

**Recommendation: BUY with 1-Year Target Price of \$85**



**Bristol Myers Squibb™**

UTMCAPITAL

Management

**Healthcare: NYSE:BMJ**

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UTM CAPITAL

Management

# Company Overview



## Highlights

- Bristol Myers Squibb, founded in 1887, is a biopharma company focused on discovering, developing and delivering innovative medicines to help patients overcome serious diseases.
- The company's product focuses are on the hematology, oncology, cardiovascular and immunology therapeutic classes.
- Their largest revenue producers include: **Revlimid, Eliquis, and Opdivo.**
- BMS's 2 most recent acquisitions, **Celgene** and **Myokardia**, have paved strong foundations for long term success.

## Share Price Performance



### Key Statistics

EV	\$177.8B
Mkt. Cap	\$140.7B
52-Week Range	\$48.17 - \$67.16
Beta (5Y)	0.60
NTM P/E	8.2x
LTM P/B	3.7x
Dividend Yield	3.1%
Shares Outstanding	2,240M

## Key Management



**Giovanni Caforio, CEO** was appointed in 2015. He has been with BMS since 2000 as vice president and general manager.

### Has led the company's focus on:

- Researching and developing transformational medicine
- Evolving BMS's operating model to increase speed and competitiveness



**David Elkins, CFO** joined after the Celgene merger. He joined Celgene in 2018.

### Responsibilities include managing global Business

#### Operations:

- Business Insights and Analytics
- Global Finance
- Global Procurement



**Samit Hirawat, CMO** joined BMS in 2019. Previously working as Executive VP and Head of Oncology in Novartis.

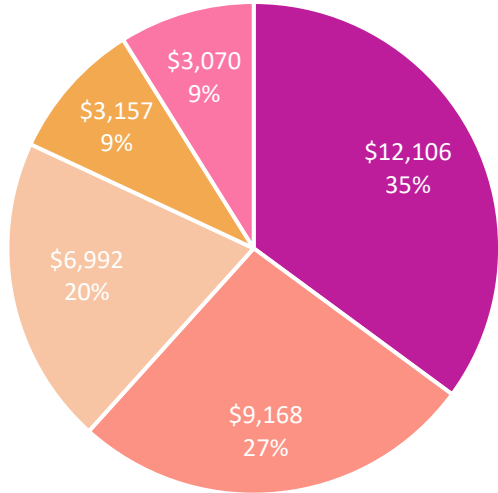
### Oversees late-stage product development across all therapeutic areas. His focus is on:

- Rapid progression and delivery of late-stage assets in clinical trials

# Core Business



## Revenue Distribution



- Revlimid (Hematology)
- Eliquis (Cardiovascular)
- Opdivo (Oncology & Hematology)
- Orencia (Immunology)
- Pomalyst/Imnovid (Hematology & Oncology)

## Product Pipeline

- **Oncology:** cancer and tumor treatment
  - R&D focus on melanoma, esophageal cancer, liver cancer, and lung cancer
  - Drugs: Opdivo and Opdivo + Yervoy (combination therapy)
- **Hematology:** treatment of diseases related to blood
  - R&D focus on multiple myeloma (leading presence), lymphoma, and chronic lymphocytic leukemia
  - Drugs: Revlimid, Pomalyst, Opdivo, Reblozyl, Inrebic, Onureg
- **Immunology:** treatment of diseases related to the immune system
  - R &D focus on relapsing multiple sclerosis, psoriasis, lupus, rheumatoid arthritis and inflammatory bowel disease
  - Drugs: Orencia, Zeposia
- **Cardiovascular:** disease related to the heart and blood vessels
  - R&D focus on cardiomyopathy, heart failure and thrombotic disorders
  - Drugs: Eliquis
- **Fibrotic disease:** thickening or scarring of the tissue
  - R&D focus on lung & liver fibrosis
  - Small presence (lack of phase III drugs)

## Significant Developments

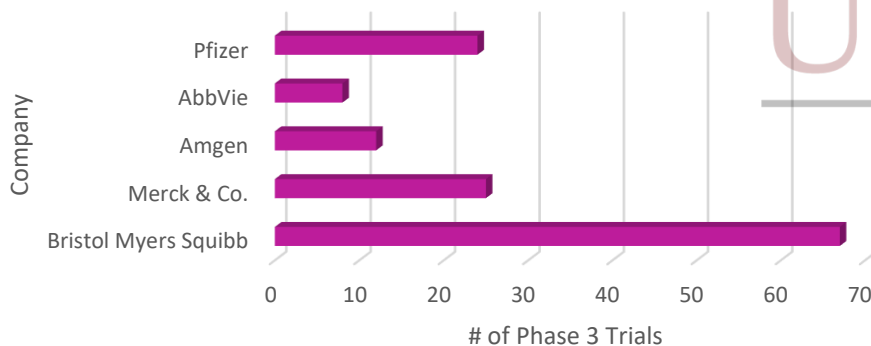
- |                        |                        |
|------------------------|------------------------|
| <b>2020 Approvals:</b> | <b>2021 Approvals:</b> |
| • Opdivo               | • Opdivo +             |
| • Opdivo + Yervoy      | • Cabometyx (FDA)      |
| • Onureg               | • Breyanzi (FDA)       |
| • Reblozyl             | • Inrebic (EC)         |
| • Zeposia              |                        |
| • Pomalyst             |                        |

## Expected Growth

- Eliquis (cardiovascular) - Majorly successful, continued growth
- Zeposia (immunology)
- Inrebic (hematology)
- Onureg (hematology)

## Phase 3 Trials Across Competitors

No. of Active Phase 3 Trials Across Competitors



## Loss of Exclusivity

- Patent expiration dates create rapidly increased competition
- Revlimid – increased competition in 2022 through partial generic manufacturing. Fully generic by 2026.
- Orencia – method of use patent expires 2021, formulation patent in 2026

Product	Date	Revenue
Revlimid	2026	\$ 12,106.00
Eliquis	2026	\$ 9,168.00
Opdivo	2028	\$ 6,992.00
Orencia	2021	\$ 3,157.00
Pomalyst	2030	\$ 3,070.00

# Brand Details



## Pipeline Distribution

## Treatment Methodology

Pre-Clinical	Clinical	NDA Review
Development & Animal Testing	Phases 1,2 and 3	Labelling, review, NDA, meeting and facility inspection

Phase 1 (Safety)	1 year 20-80 healthy volunteers
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Phase 2 (Efficacy)	2 years 100-300 sick volunteers
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Phase 3 (Final)	3 years 1000's of sick volunteers
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Drug	Channels	Disease Category	Competition
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<b>REVLIMID</b>	Immunomodulator, which blocks growth of abnormal cells, prevents growth of blood vessels within tumors, stimulates specialized cells of the immune system	Multiple Myeloma (Blood Cancer)	42 drugs are approved
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<b>ELIQUIS</b>	Blocks Factor Xa which lowers the chance of blood clots forming	Blood Clots due to Specific Heartbeat Pattern (Stroke)	Various
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<b>OPDIVO</b>	Enables T Cells to better identify cancer cells	Various Cancers	Various - largely Merck's <i>Keytruda</i>
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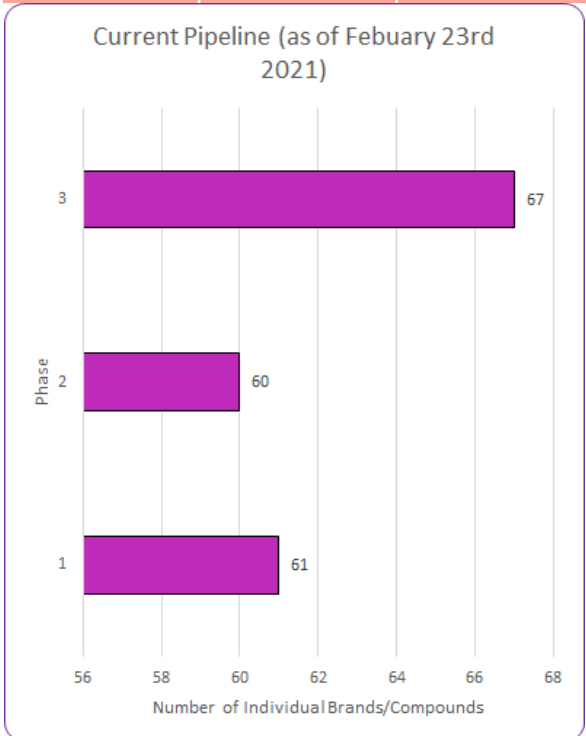
<b>ORENCIA</b>	Blocks activation of T-cells which prevents "autoimmune assaults"	Rheumatoid Arthritis (Arthritis)	11 drugs – Abbvie's <i>Humira</i> is world #1 treatment; \$13.7bn
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<b>POMALYST</b>	Inhibits growth/survival of Revlimid-resistant myeloma cells which improves immune function, especially in T-cells	Multiple Myeloma (Blood Cancer)	42 drugs are approved
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<b>MAVACAMTEN</b>	Inhibition of cardiac myosin which decreases phosphate release from $\beta$ -cardiac myosin-S1	Hypertrophic Cardiomyopathy (Cardiac Arrest)	Various
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<b>YERVOY</b>	Stimulates T Cells	Various Cancers	Various
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<b>REBLOZYL</b>	Matures erythroid cells leading to red blood cells increasing their maturity rates which increases hemoglobin	Beta Thalassemia and Myelodysplastic Syndrome (Anemia)	34 drugs approved
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# Celgene Acquisition

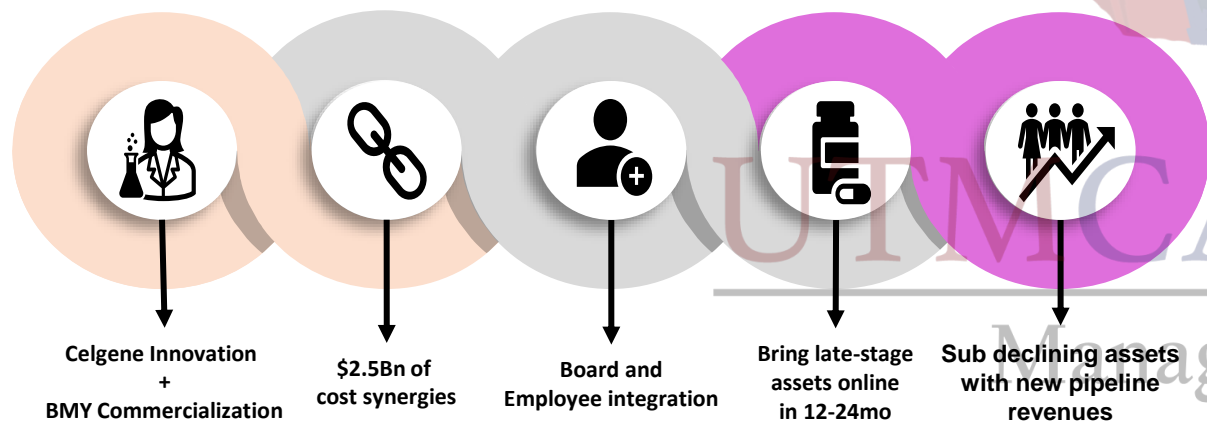
BMS has a tremendous opportunity to realize pipeline and revenue synergies that would vault them into an industry leading oncology position.

## Deal Drivers

- 1 Celgene's strength in early-stage research and partnerships with innovative firms combines well with BMY's proven commercialization ability and long-term strategy, while removing an active dealmaker in the industry.
- 2 Complementary oncology portfolios enhance global reach and integration creates a structure more conducive to innovation and creativity in an industry where success is reliant on investment into R&D.
- 3 Creative deal terms include shares, cash, and a CVR are supported by a strategic divestiture of Celgene's *Otezla* to reduce debt burden and create a financially sound transaction, despite the size.

**"...Celgene will further position us as a leading biopharmaceutical...expanding our oncology, hematology and immunology portfolios with several near-term assets and additional external partnerships."**

## Key Focus Areas











## Transaction Structure & Expectations

- 1 CELG shareholders receive 1 BMY share, \$50.00 cash, and 1 tradeable \$9 CVR – has since expired. Deal value including debt absorbed is \$79bn.
- 2 11% IRR exceeds 8% Cost of Capital while initial synergy estimates of \$2.5bn have been revised to \$3bn, following achievement of \$1.5bn in first year.
- 3 Generate >\$45bn in diversified free cash flow 2021 – 2023 while operating margins are expected by management to be in the low 40% range.
- 4 Revenue and EPS growth annually through 2025 with a Debt/EBITDA of 1.5x by 2023. Underpinned by continued dividend increases and accelerated share buybacks

**The biggest deal in the pharmaceutical industry has blended biotech agility with Big-Pharma resources to create an oncology juggernaut**

# Competitors Analysis



	Stock Price Performance	Business Description	Key Financial Statistics
		<p>Merck &amp; Co., Inc. engages in the provision of health solutions through its prescription medicines, vaccines, biologic therapies, animal health, and consumer care products. It operates through the following segments: Pharmaceutical, Animal Health, Healthcare Services, and Alliances.</p>	<p>*(stock prices as of 25th March 2021 close)  <b>Ticker:</b> MRK   <b>52 Week Range:</b> \$68.10 - \$87.80    <b>Stock Price:</b> \$76.07   <b>Market Cap (B):</b> 192.22    <b>EV/Sales:</b> 4.63x   <b>EV/EBITDA:</b> 15.32x   <b>P/E:</b> 27.87x    <b>Long Term Debt/Total Assets:</b> 29.2%   <b>Return on Assets:</b> 8.0%</p>
		<p>Pfizer Inc. engages in the discovery, development, and manufacture of healthcare products specializes in medicines, vaccine, and consumer healthcare. It operates through the Pfizer Innovative Health (IH) and Pfizer Essential Health (EH) segments.</p>	<p><b>Ticker:</b> PFE   <b>52 Week Range:</b> \$28.35 - \$43.08   <b>Stock Price:</b> \$35.67   <b>Market Cap (B):</b> 198.33   <b>EV/Sales:</b> 4.83x   <b>EV/EBITDA:</b> 13.22x   <b>P/E:</b> 21.08x   <b>Long Term Debt/Total Assets:</b> 24.8%   <b>Return on Assets:</b> 5.8%</p>
		<p>Amgen, Inc. is a biotechnology company, which engages in the discovery, development, manufacture and marketing of human therapeutics. Their drugs are used to treat low white blood cell count, osteoporosis, colorectal cancer, etc.</p>	<p><b>Ticker:</b> AMGN   <b>52 Week Range:</b> \$190.50 - \$276.69   <b>Stock Price:</b> \$246.25   <b>Market Cap (B):</b> 142.30   <b>EV/Sales:</b> 6.51x   <b>EV/EBITDA:</b> 12.89x   <b>P/E:</b> 19.91   <b>Long Term Debt/ Total Assets:</b> 52.7%   <b>Return on Assets:</b> 11.8%</p>
		<p>AbbVie, Inc. is a research-based biopharmaceutical company, which engages in the development and sale of pharmaceutical products. It focuses on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology, dermatology and oncology</p>	<p><b>Ticker:</b> ABBV   <b>52 Week Range:</b> \$68.76 - \$113.41   <b>Stock Price:</b> \$103.88   <b>Market Cap (B):</b> 182.76   <b>EV/Sales:</b> 5.8x   <b>EV/EBITDA:</b> 11.9x   <b>P/E:</b> 37.8   <b>Long Term Debt/Total Assets:</b> 52.1%   <b>Return on Assets:</b> 3.8%</p>

# Industry Overview



## Brand Name Pharmaceutical Manufacturing in the US

- The biggest challenge industry operators face is loss of patent exclusivity for their drugs. This industry is prone to high level competition from generic drug manufacturers, which is why it is so important for companies to have healthy pipelines and maintain their competitive edge.
- Largest players in this industry accounted for over 50% of the \$205MM total industry revenue FYE2020. A wave of patent expirations have caused many industry operators to consolidate in the past 5 years. It is expected that mounting competition from generics will continue to increase consolidation over the next five years.

**Total Revenue in 2020 increased to \$205.0bn**

Annual Growth 2016 – 2021: 2.7%

Annual growth 2021 – 2026: 2.0%

**Total Profit Margin in 2020 declined to 6.2%**

Annual growth 2016 – 2021: -2.8%

### Key Metrics

**Total Industry Profit in 2020 increased to \$12.7bn**

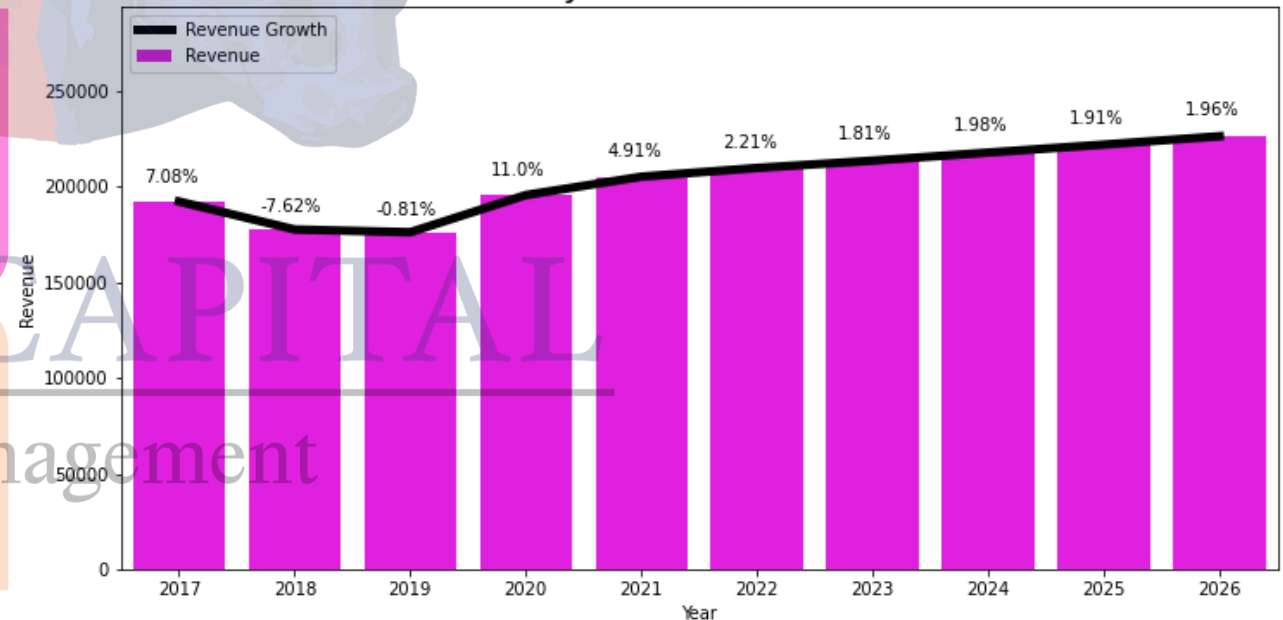
Annual Growth 2016-2021: -2.8%

**Total Industry Employment in 2020 increased to 225K**

Annual Growth 2016-2021: 4.0%

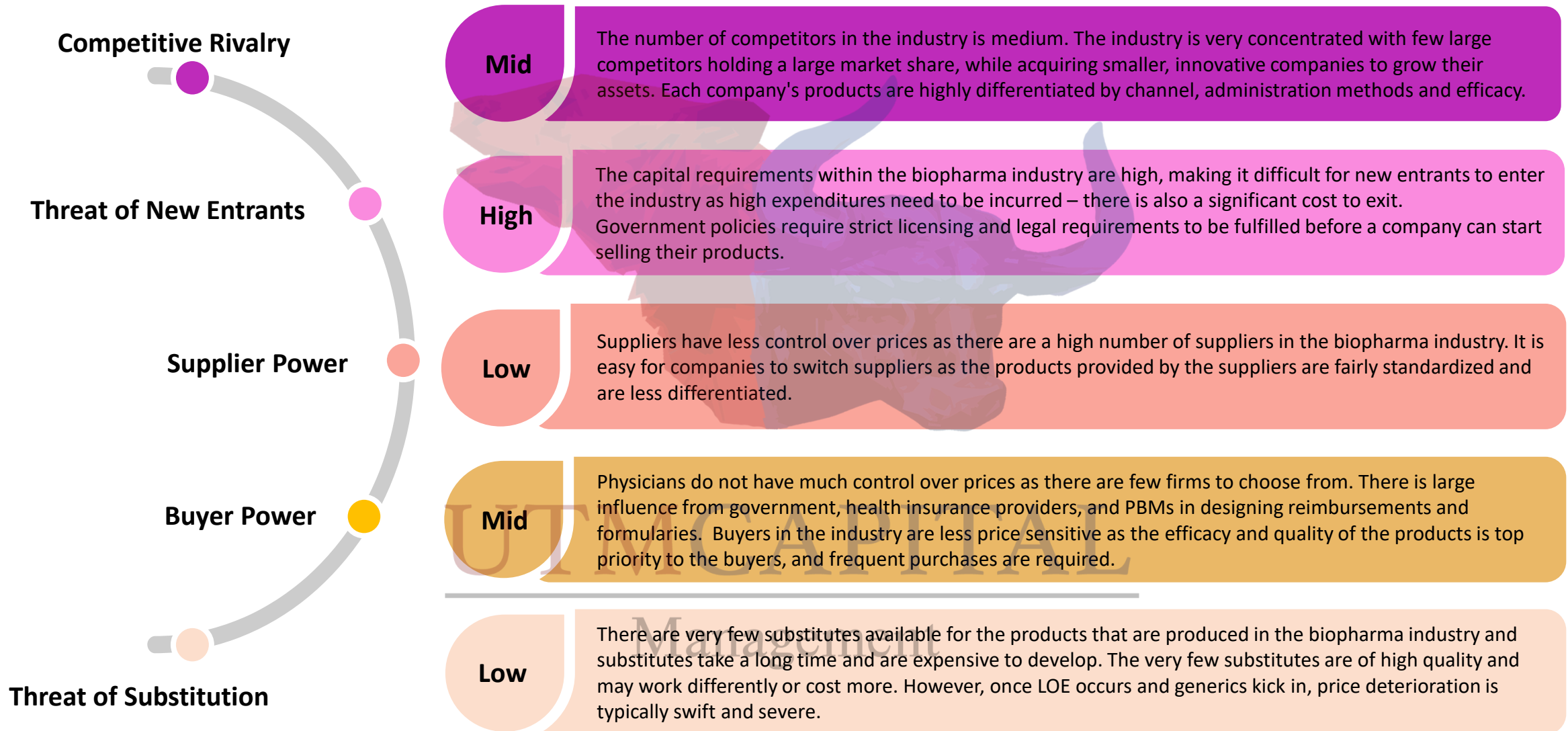
Annual Growth 2021 – 2026: 2.7%

Industry Revenue, 2017-2026





# Porter's Five Forces



# Macro Outlook



## Medicare and Medicaid Funding 3.7%↑

- Prescription drug coverage is offered to enrolled Medicare and Medicaid patients
- As funding increases, products will become more affordable and demand for brand name pharmaceuticals will increase

## Median Age of Population 0.4%↑

- Over 90% of seniors and 58% of all adults rely on prescription medicine regularly
- The median age of US population is expected to increase in 2021

## R&D Expenditure 2.8%↑

- R&D costs are correlated with the number of new drugs released
- R&D expenditure is expected to increase as companies expand their pipeline, focus on orphan drugs and invest into new therapies

## Technology

- Increased investments into implementing automated supply chain management systems to increase efficiency will occur
- Electronic Health records and implementation of Single-Use Technology will cut costs and maximize efficiency

## Regulation

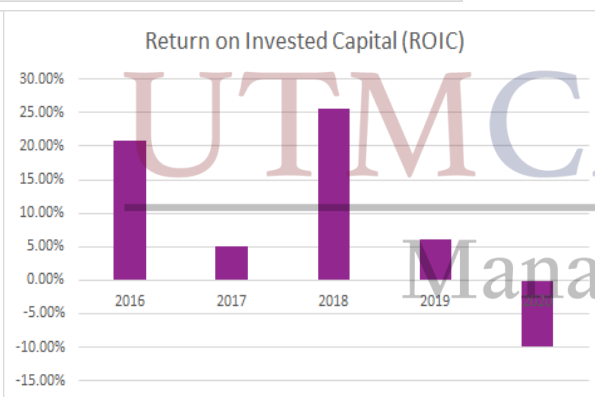
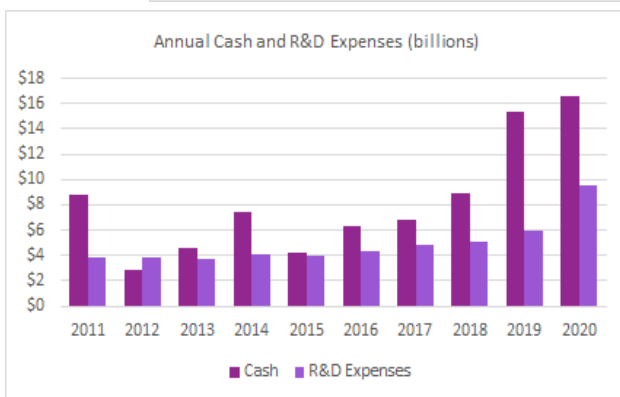
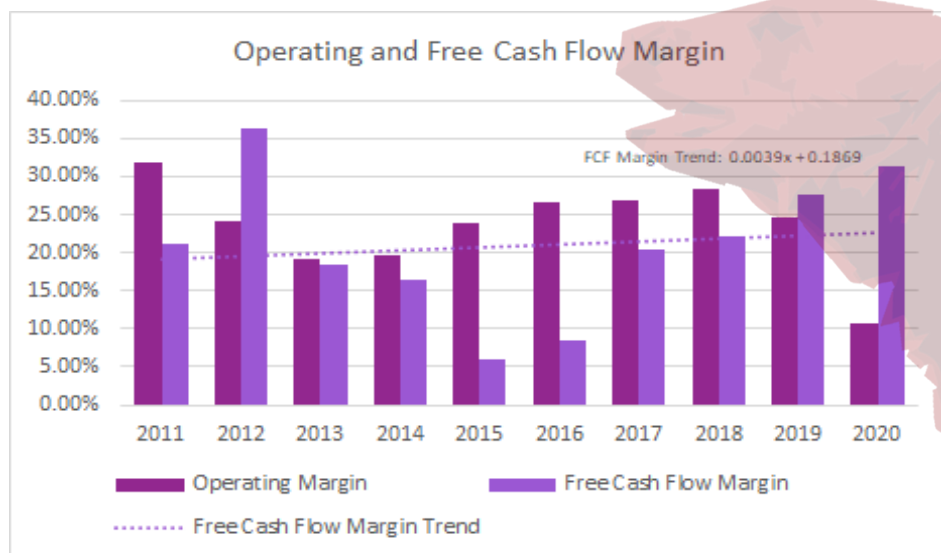
- Heightened compliance requirements place additional budget pressures on industry operators, reducing profit margin
- Regulation is expected to increase in 2021

Management

# Financial Summary



## Financials



## Analysis

### Implications of temporary expenses from acquisitions on profitability and debt:

- BMY's acquisition of Celgene in November 2019 for \$79B and MyoKardia in November 2020 for \$13B resulted in substantial accounting write-downs, transfer of intangible assets, and fair-value adjustments.
  - The increase in temporary and one-time operating expenses rationalizes the drop-off in operating margin to 10.6% and a negative 9.9% ROIC for 2020.
- To finance the acquisitions, total liabilities to assets rose to 43.6% and 36.6% for 2020 and 2019, respectively, compared to a five-year average of 29%. Interest coverage ratio fell from 34.9 to 9.8 from 2018 to 2019.
  - Debt outpaced EBITDA with a rise in Debt/EBITDA from 1x to 5.7x. However, debt to EBITDA has fallen from 5.7x in 2019 to 3.4x in 2020, despite the acquisition of MyoKardia in 2020.
- Celgene represented \$15.7B of the revenues or 60% of the growth thanks to Revlimid sales. Accounting for the inflating effect of one-time expenses, BMY reports that non-GAAP EPS increased \$1.75 due to the Celgene acquisition.

### Impact of FCF generation and cash balances on liquidity and M&A opportunities:

- Despite the increase in leverage, BMY consistently generated higher levels of free cash flow year-over-year since 2015. The Free Cash Flow Margin was 31.3% for 2020.
- Cash balances grew to a high of \$16.1B in 2020 thereby providing BMY with more than sufficient liquidity for potential M&A deals and debt payments while R&D expenses increased from \$5.9B in 2019 to \$9.5B in 2020.

### Credit Position Remains Strong

- EBITDA/Interest Expense of 10.2x is very healthy although much lower EBIT/Interest Expense of 2.8 illustrates impact of amortization losses of patents, legal settlements and goodwill.
- S&P A+ Rating, \$10bn in undrawn ST Credit Facilities

# Investment Thesis



## Celgene & MyoKardia M&A

### Celgene (Acquired Nov 20, 2019)

- Celgene's main revenue producer is set to expire in 2026, but they have many late-stage pipeline assets
- BMY's *Opdivo* faces intense competition from Merck's *Keytruda*
- Immense potential for growth from merger for next 5 years -- has not been reflected in share price accurately due to mixed sentiment over cost and benefits.

### MyoKardia (Acquired Nov 17, 2020)

- \$13.1 billion **share buyout**
- **Motivation:**
  - Mavacamten is their main product used to treat HCM
  - Substrains of HCM and other therapeutics are in pipeline
  - Potential first-in-class product that accelerates cardiovascular portfolio alongside *Eliquis*

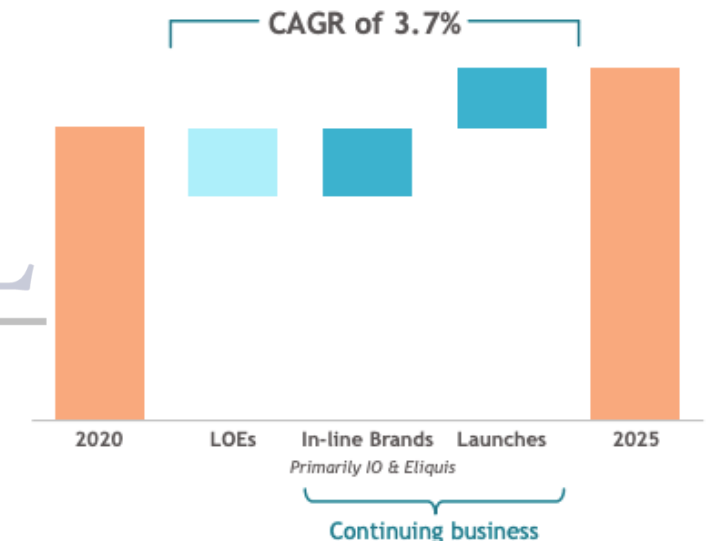
## Strong Stable Growth Potential

- Solid \$14B cash balance with \$50B in debt.
- **BMY expects:**
  - \$45B - \$50B FCF by 2023
  - < 1.5x debt to EBITDA by 2024
  - Reduce their debt by \$4B in 2021
  - Continue their dividend growth
  - \$2B incremental share repurchase in 2021, with a \$3B-\$4B total share repurchased planned

## Leader in a competitive Market

- BMS has developed alliances with many of their competitors, including AbbVie Inc. and Pfizer
- Despite increased competition from generic pharmaceutical products, their industry-relevant revenue for BMS expanded from 21.9% in 2016 to 30.9% in 2019
- Celgene amplified their presence in the domestic market, with domestic revenue contribution increasing from 55.2% in 2016 to an estimated 60.8% in 2021
- BMS has taken a focused strategy and begun executing in a big way. Market fears of a 2026 LOE are distorted given the robustness of late-stage potential.

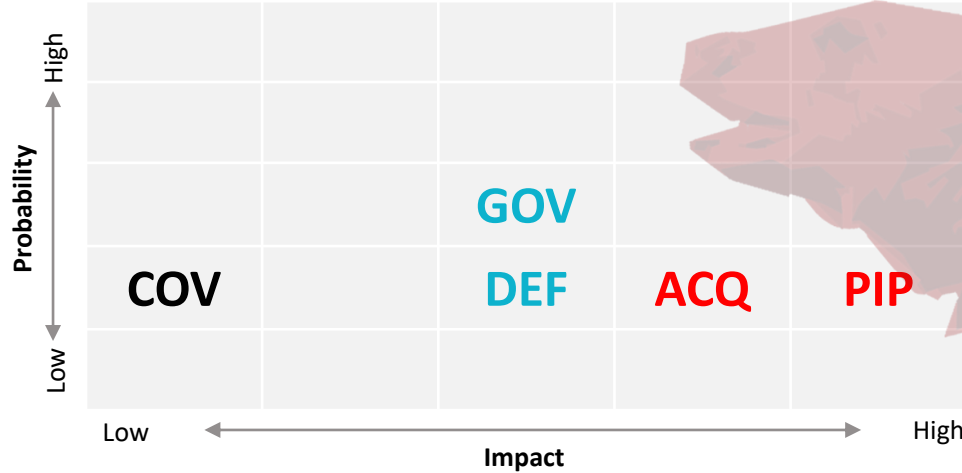
*Products in pipeline and new product launches will offset LOEs in the coming years*



# Risk Exposures



## Risk Map



## Influencing Factors

ACQ

- Management has revised estimated synergies from \$2.5bn to \$3.0bn following the rapid realization of \$1.5bn in synergies within the first year – the integration is going well.

PIP

- The impact of any pipeline related news is very high but given the size of their pipeline, they should be able to offset this risk.

GOV

- Government regulations and policies can have a severe effect on profit margins but given that BMS deals in rare diseases government pricing pressures won't be as severe in order to incentivize R&D

DEF

- The current US government is not too keen on bringing down drug prices although Democrats may push for drug price reform given the historic rate of inflation in drug prices in the US.

COV

- The firm faces immaterial risk from the pandemic due to sheltered, inelastic demand with minimal disruption to the pipeline trials and raw materials inputs as a result of COVID-19.

### Operational Risks

Failing to realize projected synergies of Celgene acquisition

Pipeline related news can have severe negative impacts

### Industry Risks

Government Regulations and Approvals

Deflationary pressure on drug prices

### Economic Risks

Covid-19 pandemic Risks

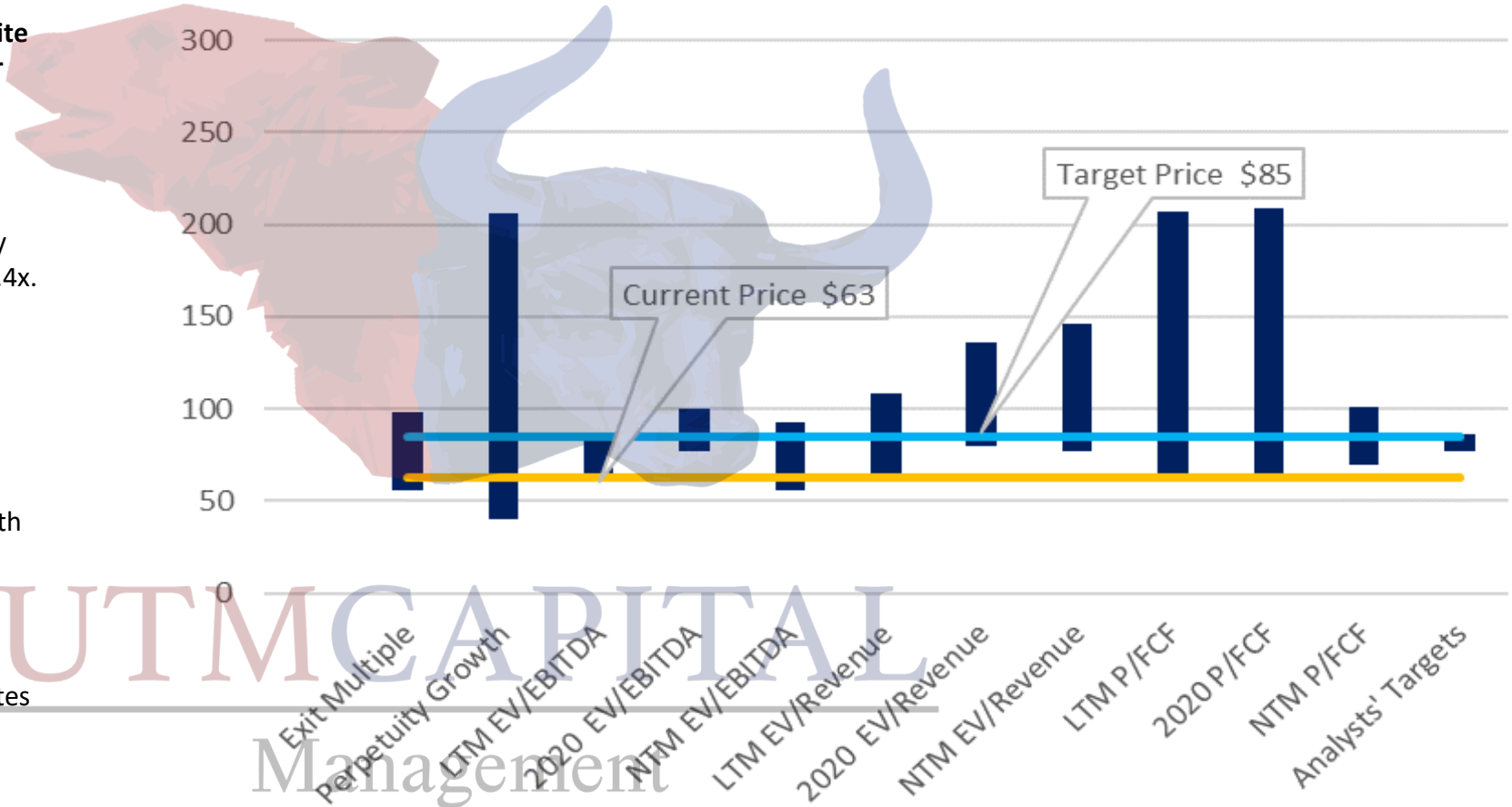
# Valuation Summary



## Rationale

- **BMJ trades at lower multiples than its peers despite an industry-leading pipeline while Celgene merger creates a more diversified company poised for growth.**
- EV/EBITDA of 11.7x represents an attractive value opportunity in a very rich market and is only slightly above its 5Y low of 9.6x while peer set trades at 13.4x.
- P/FCF of 10.7x suggests notable upside at current prices while FCF Margin has grown from 6% to 30% over the historical period, yielding \$13.3bn in FCF - peer set trades at 17.7x.
- Consensus estimate is \$75.60 across 21 analysts with an LT EPS Growth Rate of 5.5%.
- Methodology used to obtain target price involves a 50% weight to our DCF model, a 30% weight to Comparable Companies and 20% to Analyst Estimates

## Football Field



**1-Year Target Price of \$85 represents a 35% upside from March 23<sup>rd</sup>, 2021 close of \$63**

# Valuation Summary



## Exit Multiple Method

- A 26% EBITDA Margin contraction in 2020 is temporary and attributable to a large, one-time MyoKardia IPRD Charge.
- A 20-Year average EV/EBITDA multiple of 15.6x was used in Terminal Value calculation, a conservative estimate considering a lacklustre sales growth story is being set in a new direction.
- \$91.11 was used as a top price because a WACC lower than 3% is anomalous, although the company boasts a 1.3% cost of debt and A+ credit rating with a 10.2x EBITDA/Interest Expense ratio.

		Implied Share Price				
		Exit Multiple				
		13.6x	14.6x	15.6x	16.6x	17.6x
WACC	6.0%	\$56.30	\$60.45	\$64.61	\$68.77	\$72.92
	5.0%	\$60.77	\$65.22	\$69.66	\$74.10	\$78.54
	4.0%	\$65.59	\$70.34	\$75.09	\$79.84	\$84.59
	3.0%	\$70.79	\$75.87	\$80.95	\$86.03	\$91.11
	2.0%	\$76.38	\$81.82	\$87.27	\$92.71	\$98.15

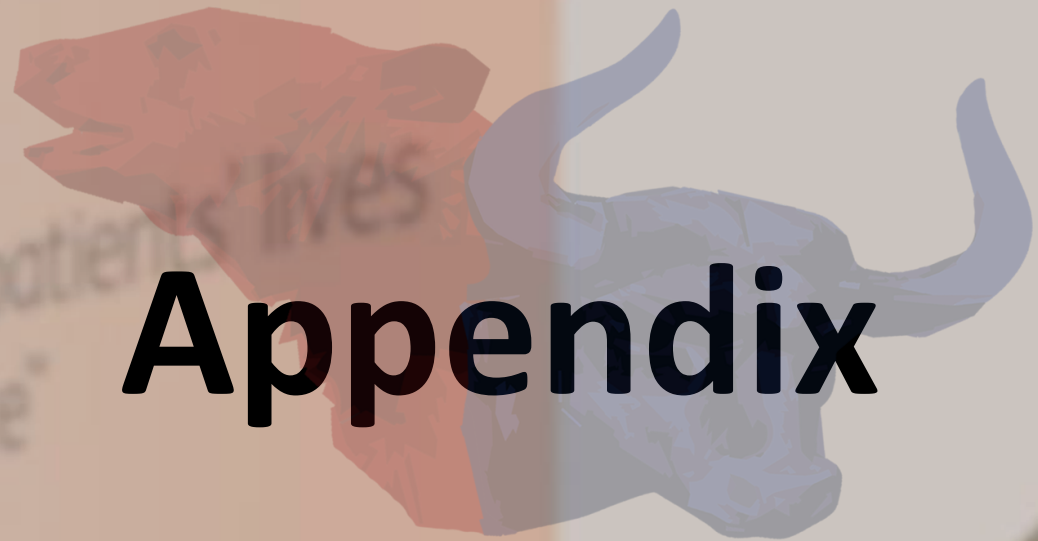
## Perpetuity Growth Method

- A 1.5% Long-Term FCF rate was used in line with inflation expectations.
- BMJ is a mature, stable company on a 5-Year FCF uptrend which we can see continuing and providing funds for more bolt-on transactions.
- In a multiple-rich market, an exit multiple should provide a higher valuation but BMJ's cheap metrics and proven FCF generation favour the perpetuity growth method.

		Implied Share Price				
		Long Term FCF Growth Rate				
		1.00%	1.25%	1.50%	1.75%	2.00%
WACC	6.0%	\$42.65	\$44.92	\$47.44	\$50.26	\$53.43
	5.0%	\$57.71	\$61.55	\$65.95	\$71.03	\$76.95
	4.0%	\$82.89	\$90.39	\$99.41	\$110.44	\$124.26
	3.0%	\$133.55	\$152.61	\$178.11	\$213.97	\$268.13
	2.0%	\$287.68	\$385.38	\$584.86	\$1,218.00	N/A

Bristol Myers Squibb

Transforming patients' lives  
through science



# Appendix

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# Valuation



## Exit Multiple Method

Enterprise Value	
Present Value of Projected FCF	\$38,371.8
Terminal Value	
Terminal Year EBITDA	\$13,981.7
Exit Multiple	15.6x
Terminal Value	\$218,114.6
Discount Factor	0.76
Present Value of Terminal Value	\$166,024.7
% of Enterprise Value	81%
Enterprise Value	<b>\$204,396.5</b>

Implied Equity Value	
Enterprise Value	\$204,396.5
Less: Total Debt	\$50,676.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$14,546.0
Implied Equity Value	\$168,266.5
Shares Outstanding	2240.0
Implied Share Price	<b>\$75.12</b>

## Perpetuity Growth Method

Enterprise Value	
Present Value of Projected FCF	\$38,371.8
Terminal Value	
Terminal Year FCF	\$7,184.2
Perptual FCF Growth Rate	1.5%
Terminal Value	\$290,232.7
Discount Factor	0.76
Present Value of Terminal Value	\$220,919.7
% of Enterprise Value	85%
Enterprise Value	<b>\$259,291.4</b>

Implied Equity Value	
Enterprise Value	\$259,291.4
Less: Total Debt	\$50,676.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$14,546.0
Implied Equity Value	\$223,161.4
Shares Outstanding	2240.0
Implied Share Price	<b>\$99.63</b>

# Historical Financials



## Bristol-Myers Squibb

Discounted Cash Flow Analysis

(Millions of Dollars)

Calculation of FCFF

Operating Scenario

1 Base

	2016	2017	Historical 2018	2019	2020
<b>Revenue</b>	19,427	20,776	22,561	26,145	42,518
% Growth	17.3%	6.9%	8.6%	15.9%	62.6%
Cost of Goods Sold (Excl. D&A)	4,946	6,066	6,547	8,078	11,773
<b>Gross Profit</b>	<b>14,481.0</b>	<b>14,710.0</b>	<b>16,014.0</b>	<b>18,067.0</b>	<b>30,745.0</b>
% Margin	74.5%	70.8%	71.0%	69.1%	72.3%
Marketing, Selling and Administrative	4,911	4,687	4,551	4,871	7,661
Research & Development	4,940	6,411	6,345	6,148	11,143
MyoKardia Acquisition IPRD Charge					11,438
<b>EBITDA</b>	<b>4,630</b>	<b>3,612</b>	<b>5,118</b>	<b>7,048</b>	<b>503</b>
% Margin	23.8%	17.4%	22.7%	27.0%	1.2%
Depreciation	448	682	505	554	586
Amortization of Intangibles	178	190	198	1,300	9,900
<b>EBIT</b>	<b>4,004</b>	<b>2,740</b>	<b>4,415</b>	<b>5,194</b>	<b>-9,983</b>
% Margin	20.6%	13.2%	19.6%	19.9%	-23.5%
Income Taxes	1,408	4,156	1,021	1,515	2,124
<b>EBIAT</b>	<b>2,596</b>	<b>-1,416</b>	<b>3,394</b>	<b>3,679</b>	<b>-12,107</b>
Free Cash Flow Adjustments:					
Plus: Depreciation & Amortization	448.0	682.0	505.0	554.0	586.0
Less: Capital Expenditures	-1,215	-1,055	-951	-836	-753
Less: Increase in NWC					

## Bristol-Myers Squibb

### Working Capital Projections

(\$ in millions)

	Historical Period				
	2016	2017	2018	2019	2020
Sales	\$19,427.0	\$20,776.0	\$22,561.0	\$26,145.0	\$42,518.0
Cost of Goods Sold	4,946.0	6,066.0	6,547.0	8,078.0	11,773.0
<b>Current Assets</b>					
Accounts Receivable	4,916.0	5,609.0	5,782.0	8,439.0	10,300.0
Inventories	1,241.0	1,166.0	1,195.0	4,293.0	2,074.0
Prepaid Expenses and Other	1,197.0	1,267.0	1,299.0	1,229.0	1,279.0
<b>Total Current Assets</b>	<b>\$7,354.0</b>	<b>\$8,042.0</b>	<b>\$8,276.0</b>	<b>\$13,961.0</b>	<b>\$13,653.0</b>
<b>Current Liabilities</b>					
Accounts Payable	1,664.0	2,248.0	1,892.0	2,445.0	2,713.0
Accrued Liabilities	150.0	230.0	400.0	1,520.0	650.0
Other Current Liabilities	6,030.0	6,100.0	6,660.0	10,860.0	13,200.0
<b>Total Current Liabilities</b>	<b>\$7,844.0</b>	<b>\$8,578.0</b>	<b>\$8,952.0</b>	<b>\$14,825.0</b>	<b>\$16,563.0</b>
<b>Net Working Capital</b>	<b>(\$490.0)</b>	<b>(\$536.0)</b>	<b>(\$676.0)</b>	<b>(\$864.0)</b>	<b>(\$2,910.0)</b>
% sales	(2.5%)	(2.6%)	(3.0%)	(3.3%)	(6.8%)
<b>(Increase) / Decrease in NWC</b>		<b>\$46.0</b>	<b>\$140.0</b>	<b>\$188.0</b>	<b>\$2,046.0</b>

# DCF Model



## Bristol-Myers Squibb

Discounted Cash Flow Analysis  
(Millions of Dollars)  
Calculation of FCFF

	2020	2021	2022	2023	Projected 2024	2025	2026	2027
Operating Scenario	1 Base							
<b>Revenue</b>	<b>42,518</b>	<b>\$45,919</b>	<b>\$47,297</b>	<b>\$48,716</b>	<b>\$50,177</b>	<b>\$51,683</b>	<b>\$53,233</b>	<b>\$54,830</b>
% Growth	62.6%	8.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Cost of Goods Sold (Excl. D&A)	11,773	13,087.0	13,479.7	13,884.0	14,300.6	14,729.6	15,171.5	15,626.6
Gross Profit	<b>30,745.0</b>	<b>32,832.4</b>	<b>33,817.4</b>	<b>34,831.9</b>	<b>35,876.8</b>	<b>36,953.2</b>	<b>38,061.7</b>	<b>39,203.6</b>
% Margin	72.3%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%
Marketing, Selling and Administrative	7,661	9,643.1	9,932.4	10,230.3	10,537.3	10,853.4	11,179.0	11,514.3
Research & Development	11,143	11,479.9	11,824.3	12,179.0	12,544.4	12,920.7	13,308.3	13,707.6
MyoKardia Acquisition IPRD Charge	11,438							
<b>EBITDA</b>	<b>503</b>	<b>11,709</b>	<b>12,061</b>	<b>12,423</b>	<b>12,795</b>	<b>13,179</b>	<b>13,574</b>	<b>13,982</b>
% Margin	1.2%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%
Depreciation	586	918.4	945.9	974.3	1,003.5	1,033.7	1,064.7	1,096.6
Amortization of Intangibles	9,900	1,836.8	1,891.9	1,948.6	2,007.1	2,067.3	2,129.3	2,193.2
<b>EBIT</b>	<b>-9,983</b>	<b>8,954</b>	<b>9,223</b>	<b>9,500</b>	<b>9,785</b>	<b>10,078</b>	<b>10,380</b>	<b>10,692</b>
% Margin	-23.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%
Income Taxes	2,124	2,989.4	3,079.0	3,171.4	3,266.6	3,364.6	3,465.5	3,569.5
<b>EBIAT</b>	<b>-12,107</b>	<b>5,965</b>	<b>6,144</b>	<b>6,328</b>	<b>6,518</b>	<b>6,714</b>	<b>6,915</b>	<b>7,122</b>
Free Cash Flow Adjustments:								
Plus: Depreciation & Amortization	586.0	918.4	945.9	974.3	1,003.5	1,033.7	1,064.7	1,096.6
Less: Capital Expenditures	-753	918	946	974	1,004	1,034	1,065	1,097
Less: Increase in NWC		2,355	-3,435	55	57	58	60	62
<b>Free Cash Flow to Firm</b>		<b>\$8,319.4</b>	<b>\$2,708.5</b>	<b>\$6,383.1</b>	<b>\$6,574.6</b>	<b>\$6,771.8</b>	<b>\$6,974.9</b>	<b>\$7,184.2</b>
Weighted Average Cost of Capital		1.0	2.0	3.0	4.0	5.0	6.0	7.0
Discount Period		0.96	0.92	0.89	0.86	0.82	0.79	0.76
<b>Present Value of FCFs</b>		<b>\$8,001.4</b>	<b>\$2,505.3</b>	<b>\$5,678.6</b>	<b>\$5,625.3</b>	<b>\$5,572.5</b>	<b>\$5,520.3</b>	<b>\$5,468.5</b>

UTM CAPITAL  
Management

# WACC Calculation



Bristol-Myers Squibb Capital Structure	
<u>Common Equity</u>	
Share Price	\$59.40
Shares Outstanding (Millions)	2240.0
Market Capitalization	<b>\$133,056</b>
<u>Debt</u>	
Short-Term Debt	\$2,340.0
Long-Term Debt	\$48,966.0
Total Debt	<b>\$51,306</b>
<u>Preferred Equity</u>	
Preference Shares (\$ Millions)	<b>\$0</b>
Debt-to-Total Capitalization	27.8%
Common Equity-to-Total Capitalization	72.2%
Preferred Equity-to-Total Capitalization	0.0%

Bristol-Myers Squibb WACC Calculation	
<u>Cost of Debt</u>	
Pre-Tax Cost of Debt	1.34%
Income Tax Rate	21.00%
After Tax Cost of Debt	<b>1.06%</b>
<u>Cost of Common Equity</u>	
Risk-Free Interest Rate	1.50%
Levered Beta	0.60
Market Risk Premium	6.00%
Cost of Common Equity	<b>5.10%</b>
<u>Cost of Preferred Equity</u>	
Preferred Dividend	\$0.00
Preferred Equity	\$0
Cost of Preferred Equity	<b>0.00%</b>
<b>WACC</b>	<b>3.98%</b>

UTM CAPITAL  
Management

# Comparable Companies Analysis



Bristol Myers Squibb		Enterprise Value						Price		
Comparable Companies Analysis		LTM	2020	NTM	LTM	2020	NTM	LTM	2020	NTM
Company	Ticker	Sales	Sales	Sales	EBITDA	EBITDA	EBITDA	Free Cash Flow	Free Cash Flow	Free Cash Flow
Bristol Myers Squibb	BMY	4.1x	4.2x	3.5x	11.7x	12.3x	7.0x	10.6x	10.7x	9.6x
Merck & Co	MRK	4.6x	4.6x	3.9x	13.5x	15.3x	9.9x	34.8x	35.2x	12.8x
Amgen	AMGN	6.5x	6.6x	6.1x	13.1x	13.3x	10.7x	14.6x	14.8x	11.8x
AbbVie	ABBV	5.8x	5.8x	4.5x	11.9x	12.6x	8.8x	10.5x	11.2x	9.2x
Pfizer	PFE	5.4x	4.5x	3.9x	15.4x	13.6x	10.2x	16.4x	16.8x	13.3x
Mean		5.3x	5.1x	4.4x	13.1x	13.4x	9.3x	17.4x	17.7x	11.3x
Median		5.4x	4.6x	3.9x	13.1x	13.3x	9.9x	14.6x	14.8x	11.8x
High		6.5x	6.6x	6.1x	15.4x	15.3x	10.7x	34.8x	35.2x	13.3x
Low		4.1x	4.2x	3.5x	11.7x	12.3x	7.0x	10.5x	10.7x	9.2x
Implied Share Price										
Mean		\$84.84	\$102.16	\$100.31	\$72.14	\$85.88	\$78.62	\$103.17	\$105.28	\$85.82
Median		\$87.46	\$90.43	\$88.51	\$71.79	\$84.97	\$84.13	\$86.80	\$87.69	\$89.24
High		\$108.35	\$135.85	\$146.46	\$87.46	\$100.13	\$92.51	\$206.61	\$209.10	\$100.84
Low		\$63.16	\$79.93	\$76.92	\$62.74	\$77.20	\$55.67	\$62.04	\$63.53	\$69.47