**Quarterly Report (Q4– 2023)**

**-Arvind Krishna Report Date: Mar 12, 2024**

**VRTX**

Vertex reported fourth-quarter 2023 adjusted earnings per share of $4.20 - beating Analysts’ Consensus Estimate of $4.10. Earnings (2023) increased 12% year over year, driven by strong growth in product revenues. Generated revenues of $9.87 billion in 2023, reflecting 11% growth year over year. Q4 product revenues & earnings were up - driven by solid performance of Trikafta/Kaftrio.

SSG % change - Sales from year ago quarter: 9.3% - double-digit revenue growth over the last several yrs.

SSG % change - Earnings per Share from year ago quarter: 17.8%

**Is company meeting our target sales & earnings estimates?** Vertex beat Q4 estimates for earnings but missed the same for sales.

**Analyst Estimates SSG Sales 2 yrs. Estimates:** +10.3%

**Analyst Estimates SSG EPS LT Estimates:** +45.4%

Pre-tax Profit on sales trend? **UP**

Return on equity trends? **Down**

Debt? (Up, even, down) **Down**

5 Yr. LT Historical Sales Forecast: 10% (15,894) - Historical EPS Forecast: 9.0% (21.37) Calculated by PP method

Current P/E is **29.8** where does it fall in my estimated High/Low range of P/E's? **In-line with High**

Signature (Average) P/E = **23.5** (Corrected with deleting High and Low P/Es for 2019)

**Dividend Yield:** None

MICNOVA Club cost basis: **$220.20** Current Price is **$414.47 (03/11/24)**

 (From latest valuation) 52 WK. Range: USD $448.4 - $283.60

**Morningstar** Current Fair Value (2/8/24): **$343** – **2 star** (02/08/2024) **\*\***

**CFRA 12 - Month Target (**03/02/24**): $484.0 Fair Value Calculation (**03/02/24**): $701.36 – 4 star – BUY**

**VL (03/1/2024) - 3 to 5-Year Target Price Range: $485 - $595; 18-Month Target Price Range: $354 - $554 with Midpoint $454**

**ZACK:** 6/12 Months target - $452 **(**02/23/24**) Recommend: Neutral**

**ARGUS:** 3/12/2024, **BUY,** Argus target price is $465.00

**Fidelity Equity Ratings: Bullish Schwab Rating: HOLD Reuters:** **BUY**

**Manifest Investing (9/23):** Quality – 51; PAR – 4.9%; Fin– 76; EPS- 44; Projected Avg. Price: $424.43

**My SSG Results – HOLD (3/11/24)** Forecasted Low Price: **$278** High Price: **$598**

Total Return (HIGH P/E) is **7.7%**  Projected Return (AVG. P/E) is **4.4%**

Upside downside Ratio: **1.4 to 1** Market Appreciation based on Forecasted High Price: **44.7%**

Buy price - satisfy US/DS of 3 to 1 (15% return): **$298; Recommend BUY at or below: $358**

**SSG Analysis: HOLD – Buy Zone**: $278 - $358; **Hold Zone:** $358 - $518; **Sell Zone:** $518 - $595

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**What Will Drive Future Growth?**

**VALUE LINE (March 01-2024)** – VRTX shares recently hit a fresh all-time high, driven, in part, by a new drug approval, in early December - CASGEVY (exa-cel) for severe sickle cell disease and beta thalassemia for patients 12 years and older. It marked the first ever CRISPR Therapeutics based gene-editing therapy approved in the U.S.; it was also cleared elsewhere in EU and U.K. Investors also seem upbeat about potential near-term launches, including a new breakthrough drug that could soon be added to the (CF) lineup. Beyond CF, Vertex VX-548 holds much promise, too - as an investigational compound for treatment of acute pain; Vertex plans to file for FDA approval mid-year.

Profits seem poised to keep climbing out to late decade. Vertex had a record setting year in2023, due to strong market uptake of Trikafta/Kaftrio globally. And more top- and bottom-line gains are likely in 2024. Further expansion in CF and a deep pipeline targeting other illnesses/conditions like pain, Type1 diabetes, kidney disease, and muscular dystrophy, supported by a hefty cash pile ($13 billion in 2023), should lift profits, possibly to $20.00 a share, by 2027-2029. High-quality Vertex stock’s recent price seems to reflect much of the good news as foreseen long term. Note that the **Safety Rank** is 1 & **Timeliness** is 3.

**ZACK Positives (02/20/24)** –Vertex’s CF sales continue to grow driven by its triple therapy, Trikafta/Kaftrio. New reimbursement agreements in ex-U.S. markets and label expansions to younger age groups in US are driving its sales higher. Consistent Rise in CF Product Sales; Strong CF Portfolio; Rapidly Progressing Non-CF Pipeline; Collaborations Broadening Pipeline; and Favorable Debt Profile:

**ZACK Negatives:** VRTX dependence on just the CF franchise for growth is concerning. Several other companies are working on bringing their CF products to market. Competing Therapies are in Development. Any set backs on the pipeline/regulatory front on non CF therapies undergoing clinical trials can have an adverse impact on shares

**CFRA (03/02/24)** **–** Recommend “Buy” following Q4 earnings. Vertex has first-mover advantage in CF treatment, complemented by potential early- to mid-stage clinical programs outside of CF. Strong patient reliance on VRTX’s CF drugs and currently limited competition to the CF franchise support the cost of diversifying into non-CF businesses. Particularly optimistic about Casgevy’s potential as a one-time cure for sickle cell disease. See continued opportunities for Trikafta to outperform consensus expectations as VRTX continues to obtain additional reimbursement agreements outside the U.S. and expands the treatable population. **CFRA NEGATIVES**: Risks to CFRA opinion and target price include unfavorable regulatory rulings, the emergence of competitive threats (including Abbvie’s potential CF drug), weaker-than-expected margins, and pricing or reimbursement pressures.

**MS (Bulls) 02/08/24** – The firm's CF therapies are poised to dominate the lucrative market for the foreseeable future, based on the disease-modifying potential of the drugs, chronic use by patients, and limited competition. Vertex's leading drug candidates were mostly discovered in-house, lending credibility to its drug-discovery technology and potential to generate additional pipeline candidates. Vertex's combination therapies have lengthy patents, protecting the profitable CF portfolio from generics.

**MS (BEARS)** - Vertex is highly dependent on the success of its cystic fibrosis franchise, and it could fail to diversify if its other pipeline candidates are not successful. Pricing pressure could erode returns, given the high price tag of Vertex's therapies. Gene-editing programs could disrupt Vertex's hold in the CF market.

**ECONOMIC MOAT: Narrow** Vertex's portfolio of patent-protected CF drugs. Supported by lengthy patent protections extending as far as 2037 and first mover status in the lucrative CF market. Vertex also holds significant patient share as nearly 50% of patients worldwide are currently treated for its CF therapy.