

## Summary of the financial reports for Bristol-Myers Squibb from 2003-2015

By David Belk MD

First, some definitions:

*-Sales/revenue:* Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

*-Profit:* Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

*-Research* includes research and development and purchased in-process research.

*-Marketing* is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

*-Revisions:* Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

**Bristol-Myers Squibb** is a US pharmaceutical company that markets the drugs Plavix, Abilify, Erbitux and Avapro among other things. Close to 60% of their revenue comes from sales in the US, mostly because the prices of their products are typically much higher in the US than in other Countries.

Bristol-Myers Squibb listed their advertising budget separately from their marketing budget. I have no idea why they didn't believe advertising was a part of "selling and informational" but, since no other pharmaceutical company saw this distinction, I didn't either. I added both expenses together as marketing.

There were a considerable number of revisions in Bristol-Myers Squibb's financial reports. Most of the numbers I used were from the statements of earnings that are in the report one to two years after the year on which I'm reporting. One set of revisions I chose not to include in my analysis were the revisions in the 2008 and 2007 earnings statements made in the 2009 report.

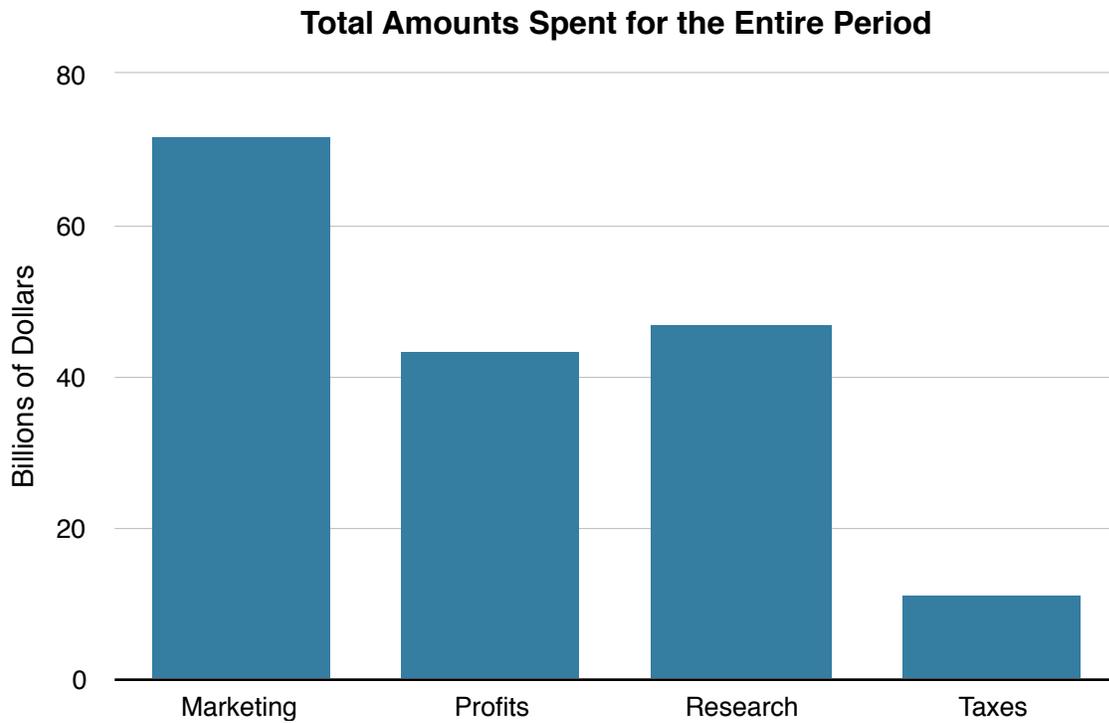
These revisions were the result of two companies; Mead Johnson and Conva Tec, splitting away from Bristol-Myers Squibb in 2009. Bristol-Myers Squibb retroactively subtracted the revenues and expenses of those two companies from previous years' finances. Since those revision struck me as artificial (they were still all one company in 2008) I decided not to use them.

Here are the composite numbers for Bristol-Myers Squibb from 2003-2015:

Total Revenue (Sales):	\$238 Billion
Total Profit:	\$43 Billion
Total Spent on Research:	\$47 Billion
Total Spent on Marketing:	\$71 Billion
Total Spent in Taxes:	\$11 Billion
US Revenue:	\$136 Billion
Revenue from All Other Countries:	\$102 Billion

Total Executive pay for Bristol-Myers Squibb was \$49.8 million in 2014 with \$15.6 million going to their CEO Giovanni Caforio.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=BM>  
[http://truecostofhealthcare.net/pharmaceutical\\_financial\\_index/](http://truecostofhealthcare.net/pharmaceutical_financial_index/)

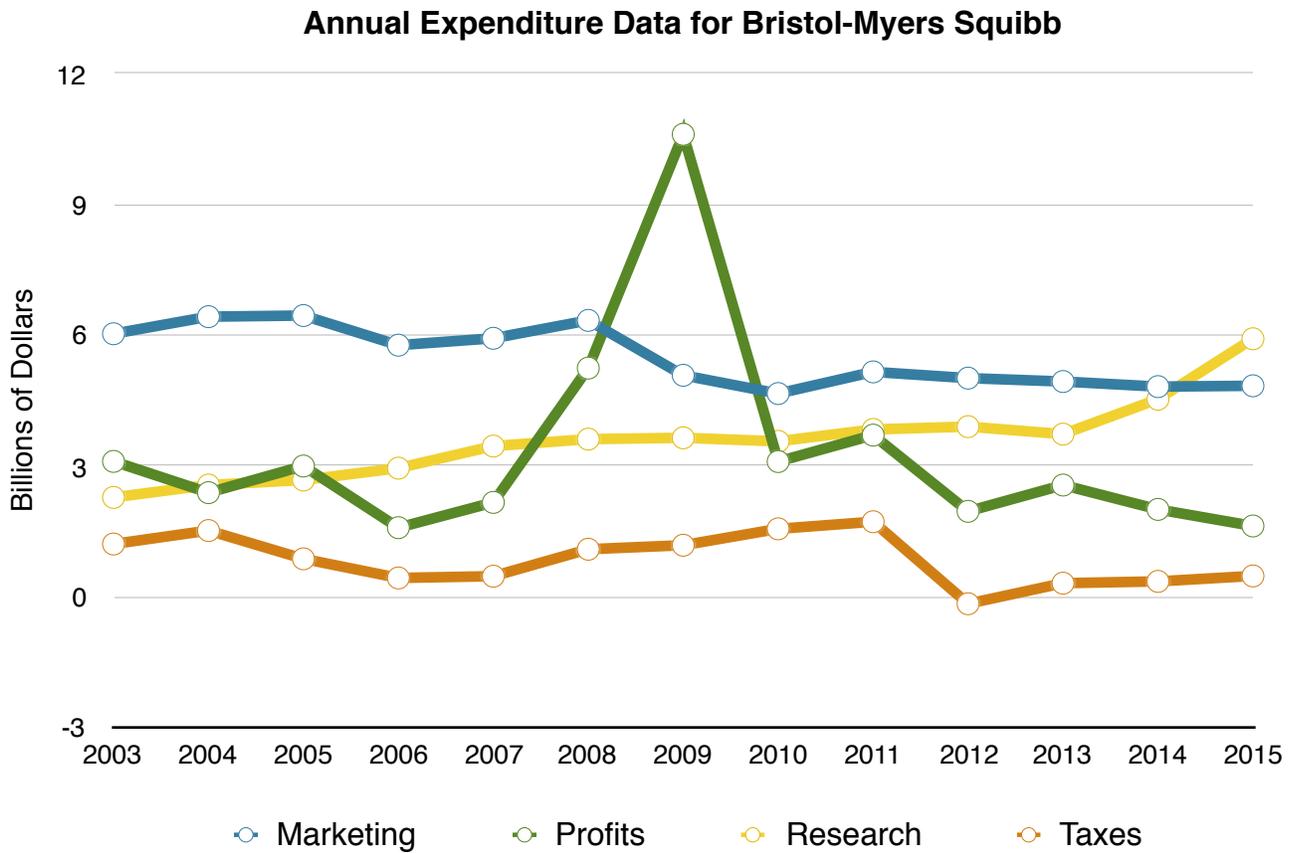


**Figure 1:** Total amount Bristol-Myers Squibb earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Bristol-Myers Squibb’s total revenue that was allocated toward research, marketing, taxes and profits.

### Proportional Allocation of Revenue 2003-2015

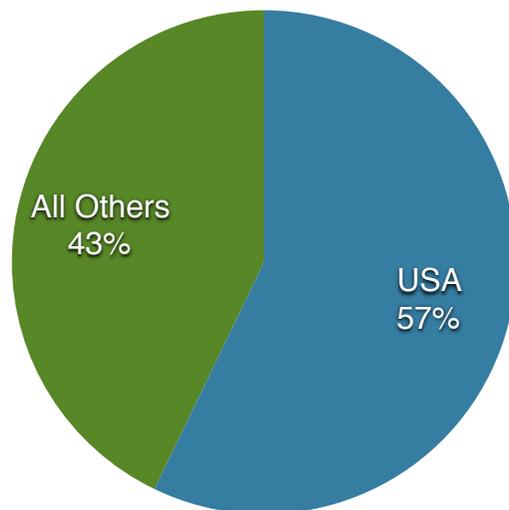


**Figure 2**

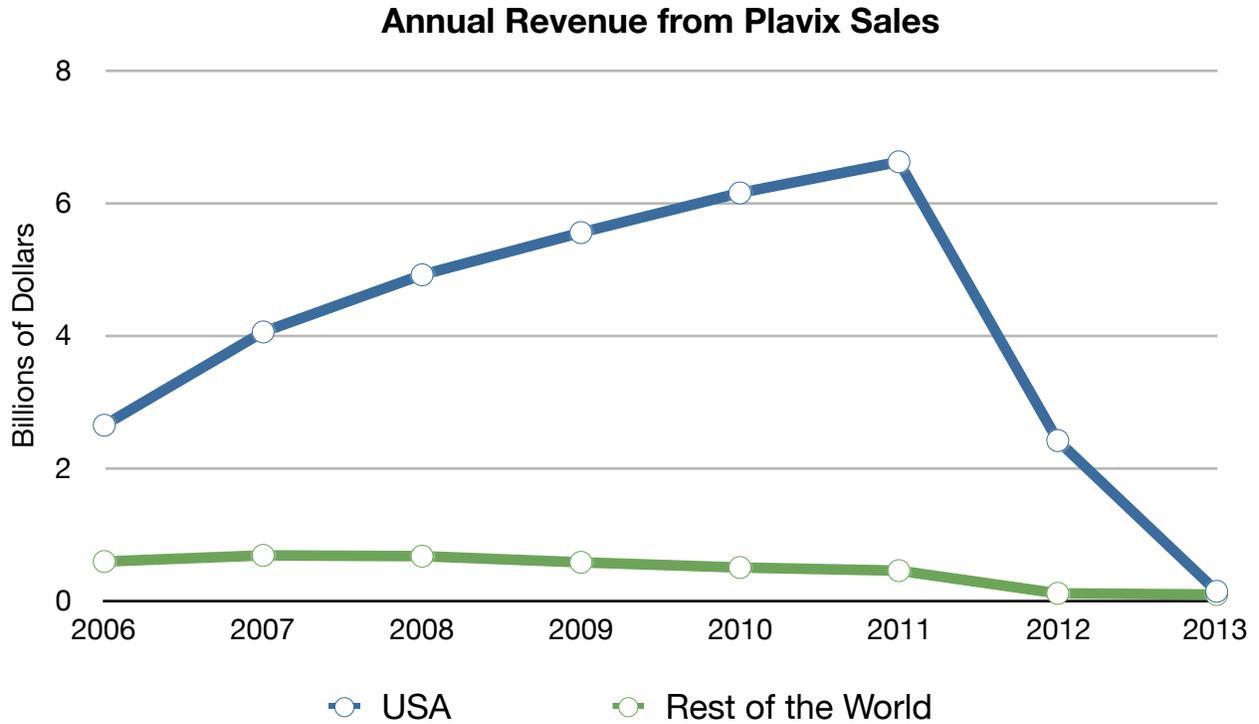


**Figure 3:** Bristol-Myers Squibb’s profit compared with amount spent on research, marketing and taxes each year from 2003-2015

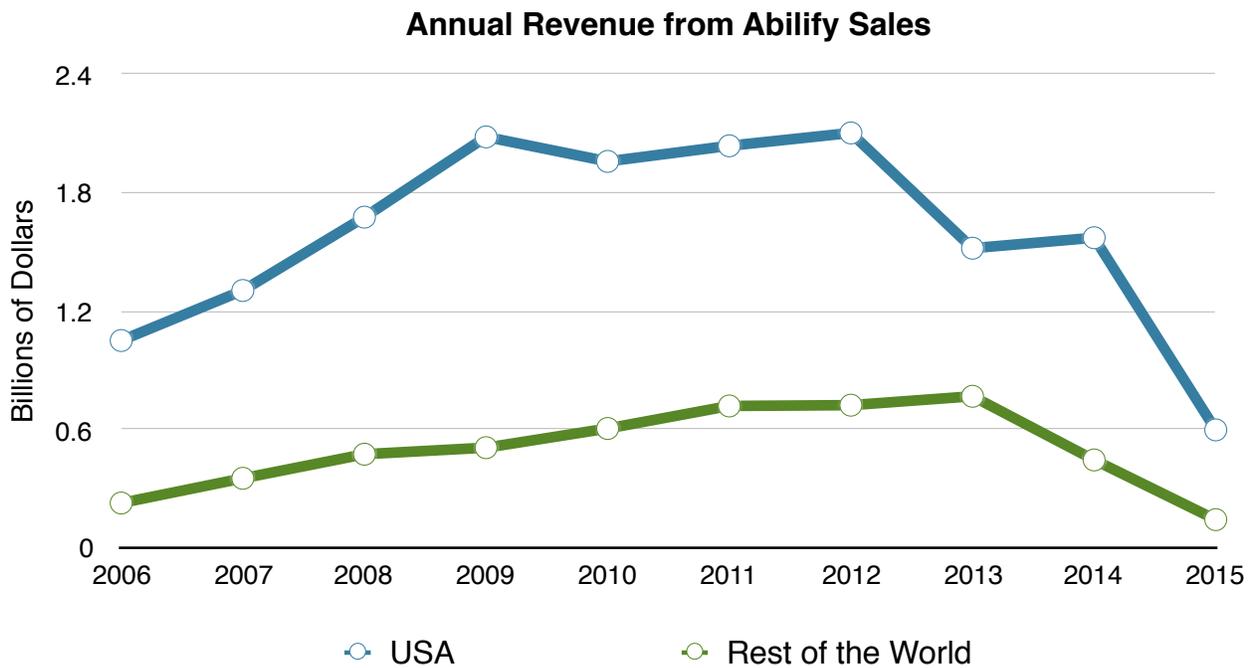
### Proportion of Revenue from US vs. All Other Countries



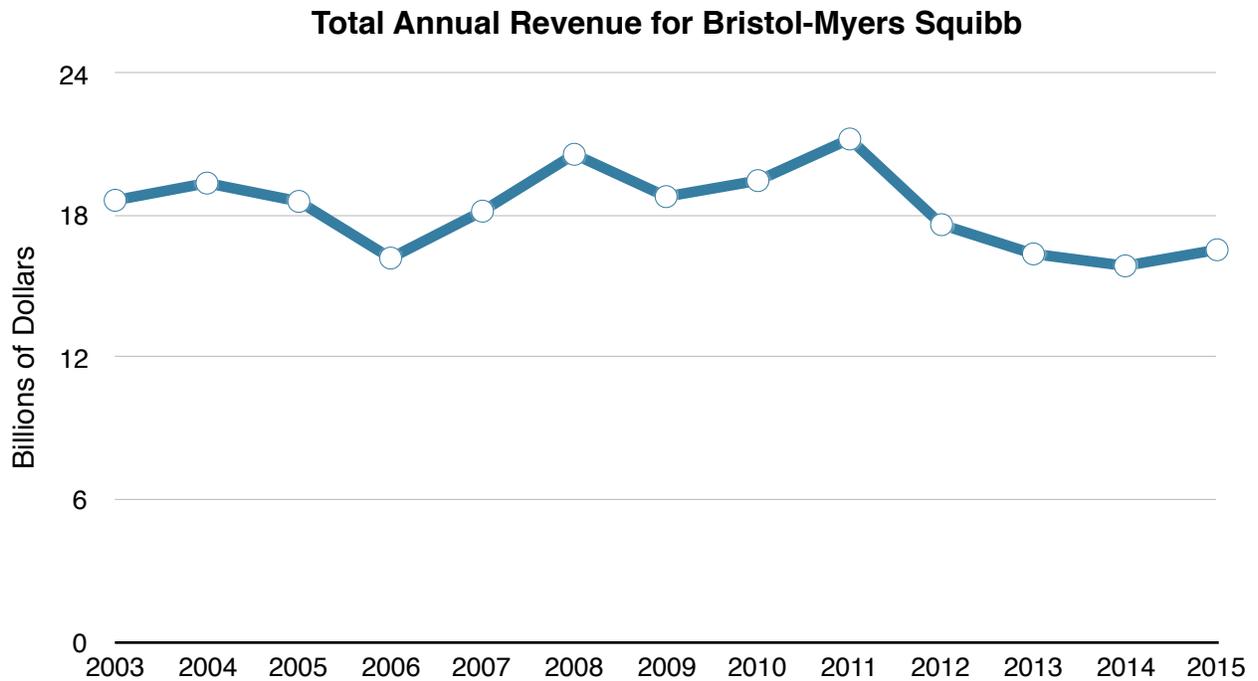
**Figure 4:** 57% of BMS’s revenue since 2003 has come from sales in the US.



**Figures 5&6** show the revenues Bristol-Myers Squibb made from the sale of Plavix (above) and Abilify (below) in the US and outside of the US. For both drugs, revenue was far greater from sales in the US but in 2012 BMS lost their patent for Plavix and on Ability in 2015, which had very dramatic effects on their US revenues.



**Figure 6**



**Figure 7:** Annual total revenue for Bristol-Meyers Squibb has been mostly flat for more than a decade. This is in spite of the fact that the prices of their medications have gone up dramatically in recent years.

<http://truecostofhealthcare.net/brand-name-medication-prices/>