



Bristol-Myers Squibb (BMY)

Updated November 13th, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	16.8%	Market Cap:	\$103 B
Fair Value Price:	\$83	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	01/05/24 ¹
% Fair Value:	61%	5 Year Valuation Multiple Estimate:	10.5%	Dividend Payment Date:	02/01/24 ²
Dividend Yield:	4.6%	5 Year Price Target	\$96	Years Of Dividend Growth:	16
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Bristol-Myers Squibb was created when Bristol-Myers and Squibb merged on October 4th, 1989. Bristol-Myers can trace its corporate beginnings back to 1887. Today this leading drug maker of cardiovascular and anti-cancer therapeutics has annual revenues of about \$47 billion.

On December 8th, 2022, Bristol-Myers raised its quarterly dividend 5.6% to \$0.57.

On October 26th, 2023, Bristol-Myers reported third quarter results for the period ending September 30th, 2023. For the quarter, revenue declined 2.2% to \$10.97 billion, which was in-line estimates. Adjusted earnings-per-share of \$2.00 compared to \$1.99 in the prior year and was \$0.23 more than expected.

Adjusting for unfavorable currency exchange, revenue was down 3% for the quarter. U.S. revenues declined 4% to \$7.6 billion while International was higher by 2% to \$3.3 billion. When adjusting for currency exchange, International markets grew 1%. Much of the decline was due to the result of generic competition for *Revlimid*, which was down 41% to \$1.23 billion. *Eliquis*, which prevents blood clots, grew 2% to \$1.8 billion, despite generic pressures outside of the U.S. *Eliquis* has become the top oral anticoagulant in several international markets since 2019 and had nearly \$12 billion in revenue for 2022, which was a 10% increase from the prior year. *Opdivo*, which treats cancers such as advanced renal carcinoma, grew 4% to \$1.2 billion due to demand across newer indications. Revenue for *Orencia*, which treats rheumatoid arthritis, improved 5% to \$925 million. Adjusted gross margins contracted 250 basis points to 77.3% due to product mix.

Bristol-Myers updated guidance for 2023 as well. The company now expects adjusted earnings-per-share to be in a range of \$7.50 to \$7.65 for 2023, compared to \$7.35 to \$7.65 and \$7.95 to \$8.25 previously.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	2027
EPS	\$1.54	\$1.20	\$0.93	\$2.65	\$3.01	\$3.98	\$4.69	\$6.44	\$7.51	\$7.70	\$7.50	\$8.69
DPS	\$1.41	\$1.45	\$1.49	\$1.53	\$1.57	\$1.60	\$1.64	\$1.80	\$1.96	\$2.16	\$2.28	\$2.91
Shares³	1641	1662	1661	1664	1625	1623	1918	2252	2219	2124	2064	2025

Bristol-Myers' earnings-per-share saw a small increase in the years during and directly following the last recession. Since 2013, earnings results have been varied. Overall, Bristol-Myers has seen earnings-per-share grow at a rate of 19.6% per year over the last decade, but much of this growth has occurred over the past four years. Due to the somewhat unpredictable nature of the company's results, we project 3% growth through 2028.

On August 16th, 2022, the Inflation Reduction Act of 2022 was signed into law. The law will, in part, require the federal government to negotiate prices for drugs covered under Medicare starting in 2026. This could reduce the profits pharmaceutical companies could collect, but these costs could be shifted to employer sponsored plans, reducing the negative impact on businesses. As such, we maintain our expected growth rates, but will monitor the situation as we get closer to the implementation of the law.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Bristol-Myers Squibb (BMY)

Updated November 13th, 2023 by Nathan Parsh

Bristol-Myers has increased its dividend at a CAGR of 4.9% since 2013. The trend had been that shareholders receive a \$0.01 dividend-per-quarter raise each year. However, that was broken over the past few years. We project 5% dividend growth annually over the next five years.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	28.6	43.6	---	23.9	20.4	13.0	13.7	9.6	8.3	9.3	6.7	11.0
Avg. Yld.	3.2%	2.8%	2.3%	2.4%	2.8%	3.2%	2.6%	2.9%	3.1%	3.0%	4.6%	3.0%

While Bristol-Myers was growing earnings from 2008 to 2012, the stock's price-to-earnings ratio barely budged. When earnings started to decline, the stock price accelerated, which led to some very high earnings multiples. We are lowering our target multiple to 11 times earnings from 13.5x earnings. This brings Bristol-Myers' valuation more in line with its medium-term average valuation as well as reflects on weaker performance from some of the company's most important products. Bristol-Myers' shares have decreased \$11, or 18%, since our July 30th, 2023 report. Based off guidance for 2023, shares have a P/E multiple of 6.7. Valuation could add 10.5% to annual returns if shares of Bristol-Myers reach our target by 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

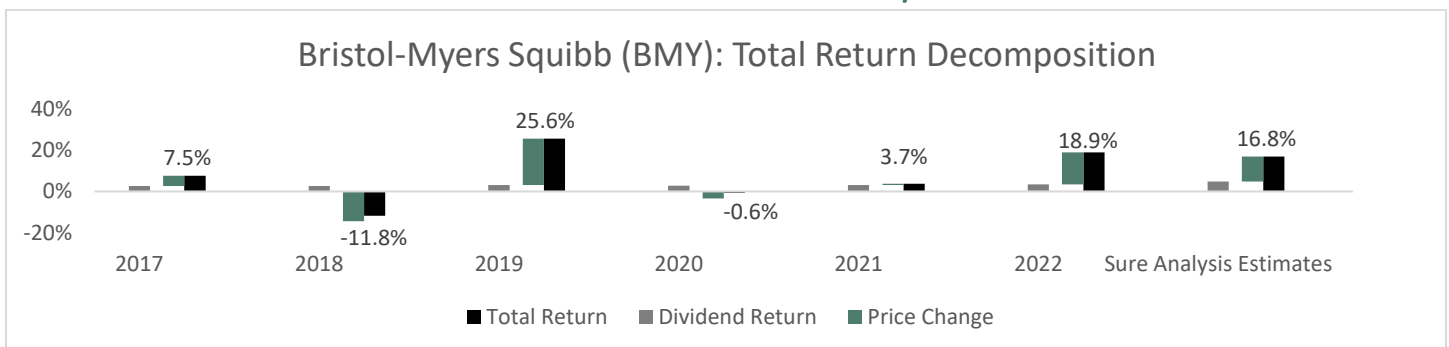
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	92%	121%	160%	58%	52%	40%	35%	28%	26%	28%	30%	33%

The company's competitive advantage is its ability to either create (through research & development) or acquire patents for pharmaceuticals with high potential revenue. Bristol-Myers top three selling pharmaceuticals, *Revlimid*, *Opdivo* and *Eliquis*, have shown solid growth rates and are expected to see high peak annual sales, though the former has now lost patent exclusivity in certain markets. The addition of Celgene has added to the top and bottom lines. Bristol-Myers saw earnings increase during the last recession, which is quite normal for drug companies. Even in a recession, people will seek treatment for health problems, especially those suffering from cancer.

Final Thoughts & Recommendation

Following third quarter results, Bristol-Myers Squibb is now expected to offer a total annual return of 16.8% through 2028, up from our prior estimate of 16.4%. Projected returns stem from a 3% earnings growth rate, a 4.6% starting dividend yield, and a low double-digit tailwind from possible multiple expansion. Bristol-Myers' product performance remains mixed, but the company has once again raised guidance for the year. We have lowered our five-year price target \$21 to \$96 due to a lower valuation target, but we reiterate our buy rating on Bristol-Myers due to projected returns.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Bristol-Myers Squibb (BMY)

Updated November 13th, 2023 by Nathan Parsh

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	16,385	15,879	16,560	19,427	20,776	22,561	26,145	42,518	46,385	46,159
Gross Profit	11,766	11,947	12,651	14,458	14,762	16,094	18,067	30,745	36,445	36,022
Gross Margin	71.8%	75.2%	76.4%	74.4%	71.1%	71.3%	69.1%	72.3%	78.6%	78.0%
SG&A Exp.	5,104	5,699	5,001	4,979	4,751	4,551	4,871	7,661	7,690	7,814
D&A Exp.	763	467	376	382	789	637	1,746	10,380	10,686	10,276
Operating Profit	2,931	1,714	1,730	4,467	3,446	5,114	5,913	2,177	8,537	9,104
Op. Margin	17.9%	10.8%	10.4%	23.0%	16.6%	22.7%	22.6%	5.1%	18.4%	19.7%
Net Profit	2,563	2,004	1,565	4,457	1,007	4,920	3,439	(9,015)	6,994	6,327
Net Margin	15.6%	12.6%	9.5%	22.9%	4.8%	21.8%	13.2%	-21.2%	15.1%	13.7%
Free Cash Flow	3,008	2,622	1,285	1,843	4,220	6,115	7,374	13,299	15,234	11,948
Income Tax	311	352	446	1,408	4,156	1,021	1,515	2,124	1,084	1,368

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	38592	33749	31748	33707	33551	34986	129944	118481	109314	96820
Cash & Equivalents	3586	5571	2385	4237	5421	6911	12346	14546	13979	9123
Acc. Receivable	1690	2100	2948	3774	4347	4636	6476	7219	7979	8151
Inventories	1498	1560	1221	1241	1166	1195	4293	2074	2095	2339
Goodwill & Int.	9414	8780	8300	8260	8073	7629	86457	73996	63277	57504
Total Liabilities	23356	18766	17324	17360	21704	20859	78246	80599	73308	65702
Accounts Payable	2559	2487	1565	1664	2248	1892	2445	2713	2949	3040
Long-Term Debt	8340	7832	6689	6708	7962	7349	46733	50676	44553	39320
Total Equity	15154	14852	14266	16177	11741	14031	51598	37822	35946	31061
LTD/E Ratio	0.55	0.53	0.47	0.41	0.68	0.52	0.91	1.34	1.24	1.27

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	6.9%	5.5%	4.8%	13.6%	3.0%	14.4%	4.2%	-7.3%	6.1%	6.1%
Return on Equity	17.8%	13.4%	10.7%	29.3%	7.2%	38.2%	10.5%	-20.2%	19.0%	18.9%
ROIC	11.5%	8.6%	7.1%	20.2%	4.7%	23.8%	5.7%	-9.6%	8.3%	8.4%
Shares Out.	1641	1662	1661	1664	1625	1623	1918	2252	2219	2124
Revenue/Share	9.86	9.51	9.86	11.56	12.58	13.78	15.27	18.83	20.66	21.51
FCF/Share	1.81	1.57	0.77	1.10	2.55	3.74	4.31	5.89	6.79	5.57

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.