7,635	7,635	7,635	7,635
Other intangible assets	8,778	8,814	8,867	8,934	9,014	9,107	9,211	9,326	9,452	9,587	9,733
Deferred income taxes	203	203	203	203	203	203	203	203	203	203	203
Marketable securities	3,523	3,523	3,523	3,523	3,523	3,523	3,523	3,523	3,523	3,523	3,523
Other non-current assets	904	904	904	904	904	904	904	904	904	904	904
Total non-current assets	26,376	26,530	26,711	26,919	27,153	27,412	27,696	28,006	28,341	28,701	29,087
TOTAL ASSETS	35,897	36,158	37,497	38,266	39,518	41,906	43,894	46,370	49,505	52,093	54,573
LIABILITIES											
Current liabilities											
Short-term borrowings	826	826	826	826	826	826	826	826	826	826	826
Accounts payable	2,202	2,455	2,489	2,635	2,847	3,003	3,200	3,397	3,536	3,588	3,713
Accrued expenses	2,573	2,597	2,316	2,375	2,552	2,679	2,732	2,786	2,842	2,898	2,956
Deferred income	825	833	743	761	818	859	876	893	911	929	948
Accrued rebates and returns	1,054	554	554	554	554	554	554	554	554	554	554
Other payables	-	-	-	-	-	-	-	-	-	-	-
U.S. and foreign income taxes payable	193	193	193	193	193	193	193	193	193	193	193
Dividends payable	606	612	545	559	601	631	643	656	669	683	696
Total current liabilities	8,279	8,070	7,667	7,903	8,392	8,744	9,025	9,306	9,531	9,671	9,886
Non-current liabilities											
Pensions and other post-employment benefits	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882
Deferred income	4,024	4,024	4,024	4,024	4,024	4,024	4,024	4,024	4,024	4,024	4,024
U.S. and foreign income taxes payable	648	680	714	750	788	827	868	912	957	1,005	1,056
Other non-current liabilities	858	858	858	858	858	858	858	858	858	858	858
Long-term borrowings	6,568	7,885	9,135	9,726	10,226	10,894	10,894	10,894	11,235	11,485	11,485
Total non-current liabilities	13,980	15,329	16,613	17,240	17,778	18,485	18,526	18,570	18,956	19,254	19,305
TOTAL LIABILITIES	22,259	23,399	24,280	25,143	26,169	27,229	27,551	27,876	28,488	28,925	29,191
NET ASSETS	13,638	12,758	13,217	13,123	13,349	14,677	16,344	18,494	21,017	23,168	25,382
EQUITY											
Share capital	221	221	221	221	221	221	221	221	221	221	221
Capital in excess of par value of stock	2,694	2,694	2,694	2,694	2,694	2,694	2,694	2,694	2,694	2,694	2,694
Accumulated other comprehensive loss	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)
Retained earnings	32,733	31,853	32,312	32,218	32,444	33,772	35,439	37,589	40,112	42,263	44,477
Less cost of treasury stock	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)	(18,823)
	13,623	12,743	13,202	13,108	13,334	14,662	16,329	18,479	21,002	23,153	25,367
Noncontrolling interest	15	15	15	15	15	15	15	15	15	15	15
TOTAL EQUITY	13,638	12,758	13,217	13,123	13,349	14,677	16,344	18,494	21,017	23,168	25,382
Net Debt (inc pension)	6,447	7,614	8,142	8,480	8,548	7,829	6,853	5,537	3,698	1,513	(379)
Net Debt (exc pension)	4,565	5,732	6,260	6,598	6,666	5,947	4,971	3,655	1,816	(369)	(2,261)

Source: Company Data and Citi Research

Figure 18. Bristol Myers Squibb Annual Cashflow Statement

\$ mlns	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Cash flows from operating activities											
Net profit profit - as in reported cash flow	2,500	2,641	3,563	3,287	3,802	5,312	6,394	7,966	9,367	8,645	8,669
Net earnings attributable to noncontrolling interest	(541)										
Depreciation	382	295	309	324	340	356	374	392	412	432	454
Amortisation	607	626	636	649	665	682	702	723	746	771	797
Deferred income tax expense	(1,230)	-	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	154										
Impairment charges	2,180	-	-	-	-	-	-	-	-	-	-
Gain related to divestitures of discontinued operations	-										
Acquired in-process research and development	-										
Gain on sale of ImClone shares	-										
Profit/Loss on sale of tangible fixed assets	-										
Other adjustments	3,228	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:											
Receivables	648	(95)	(247)	(114)	(380)	(571)	(501)	(632)	(521)	130	(149)
Inventories	(103)	138	(190)	(193)	(207)	(170)	(227)	(218)	(98)	77	(53)
Accounts payable	(232)	291	(403)	237	489	352	280	282	225	139	215
Deferred income	295										
U.S. and foreign income taxes payable	(50)	32	34	36	38	39	41	43	46	48	50
Other	(897)	(500)	-	-	-	-	-	-	-	-	-
Cash generated from operations	6,941	3,428	3,702	4,226	4,746	6,000	7,063	8,557	10,176	10,242	9,984
Taxation paid											
Net cash inflow from operating activities	6,941	3,428	3,702	4,226	4,746	6,000	7,063	8,557	10,176	10,242	9,984
Cash flow from investing activities											
Proceeds from sale and maturities of marketable securities	4,890										
Purchases of marketable securities	(3,607)	-	-	-	-	-	-	-	-	-	-
Additions to property, plant and equipment and capitalized software	(548)	(412)	(438)	(465)	(493)	(523)	(554)	(587)	(621)	(657)	(695)
Proceeds from sale of businesses and other investing activities	68										
Mead Johnson's cash at split-off	-										
Purchase of businesses, net of cash acquired	(7,530)										
Proceeds from divestitures of discontinued operations											
Proceeds from sale of ImClone shares											
Proceeds from sale and leaseback of properties											
Proceeds from sale of tangible fixed assets		-	-	-	-	-	-	-	-	-	-
Purchase of intangible assets		(662)	(689)	(716)	(745)	(775)	(806)	(838)	(872)	(907)	(943)
Investment in joint ventures and associated undertakings	-										
Interest received	-										
Dividends from joint ventures and associated undertakings / Other	-										
Net cash outflow from investing activities	(6,727)	(1,075)	(1,127)	(1,181)	(1,238)	(1,298)	(1,360)	(1,425)	(1,493)	(1,564)	(1,638)
Cash flow from financing activities											
Short-term debt repayments	49	-	-	-	-	-	-	-	-	-	-
Long-term debt borrowings	1,950	1,250	1,250	1,250	1,250	1,250	-	-	1,000	1,000	-
Long-term debt repayments	(2,108)	67	-	(659)	(750)	(582)	-	-	(659)	(750)	-
Common stock repurchases	(2,403)	(1,200)	(740)	(845)	(949)	(1,200)	(1,413)	(1,711)	(2,035)	(2,048)	(1,997)
Dividends paid	(2,286)	(2,309)	(2,347)	(2,522)	(2,609)	(2,758)	(3,284)	(4,066)	(4,763)	(4,404)	(4,416)
Proceeds from Mead Johnson initial public offering	-										
Interest paid	-										
Dividends paid to minority interests	-	(12)	(16)	(15)	(18)	(25)	(30)	(38)	(45)	(42)	(42)
Net cash outflow from financing activities	(4,333)	(2,204)	(1,854)	(2,791)	(3,076)	(3,316)	(4,727)	(5,816)	(6,503)	(6,244)	(6,454)
Increase/(Decrease) in Cash and Cash Equivalents	(4,120)	150	722	254	431	1,387	976	1,316	2,181	2,435	1,892
Cash and Cash Equivalents at Beginning of Year	5,776	1,656	1,806	2,528	2,781	3,213	4,600	5,576	6,892	9,072	11,507
Cash and Cash Equivalents at End of Year	1,656	1,806	2,528	2,781	3,213	4,600	5,576	6,892	9,072	11,507	13,399
Cash and cash equivalents (balance sheet)	1,656	1,806	2,528	2,781	3,213	4,600	5,576	6,892	9,072	11,507	13,399

Source: Company Data and Citi Research

Figure 19. Companies mentioned in this report

Company	Current price	Rating	Target price	% ETR
Allergan, Inc.	98.5	Buy	124.0	26%
Amgen Inc	104.2	Buy	133.0	29%
Alexion Pharmaceuticals	102.7	Neutral	102.0	-1%
ARIAD Pharmaceuticals Inc	17.5	Buy	28.0	60%
AstraZeneca PLC	33.9	Neutral	30.0	-6%
Bayer AG	84.7	Buy	90.0	9%
Biogen Idec Inc	231.3	Buy	235.0	2%
Bristol Myers Squibb	44.1	Buy	55.0	28%
Celgene Corp	123.5	Buy	140.0	13%
Forest Laboratories, Inc.	37.9	Buy	44.0	16%
Gilead Sciences Inc	56.5	Buy	75.0	33%
GlaxoSmithKline PLC	17.4	Buy	18.1	8%
Johnson & Johnson Inc	88.6	Buy	95.0	10%
Eli Lilly	55.1	Buy	60.0	12%
Merck KGaA	119.4	Neutral	120.0	2%
Merck & Co	47.3	Neutral	44.0	-3%
Novartis AG	72.4	Buy	83.0	18%
Novo Nordisk A/S	989.5	Buy	1,150.0	19%
Pfizer	28.8	Buy	31.0	11%
Roche Holding AG	251.0	Buy	300.0	23%
Regeneron Pharmaceuticals	260.0	Neutral	287.0	10%
Sanofi SA	85.1	Buy	101.0	22%
Shire Pharmaceuticals	21.4	Buy	22.0	4%

Source: Citi Research, datacentral

Bristol Myers Squibb

Company description

Bristol-Myers Squibb (BMY) is a leading research-based pharmaceutical company that focuses on drug discovery for human diseases. The company has key franchises in cardiovascular, oncology, virology, diabetes and immunoscience. In 2012, BMY generated approximately \$17.6bn in pharmaceutical sales.

Investment strategy

We rate BMS Buy. We anticipate a 2014E-19E EPS CAGR of 17%, compared with the US large cap pharma average of 7%.

Among global multinationals, BMS appears most closely aligned with our “Shrink, Smarten and Spin” industry framework given its well-entrenched search and development strategy and historically strong execution track record. BMS also has several pipeline assets in the exciting immunotherapy space that is likely to have a paradigm-changing impact on treatment of several cancers. We believe immunotherapies will likely become the treatment backbone in up to 60% of cancers over the next 5-7 years, presenting a \$35bn revenue potential for the industry.

BMY has a very broad checkpoint agent portfolio (including its first to market anti-PD1 antibody nivolumab), making it uniquely positioned to capture a very significant share of an emergent checkpoint agent market that we think is worth \$24bn. We estimate peak immunotherapy revenues for BMY will exceed \$10bn by 2022, with consequent significant P&L leverage.

Valuation

Our Target Price of \$55 implies a 24x 2014E multiple, which is commensurate with an anticipated 17% 2014-19E EPS CAGR. Our DCF-derived Intrinsic Value is \$53. We project free cash flows for an explicit forecast period of 10 years and thereafter apply terminal growth assumptions. We employ a CAPM-derived WACC of 8.1% and assume a 0% terminal growth rate. A three-stage DCF that extends beyond our forecast horizon of 10 years gives us an intrinsic value of \$61/share, which we believe more accurately captures the durability and profitability of the incipient immunotherapy franchise.

Risks

We identify several downside risks over the medium to long term. In particular, i) our forecasts for the immunotherapy franchise could prove to be too optimistic due to lesser than anticipated efficacy or unexpected severe adverse events; ii) our peak sales estimates for key drugs Eliquis and Onglyza may fail to materialize, due to reimbursement pressures, competition or other impediments to commercial uptake; iii) a more risk-averse culture at the company following the significant writedown of the \$2.5bn Inhibitex acquisition and subsequent departure of BMS' SVP of Strategy who was instrument for the company's BD efforts. The company's historical success has been linked to its risk appetite both for internal pipeline candidates as well as external deals.

Upside risks that could lead to significant price outperformance include, i) a significant cardio-protective effect seen from ongoing cardiovascular trials for BMS' Onglyza and other DPP IV inhibitors could dramatically increase the commercial potential of this class and could lead to significant upsides for Onglyza as well; ii)

Strong efficacy in adjuvant indications, higher duration of use, combination therapy could materially increase commercial sales potential of BMS' anti-PD1 franchise; iii) despite being widely well-understood, the market could be materially underestimating the ultimate long-term commercial potential of novel oral anticoagulants atrial fibrillation market.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, the stock will likely have difficulty achieving our target price or could outperform it.

Appendix A-1

Analyst Certification

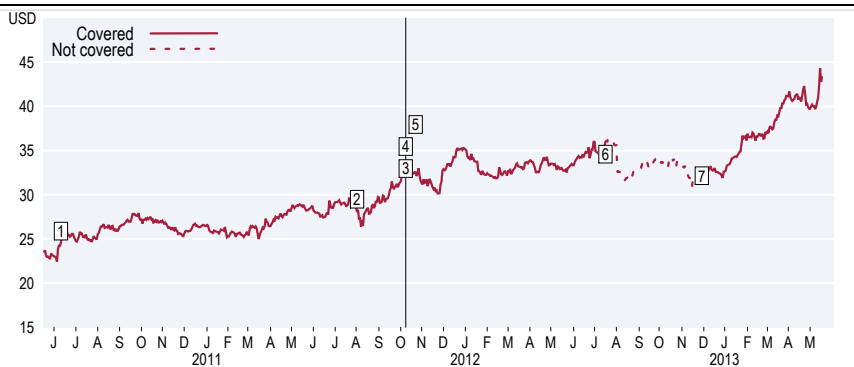
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IMPORTANT DISCLOSURES

Bristol Myers Squibb (BMY)

Ratings and Target Price History Fundamental Research

Analyst: Andrew S Baum
Covered since November 29 2012



	Date	Rating	Target Price	Closing Price
1	10-Jun-10	*1M	*30.00	24.64
2	2-Aug-11	1M	*39.00	28.04
3	8-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*1	39.00	32.38
5	24-Oct-11	1	*40.00	32.53
6	17-Jul-12	Coverage terminated		

	Date	Rating	Target Price	Closing Price
7	29-Nov-12	*2	*33.00	32.82

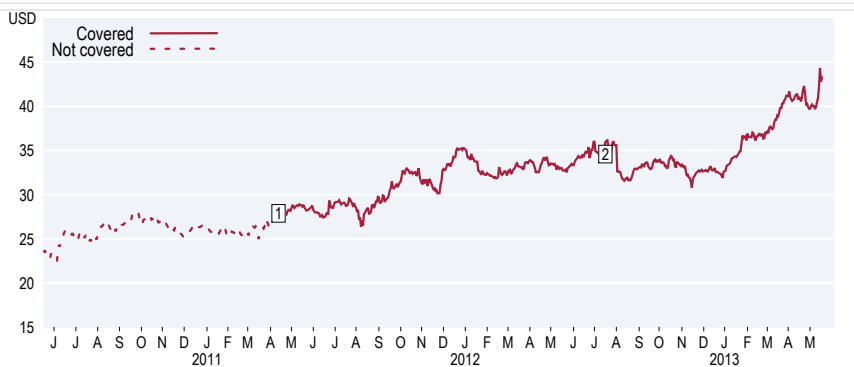
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Bristol Myers Squibb (BMY)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Andrew S Baum
Covered since November 29 2012



	Date	Rating	Target Price	Closing Price
1	13-Apr-11	*ADD MP	-	27.33

	Date	Rating	Target Price	Closing Price
2	17-Jul-12	*REM MP	-	35.98

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Forest Laboratories Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Regeneron Pharmaceuticals Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Sanofi SA

Citigroup Global Markets Inc. is acting as a financial advisor to Elan Corporation, plc regarding Biogen Idec's acquisition of full rights and control of Tysabri from Elan. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Biogen Idec Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Pfizer Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Amgen Inc

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Eli Lilly and Co

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The Chairman of Citi serves as a director of Roche Holding AG.

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Citi Research Equity Ratings Distribution

Data current as of 31 Mar 2013	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	48%	39%	12%	7%	87%	7%
% of companies in each rating category that are investment banking clients	53%	49%	43%	65%	49%	51%

Guide to Citi Research Fundamental Research Investment Ratings:

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