

## 11 Bristol-Myers Squibb

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<b>HEADCOUNT</b>	43,000
<b>YEAR ESTABLISHED</b>	1887
<b>PHARMA REVENUES</b>	\$13,861 -9%
<b>TOTAL REVENUES</b>	\$17,914 -7%
<b>NET INCOME</b>	\$1,600 -47%
<b>R&amp;D BUDGET</b>	\$3,100 +13%

### DRUGS APPROVED/LAUNCHED

<i>Drug</i>	<i>Indication</i>
orencia	rheumatoid arthritis
sprycel	chronic myelogenous leukemia
emsam	depression
erbitux	head and neck cancer
baraclude	hepatitis B
abilify injection	schizophrenia and bipolar mania (dose)
atripla	HIV/AIDS - one-tablet, daily dose (with Gilead Sciences)
reyataz	HIV-1 - dose

### DRUGS PENDING APPROVAL

<i>Drug</i>	<i>Indication</i>
ipilimumab	metastatic melanoma
ixabepilone	breast cancer
erbitux	metastatic colorectal cancer (third line treatment )
abilify	schizophrenia (pediatric)

### DRUGS IN PHASE IIB AND BEYOND

<i>Drug</i>	<i>Indication</i>
apixaban	deep vein thrombosis
vinflunine	cancer
belatacept	solid organ transplant rejection

**I**S BRISTOL-MYERS SQUIBB'S NIGHTMARE FINALLY OVER? On June 15, 2007, the company's two-year deferred prosecution agreement expired as U.S. attorney Christopher J. Christie announced, "Bristol-Myers Squibb has made significant and transformational changes in its compliance practices as a result of the DPA."

BMS didn't have the easiest time getting through that two-year period. A few days before the expiration, the company pled guilty to two counts of lying to government agents — 18 U.S.C. Section 1001: the same thing they jailed Martha Stewart for — and was slapped with a \$1 million fine. The case stemmed from last year's disastrous Plavix maneuver. In a quasi-legal attempt at keeping generic Plavix off the market until 2011, BMS and Sanofi-Aventis negotiated a deal with Apotex to block the generic.

The agreement was overthrown on antitrust grounds, and Apotex used some crafty language in the agreement to make an immediate launch of generic Plavix. BMS had even given Apotex a grace period in which it couldn't sue for an injunction. (For almost a year, I've wondered how Apotex managed

### EARLY RESEARCH PROJECTS

According to a company statement, BMS "has 23 compounds in early development: seven in oncology, seven in cardiovascular and metabolic diseases, four in neuroscience, two in virology and three immunology."

### DRUGS COMING OFF PATENT

<i>Drug</i>	<i>Indication</i>
pravachol	cholesterol (2006)

### TOP SELLING DRUGS

<i>Drug</i>	<i>Indication</i>	<i>\$</i>	<i>(+/- %)</i>
plavix	platelet inhibitor	\$3,257	-15%
pravachol	cholesterol	\$1,197	-47%
avapro	hypertension	\$1,097	12%
abilify	schizophrenia	\$1,282	41%
reyataz	HIV/AIDS	\$931	34%
sustiva	HIV/AIDS	\$791	16%
taxol	oncology	\$563	-25%

Account for 66% of total pharma sales, same as in 2005.

### KEY PERSONNEL

James M. Cornelius  
*chief executive officer*

to manufacture thousands and thousands of doses of Plavix without anyone noticing, but that's probably why I'm not smart enough to run a drug company.)

The case led to the ouster of chief executive Peter Dolan and general counsel Richard Willard after a meeting of the board, Mr. Christie, and company monitor Frederick Lacey. While some would think that new antitrust charges, compounded with the previous channel-stuffing charges, would be enough un-defer the prosecution of BMS, federal prosecutors chose to accept the firings of Messrs Dolan and Willard and spare the company. During the DPA period, BMS also lost its chief financial officer, controller and president of global medicines, so it looks like the prosecutor's office believes the fish rots from the head.

In April 2007, BMS' board removed the "interim" tag from chief executive James M. Cornelius, appointing him to guide the company through at least 2009. Mr. Cornelius had joined BMS' board in January 2005, and was previously chairman and CEO of Guidant Corp., chief financial officer of Lilly, and president and CEO of IVAC Corp. BMS chairman James D.

Robinson III remarked, "Jim's goal is to ensure that our company grows in areas where we have true leadership and competitive advantage, as we continue to extend and enhance human life, and help patients prevail over serious diseases."

Many analysts felt that the expiration the DPA would open up bidding for BMS, and speculation only intensified when a court upheld the patent on Plavix (Apotex plans to appeal). Most have pegged Sanofi-Aventis as the obvious buyer, while a Bloomberg article after the ruling made cases for many of the top seven companies on this list. But a funny thing happened on the way to June 15: BMS may have put itself out of reach.

The company didn't adopt a "poison pill" provision, but a pair of recent co-development deals have made BMS a much tougher buy for any prospective suitor. In January 2007, BMS and AstraZeneca formed a collaboration to develop two of BMS' diabetes drugs, DPP-4 inhibitor saxagliptin and sodium-glucose cotransporter-2 (SGLT2) inhibitor dapagliflozin. The deal included a \$100 million upfront payment from AZ, as much as \$650 million in development milestones and as much as \$600 million in commercial milestones, along with "the majority of development costs," and an equal split of the commercialization expenses and profits outside of Japan. Saxagliptin is in Phase III and dapagliflozin is in IIb.

Three months later, BMS signed an agreement with Pfizer to develop and commercialize apixaban, a possible successor to Plavix (Lilly, AZ and Schering-Plough have their own ideas on what's going to succeed Plavix). Pfizer will pay \$250 million

upfront, 60% of development costs, and as much as \$750 million in pre-commercial milestones, while splitting profits equally. BMS also bought into Pfizer's metabolic disorders program, paying \$50 million to jointly conduct Phase III studies and take a 40% share of expenses and profits.

These deals not only boosted BMS' share price, but they may have helped keep any one of the major suitors from buying them outright. The company now has potentially huge deals with three of the top four companies, and its diabetes treatment is set to compete with three of the other tops (GSK, Novartis, and Merck). Which is to say, BMS may retain its independence by establishing co-dependence. Neat trick.

### Sales To Go, or Sales To Grow?

The Plavix debacle walloped BMS' 2006 earnings. Combined with a \$1.1 billion drop in Pravachol revenues as that drug faced generic erosion, BMS saw revenues fall \$1.4 billion in 2006, a 9% drop that sent the company spiraling out of the top 10. Only Abbott's loss of Mobic revenues — \$1.2 billion in 2005 — kept BMS from falling farther.

Sales continued to drop overall in 1Q2007, with pharma sales falling 7% because of Pravachol (down 75% from 1Q2006) and Plavix. Sales of the latter dropped 7% in the quarter, even though prescriptions rose 18%. Fortunately, BMS has a few up-and-coming compounds that can help offset erosion among top products. Schizophrenia treatment Abilify and hypertension drug Avapro both reached billion-dollar status in 2006 (+41% to \$1.3 billion and +12% to \$1.1 billion, respectively), while HIV treatment Reyataz should cross that line in 2007 (+34% to \$931 million in 2006).

## THE LOWE DOWN

**L**AST YEAR I COMPARED BRISTOL-MYERS SQUIBB to the Ottoman Empire, saying that neither organization got the respect it deserved considering its size and power. Well, I have to say this year that the comparison might be breaking down a bit, because I never recall the Ottoman Turks being the subject of so much takeover speculation.

The Plavix uncertainty is being settled as I write this, so that's probably accounting for some of the talk. The company's Double Secret Accounting Probation has just expired, removing that potential difficulty. And the condition of their Plavix partner, Sanofi-Aventis, certainly isn't calming anyone down. I have to worry, though, that if people feel that BMS has been underperforming, that the uncertainty and craziness of a merger is not going to be the tonic for that condition.

They have some decent drugs to sell, although no one's sure if they're going to sell in the quantities needed. Plavix looks to be back after last year's expensive embarrassment, and the company is in the DPP-4 diabetes sweepstakes. But their real push has been in the oncology area. If that takes off, though, does it make BMS a stronger stand-alone company — or a more attractive property to be acquired?

—Derek Lowe

### Contract To Expand

Like many other companies on this list, BMS is establishing R&D beachheads in the far east. In March 2007, BMS announced that it will build a research facility in Bangalore with Syngene Int'l, a subsidiary of Biocon Ltd. The discover and early development site could house more than 400 scientists. "This broad expansion of R&D in India will allow us to grow competitively while maintaining our industry-leading position in productivity and innovation," said Elliott Sigal, M.D., Ph.D., BMS executive vice president and chief scientific officer, president, Pharmaceutical Research Institute.

BMS is also continuing work on its biologics facility in Devens, MA. The company began construction of the site in June 2006, with plans to submit it for approval in 2010. Thanks to, um, inflation, last year's projected cost of \$660 million is now \$750 million. The facility will produce Orencia, BMS' recently approved RA drug. Orencia posted \$89 million in 2006 sales, and \$41 million in 1Q2007, while continuing to gain approvals.

Despite the short-term hits BMS has taken, I actually think they have good mid- to long-term prospects, as they enhance their biologics capabilities, build oncology indications, and out-license/co-develop parts of their pipeline that don't fit the company's main sales focus. The company will probably slide a little further down our ranks next year — depending on Schering-Plough's acquisition accounting — but if BMS can retain its independence, it's in a position to change the game. ■