

US Biopharma Tax Analysis

COMMENT

Research Analysts

Alethia Young
212 538 0640
alethia.young@credit-suisse.com

Vamil Divan, MD
212 538 5394
vamil.divan@credit-suisse.com

Eliana Merle
212 538 0678
eliana.merle@credit-suisse.com

Derek Yuan, Ph.D.
212 325 4589
xiaoqiu.yuan@credit-suisse.com

Michael V. Morabito Ph.D.
212 325 7298
michael.morabito@credit-suisse.com

Barbara Kotei
212 538 8119
barbara.kotei@credit-suisse.com

Duaa Mohamed
212 538 8127
duaa.mohamed.2@credit-suisse.com

What's on the US Biopharma holiday gift wish list? Hopefully imminent tax reform and M&A

We are in another major week for the prospects of meaningful tax reform. We think that tax reform remains one of the most important catalysts in the biopharma space over the next 12-18 months due its potential impact on business strategy and M&A. We are highlighting key proposals after partnering with our CS HOLT® Accounting & Tax team to watch and analyze companies in our coverage that benefit the most. House and Senate policies remain fluid so we will continue to update our analysis as details become more firm heading into a final vote.

- **Our D.C. Policy teams expect that the passage of a tax bill will occur by the middle of December to 1Q 2018 and we do think that it will be an important macro tailwind for the biopharma space over the next 12-24 months.** We think that lack of growth and anticipation of M&A are the two biggest macro overhangs on the biopharma space. Although our companies offer mixed commentary on how tax reform would impact their business strategy, we believe that large scale M&A will likely not happen until there is certainty about tax reform.
- **We view repatriation as the most important policy change that could impact M&A decision-making and cash return to shareholders. Amgen, Gilead, Pfizer and Merck each have over \$20B in ex-US cash as of 3Q17 making them the biggest potential beneficiaries in our view.** 33% of the top 30 companies with the most off-shore cash are US biopharma companies. Currently, the tax rate for repatriating offshore cash is 35% whereas the two proposals would lower it to 10-14%. Repatriating current overseas cash is a major windfall, but reform on a going forward basis also gives these companies greater access to their global cash flow. This would create the opportunity to use this cash for buybacks, M&A, or special dividends. We hope that our companies would pursue M&A aggressively rather than buying back shares. 3Q17 overseas cash balances for Gilead, Amgen, J&J, Merck, and Pfizer are \$32B, \$39B, ~\$14B, ~\$20B, and ~\$22B (totaling over \$125B in offshore cash).
- **We see many interesting late and commercial stage small-mid cap companies which could benefit if M&A trends do pick up.** Whereas investors thought M&A would tick up in 2017, it has ticked down relative to prior years. If large cap companies have more cash to spend, we believe that this directly benefits small-mid cap companies which are sources of future growth. We still see many attractive late and commercial stage products in oncology and rare diseases such as Puma, Tesaro, Clovis and BioMarin. Many of these stocks have been under significant pressure recently amidst many concerns so we see attractive buying opportunities here.

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- **We think the biggest beneficiaries to corporate tax lowering in our biotech coverage are Bioverativ, United Therapeutics, Regeneron, Gilead and Biogen where effective tax rates are high and foreign income is lower.** Both bills propose lowering the US corporate tax rate from 35% to 20%. Overall most of our companies have lower than 20% effective tax rates due to the amount for foreign earnings that are taxed at a lower rate (roughly 4-12%). It is fairly complicated to understand the exact benefit to effective tax rate since most of our biopharma companies have income from US and overseas to achieve the blended effective rate. When looking at effective tax rates reported in 2017, we found Bioverativ (36%), United Therapeutics (37%), Regeneron (33%), Gilead (26%) and Biogen (24%) could all stand to benefit from a lower US rate.
- **We are also watching what happens in the House proposal around treatment of Puerto Rico.** For Amgen, we are watching the interpretation of the House proposal which referenced a 20% excise tax on deductible payments from a domestic corporation to a related foreign corporation. Many pharmaceutical companies have significant operations in Puerto Rico which is considered by the IRS as a foreign subsidiary. In speaking to Amgen, we think that the interpretation of this policy is still an active discussion since effectively this policy would disadvantage US residents and employees in Puerto Rico.
- **Inverted companies could face more of a headwind from tax reform.** While also difficult to quantify, potential corporate tax reform could be more of a headwind for inverted companies. For example, AGN has benefited from a lower effective tax rate (~13% in 2017) as well as the advantage of being able to fully access their cash flows to pursue business development while also paying their dividend and repurchasing shares. Tax reform may lead a more competitive environment for AGN to conduct its Open Science business model as well as a higher effective tax rate, although we assume all of the companies will take appropriate steps to try and lower their tax rate once the plan is finalized.

We think tax reform could be an important 2018 trend that will drive biopharma opportunities for both small and large companies

Current administration hopes to deliver new tax policy before the Christmas break. Next up is the Senate vote which could happen sometime this week

The tax reform bills between House and Senate are relatively dense pieces of legislation so we are highlighting what we believe is important as it relates to the biopharma industry. The House vote passed 227-205-2 on November 16. We expect a vote in the Senate later this week.

Figure 1: House and Senate Bills Compared

	House Ways & Means Proposal	Senate Proposal	CS Comments	CS views on stock implications
Corporate tax	Flat 20% rate beginning 2018	Permanent 20% rate beginning in 2019	House timing on tax rate is more favorable for biopharma than Senate bill	Positive: BIVV, BIIB
Repatriation	Bifurcated rate of 14% for cash and equivalents and 7% for less liquid assets like property	Bifurcated rate of 10% for cash and equivalents and 5% for less liquid assets like property	Senate proposal is more favorable than House bill	Positive: AMGN, GILD, JNJ, MRK, PFE
Orphan drug tax credit benefit	Repeals tax credit benefit	Modifies the rate to 27.65%	Both are negative but the Senate bill is more favorable	Negative: Rare disease companies

Source: Company data, Credit Suisse estimates

After the Senate Budget Committee passed their tax bill yesterday we are expecting consideration of the measure to begin tomorrow with a vote as early as Thursday/Friday.

With a motion to proceed tomorrow the bill would begin a 20 hour plus debate. Our policy team is expecting a Manager’s Amendment to get potential supporters on-board with the bill. Republicans do not confidently have the votes needed to pass the measure so the next few days are still crucial. If the Senate is able to finish up the vote this week or next, we would expect either the House takes the Senate bill or two groups will go into conference to reconcile differences between the two bills. Our team notes that this process could take anywhere from several days to a couple of weeks. Below we highlight members who will be key votes on this bill.

Our policy team continues to expect the timeframe for passage is middle of December to 1Q 2018

One point of contention in the Senate bill is the healthcare individual mandate repeal. This could make it harder to get needed votes as some Senate members want to fully decouple healthcare reform contention from tax reform.

Figure 2: Republican senators who have expressed concerns about the tax bill

Republican Senator	State
Ron Johnson	Wisconsin
Steve Daines	Montana
Lisa Murkowski	Alaska
Jerry Moran	Kansas
James Lankford	Oklahoma
Jeff Flake	Arizona
Susan Collins	Maine
Bob Corker	Tennessee

Source: Washington Post

We believe that the repatriation policy changes may have the biggest impact to the biopharma sector since it opens up cash return opportunities and/or M&A

As part of this report we leveraged market commentary and data provided by the Credit Suisse HOLT Accounting & Tax Team including “Potential Implications of U.S. Tax Reforms” by Ron Graziano and Amit Varshney. October 2017.

Almost 1/3 of the top 30 S&P500 companies with the most cash overseas are healthcare companies namely US major pharma and biotechnology companies

According to our HOLT team, roughly \$1 trillion or 54% of S&P 500 members’ cash sits overseas. We have included a list of the top 30 companies that are on the S&P 500 which have the most overseas cash as of YE 2016. We believe that these companies have the most to gain with potential repatriation reform. The proposed repatriation tax rates in the new legislation are 10% and 14% vs. current taxation of 35% to bring overseas cash back to the US.

Figure 3: Top S&P 500 companies with most overseas cash as of YE 2016

Company	Sector	Market Cap (billions)	Overseas Cash YE 2016 (millions)	Total Cash YE 2016 (millions)	Overseas Cash as % of Total Cash YE 2016
Apple Inc	Information Technology	\$889	\$252,300	\$268,895	94%
Microsoft Corp	Information Technology	\$655	\$127,900	\$132,981	96%
Cisco Systems Inc	Information Technology	\$187	\$67,500	\$76,089	89%
Oracle Corp	Information Technology	\$205	\$54,400	\$66,078	82%
Alphabet Inc	Information Technology	\$733	\$52,200	\$90,511	58%
Johnson & Johnson	Health Care	\$376	\$41,300	\$43,116	96%
Amgen Inc	Health Care	\$124	\$35,900	\$38,239	94%
Gilead Sciences Inc	Health Care	\$95	\$27,400	\$32,380	85%
Pfizer Inc	Health Care	\$214	\$22,469	\$24,966	90%
Merck & Co	Health Care	\$150	\$21,893	\$25,757	85%
Coca-Cola Co	Consumer Staples	\$195	\$20,200	\$24,405	83%
Pepsico Inc	Consumer Staples	\$166	\$15,200	\$16,230	94%
Procter & Gamble Co	Consumer Staples	\$227	\$15,000	\$15,269	98%
Intel Corp	Information Technology	\$209	\$13,600	\$31,392	43%
Priceline Group Inc	Consumer Discretionary	\$86	\$12,600	\$13,900	91%
Lilly (Eli) & Co	Health Care	\$94	\$9,770	\$11,246	87%
Visa Inc	Information Technology	\$257	\$8,700	\$14,693	59%
Amazon.Com Inc	Consumer Discretionary	\$575	\$8,600	\$25,981	33%
Ebay Inc	Information Technology	\$37	\$8,200	\$11,118	74%
United Technologies Corp	Industrials	\$94	\$8,059	\$9,481	85%
Bristol-Myers Squibb Co	Health Care	\$102	\$8,000	\$9,093	88%
Honeywell International Inc	Industrials	\$116	\$7,962	\$8,847	90%
Abbvie Inc	Health Care	\$152	\$7,385	\$8,206	90%
Hp Inc	Information Technology	\$37	\$7,136	\$7,929	90%
Western Digital Corp	Information Technology	\$26	\$6,900	\$9,195	75%
Abbott Laboratories	Health Care	\$97	\$6,854	\$8,064	85%
Intl Business Machines Corp	Information Technology	\$142	\$6,406	\$7,118	90%
Celgene Corp	Health Care	\$82	\$6,113	\$7,970	77%
Du Pont (E I) De Nemours	Materials	\$73	\$5,800	\$5,967	97%
Biogen Inc	Health Care	\$67	\$5,500	\$7,824	70%

Source: Company data, Credit Suisse estimates, HOLT

See chart below for specifics on ex-US cash held by biopharma companies.

Figure 4: US BioPharma companies with largest overseas balances as of 3Q 2017

Company	Market Cap (billions)	Cash Overseas at 3Q2017 (billions)	Total Cash at 3Q2017 (billions)	Cash Overseas as % of Total Cash
Johnson & Johnson*	\$376.2	\$14 [^]	\$16	90% (est.)
Amgen Inc	\$123.1	\$39	\$41	94%
Pfizer Inc*	\$213.7	\$22 [^]	\$24	90% (est.)
Abbvie Inc	\$152.1	\$10 [^]	\$11	90% (est.)
Bristol-Myers Squibb Co	\$102.3	\$9	\$10	98%
Lilly (Eli) & Co	\$93.7	\$12 [^]	\$13	90%(est.)
Merck & Co**	\$149.8	\$20 [^]	\$23	85% (est.)
Gilead Sciences Inc	\$93.6	\$32	\$41	78%
Celgene Corp	\$81.3	\$9	\$12	77%
Biogen Inc	\$65.9	\$4	\$7	67%
Alexion Pharmaceuticals Inc	\$24.0	\$0	\$1	81%

* These companies have said that nearly all of their cash is overseas

** The company has said that 80-90% of its cash is overseas

[^] CS estimates

Source: Company data, Credit Suisse estimates, HOLT

With so much cash overseas, we do believe that tax reform policies will indeed drive future M&A decision making. From our biotech coverage universe, we think Amgen and Celgene are most likely to do deals over the next 12 months. From the pharma side, we think PFE and MRK are most likely to do deals.

Our covered companies have offered mixed opinions on the potential impacts of repatriation. Many companies have said that it does not affect their M&A strategy. We find that hard to believe especially for companies with well over \$20B in overseas assets.

Figure 5: Potential Acquirers from our Large Cap Coverage

Company	Ticker	Main therapeutic area of focus for acquisition	Mgmt comments from recent conference calls/transcripts	CS view on M&A
Amgen	AMGN	Cancer, cardio, bone	If tax reform happens, that will provide greater flexibility in capital allocation plans	We would favor a large scale acquisition with their ex-US cash
Gilead	GILD	Oncology bolt-ons to Kite, NASH	Continue to look at oncology space that has synergy with CAR-T	If repatriation is an option, we would hope the company favors bigger deals over buying back shares due to need for topline growth
Celgene	CELG	Hematology, oncology, inflammation	Company will continue to have a blend of different types and sizes of deals. Won't all be early science	We would favor a mid-scale acquisition of \$10-\$20 preferably in hematology or oncology so they can leverage their salesforce
Biogen	BIIB	Neurology	Unlike in the past where company did the majority by share repurchase, company will prioritize capital allocation efforts towards building neuroscience pipeline	We like the idea of \$5-\$15B deals that leverage pediatric neurology franchise or focuses on late stage assets
AbbVie	ABBV	Oncology, Neuroscience	Areas of interest in immunology, oncology and neuroscience. Deal of more significant size not likely until 2019/2020 timeframe.	Repatriation could lead to further dividend growth/share repurchases. A larger deal seems less likely until current pipeline comes more into focus
Bristol Myers-Squibb	BMY	Oncology, Immunoscience, Cardiovascular, Fibrosis	Business development remains a top priority	Immuno-oncology remains clear area of focus and we would expect continued smaller deals. Larger deals would bring risk of disruption to pipeline at a critical time in its evolution
Eli Lilly	LLY	Diabetes, Immunology, Oncology, Neuroscience, Pain	We have no apprehension or reservations about using our balance sheet to pursue our therapeutic goals, whether it's in oncology or across the other therapeutic segments in which we compete. And we do continuously look at the marketplace for external asset opportunities that we'd like to pursue.	Tend to focus on smaller deals (\$6.5Bn ImClone acquisition largest in company history) but possible they could look to do something bigger given new management team
Johnson & Johnson	JNJ	Immunology, Oncology, Cardiovascular/Metabolic, Infectious Diseases/Vaccines, Neuroscience	The most important thing is all of the actions we've taken to invest in the platforms that we believe have significant growth, and we've been doing this both in terms of acquisitions, strategic partnerships and investing in R&D.	Completed \$30Bn Actelion acquisition earlier this year so would be surprising to see a larger deal in near future. Strong balance sheet leaves many options on the table across Pharma, Medical Devices and Consumer but most value creative deals recently have been for single assets at earlier stages of development (e.g. Imbruvica, Darzalex, Xarelto)
Merck	MRK	Oncology, Vaccines, Anti-infectives, Acute care	Business development is an important priority for the company... very actively engaged in looking for the best scientific innovations to enhance our long-term growth and our pipeline. As it relates to large transactions... primarily looking for things that enhance the company's ability to innovate... not looking at things purely for synergies or consolidation purposes.	Should tax reform come through, we would strongly favor business development to boost the mid-late stage pipeline and add additional growth drivers to the MRK story.
Pfizer	PFE	I&I, CV/Metabolic, Oncology, Vaccines, Neuroscience/Pain, Rare Diseases	Our priorities for capital allocation... are dividends, share buybacks, investing in the business and M&A. We're agnostic to size and hopefully our actions over the past or in the past have demonstrated that and our compass on deals has been, is and will remain shareholder value.	Investor focus has been on PFE doing a larger sized deal, although we would prefer multiple mid-sized deals that could bring multiple growth drivers into the innovative business. Commonly discussed targets such as BMY and AZN would bring innovation and synergies, but also likely disruption during the integration.

Source: Company data, Credit Suisse estimates

We think that there are many small cap companies that now have late stage and commercial assets that remain unencumbered

Figure 6: Numerous Companies Could be Attractive Targets

Company	Ticker	Market Cap (\$B)	Main Therapeutic Area of Focus	Lead Asset(s)	Status of Lead Asset(s)
Vertex	VRTX	\$37.0	Cystic fibrosis and rare disease	Kalydeco & Orkambi Many next generation correctors	Approved Entering Phase 3
Alexion	ALXN	\$24.0	Hematology and rare disease	Soliris	Approved
Incyte	INCY	\$21.0	Oncology and hematology	Jakafi Epacadostat	Approved Phase 3 data in 1H18
BioMarin	BMRN	\$15.0	Rare disease	1) Several approved products 2) Peg-Pal 3) Hemophilia A gene therapy	1) Approved 2) BLA filed 3) Entering Phase 3
Alkermes	ALKS	\$7.9	Central nervous system disorders (schizophrenia, depression)	1) Aristada 2) Vivitrol 3) ALKS-5461	1) Approved 2) Approved 3) NDA submission by Jan '18
Tesaro	TSRO	\$4.5	Oncology	ZeJula	Approved
Galapagos	GLPG	\$3.9	Inflammation and immunology	1) Filgotinib 2) Cystic fibrosis	1) Phase 3 (partnered with GILD) 2) Phase 2 (partnered with ABBV)
Puma	PBYI	\$3.8	Oncology	Nerlynx	Approved
Sarepta	SRPT	\$3.7	DMD and rare disease	EXONDYS51	Approved
Portola	PTLA	\$3.2	Cardiovascular	1) Bevyxxa 2) AndexXa	1) Approved, pending launch 2) FDA Action Date Feb 2, 18
Clovis	CLVS	\$3.0	Oncology	Rubraca	Approved
Ironwood	IRWD	\$2.5	Gastrointestinal disorders Metabolic disorders	1) Linzess 2) Duzallo 3) IW-3718	1) Approved 2) Approved 3) Phase 3 start 2H 2018
Anaptys	ANAB	\$1.9	Inflammation and immunology	ANB-020	Phase 2 in atopic dermatitis, asthma and food allergies
Aimmune	AIMT	\$1.8	Food allergy	AR101	Phase 3 data in 1Q 2018
Intercept	ICPT	\$1.6	Liver diseases (PBC, NASH)	Ocaliva	Approved for PBC and NASH Phase 3 interim readout in 1H19
Alder	ALDR	\$0.7	Central nervous system disorders (migraines)	Eptinezumab	Phase 3 data in 1H 2018
Ra Pharma	RARX	\$0.3	Rare disease	RA101495	Phase 2 PNH data expected in December '17
Corvus	CRVS	\$0.2	Oncology	CPI-444	Phase 1/1b trial ongoing
Foamix	FOMX	\$0.2	Dermatology	1) FMX101 2) FMX103	1) Phase 3 data mid 2018 2) Phase 3 data mid 2018

Source: Company data, Credit Suisse estimates

We estimate \$190B of BioPharma cash abroad that could provide additional US cash from repatriation under the new reform policies vs. current law.

Currently cash and illiquid assets (including earnings), if repatriated are taxed at the corporate rate (35%) less foreign taxes. Under proposed legislation a tax on foreign cash would be incurred at a rate of 10% (Senate) or 14% (House). No concessions would be made for foreign taxes. Importantly, this tax will be charged on foreign assets regardless of whether they are actually repatriated. With this provision we expect the majority of cash to be repatriated as there is no continued benefit to holding it abroad. Illiquid assets would be taxed at a lower rate (5% or 7% depending on the bill).

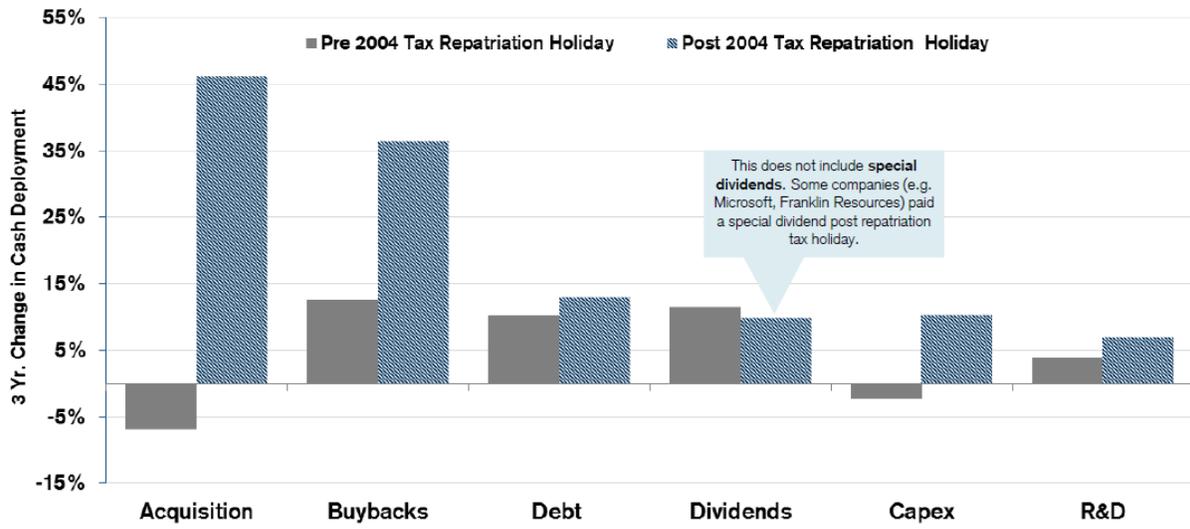
As background, there was a repatriation holiday in 2004 and buybacks and acquisitions were the most common form of cash use over the 3 year period.

After the last repatriation holiday in 2004, the most common uses of cash were M&A and buybacks. Over 75% of cash was used for these purposes. The most common uses of cash after the 2004 repatriation holiday were M&A and buybacks. Some companies also issued special dividends.

Though we are most positive on M&A, [HOLT analysis](#) shows value in buybacks for shares that look cheap based on their proprietary analysis, and special dividends for those companies that look expensive based on the same analysis.

Figure 7: Use of cash from last repatriation holiday

**Cash Deployment Before and After the Last Repatriation Holiday
S&P 500¹ Companies with the Most Earnings Overseas (2004)**



Source: HOLT Lens™ and Bloomberg. 1: Top 50 companies by earnings overseas (permanently reinvested) in 2004 (year of last US repatriation tax holiday). Note this analysis does not account for the fact that some of these companies may not have repatriated earnings/cash overseas (as it was voluntary) and is a general study of the cash deployment trends. The above charts show earnings overseas as a proxy for cash overseas as companies generally did not disclose cash overseas in 2004. Sample does not include companies that are no longer public as of 2016. The American Jobs Creation Act of 2004 (the "Jobs Act" and "Repatriation Tax Holiday") was signed into law on October 22, 2004.

Source: Company data, Credit Suisse estimates, HOLT

Many pharmaceutical and biotech companies have relatively low tax rates so a lower US tax rate has less impact

Bioverativ, United Therapeutics, Regeneron should benefit from lower US tax rate

Figure 8: Effective tax rates

Company	Corporate Tax Rate (5 year Median)	Corporate Tax Rate 2016	Corporate Tax Rate YTD
Johnson & Johnson	20%	16%	21%
Pfizer Inc	22%	13%	23%
Merck & Co	19%	15%	20%
Amgen Inc	13%	16%	15%
Abbvie Inc	23%	24%	20%
Celgene Corp	14%	16%	5%
Gilead Sciences Inc	21%	21%	26%
Bristol-Myers Squibb Co	15%	24%	15%
Lilly (Eli) & Co	20%	19%	20%
Biogen Inc	25%	25%	24%
Regeneron Pharmaceuticals	41%	33%	33%
Alexion Pharmaceuticals Inc	36%	31%	10%
Bioverativ Inc	N/A	51%	36%
United Therapeutics	35%	33%	37%

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 28-Nov-2017)

AbbVie Inc. (ABBV.N, \$95.42)
Aimmune Therapeutics (AIMT.OQ, \$35.27)
Alder Biopharmaceuticals (ALDR.OQ, \$10.35)
Alexion Pharmaceuticals Incorporated (ALXN.OQ, \$108.1)
Alkermes plc (ALKS.OQ, \$51.15)
Alphabet (GOOGL.OQ, \$1063.29)
Amazon com Inc. (AMZN.OQ, \$1193.6)
Amgen, Inc. (AMGN.OQ, \$170.26)
AnaptysBio, Inc. (ANAB.OQ, \$81.54)
Apple Inc (AAPL.OQ, \$173.07)
Biogen, Inc. (BIIB.OQ, \$317.14)
Biomarin Pharmaceuticals, Inc. (BMRN.OQ, \$82.56)
Bioverativ, Inc. (BIVV.OQ, \$49.83)
Bristol-Myers Squibb Co. (BMY.N, \$62.52)
Celgene Corporation (CELG.OQ, \$103.99)
Cisco Systems (CSCO.BA, A\$125.0)
Clovis Oncology, Inc (CLVS.OQ, \$58.97)
Corvus Pharmaceuticals, Inc. (CRVS.OQ, \$11.43)
DuPont de Nemours and Co. (DD.N^117)
Eli Lilly & Co. (LLY.N, \$85.05)
Foamix Pharmaceuticals (FOMX.OQ, \$5.57)
Galapagos NV (GLPG.AS, €76.54)
Gilead Sciences, Incorporated (GILD.OQ, \$72.59)
Honeywell International Inc. (HON.N, \$152.76)
Incyte Corporation (INCY.OQ, \$95.83)
Intel Corp. (INTC.OQ, \$44.73)
Intercept Pharmaceuticals, Incorporated (ICPT.OQ, \$59.15)
International Business Machines Corp. (IBM.N, \$152.47)
Ironwood Pharmaceuticals, Inc. (IRWD.OQ, \$16.61)
Johnson & Johnson (JNJ.N, \$140.02)
Merck & Co., Inc. (MRK.N, \$54.93)
Microsoft (MSFT.OQ, \$84.88)
Oracle Corporation (ORCL.N, \$49.01)
PepsiCo, Inc. (PEP.N, \$116.77)
Pfizer (PFE.N, \$35.85)
Portola Pharmaceuticals (PTLA.OQ, \$49.27)
Procter Gamble (PG.BA, A\$306.95)
Puma Biotechnology, Inc (PBYI.OQ, \$104.85)
Ra Pharmaceuticals, Inc. (RARX.OQ, \$14.08)
Regeneron Pharmaceuticals, Inc. (REGN.OQ, \$366.0)
Sarepta Therapeutics, Inc. (SRPT.OQ, \$55.75)
Tesaro, Inc. (TSRO.OQ, \$80.68)
The Coca-Cola Company (KO.N, \$45.83)
United Therapeutics Corp. (UTHR.OQ, \$124.55)
Vertex Pharmaceuticals Incorporated (VRTX.OQ, \$147.32)
Visa Inc. (V.N, \$113.36)
Western Digital (WDC.OQ, \$86.89)
eBay Inc. (EBAY.OQ, \$35.5)

Disclosure Appendix

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Alethia Young and Vamil Divan, MD, each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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This research report is authored by:

Credit Suisse Securities (USA) LLC Alethia Young ; Vamil Divan, MD ; Eliana Merle ; Derek Yuan, Ph.D. ; Michael V. Morabito Ph.D. ; Barbara Kotei ; Daa Mohamed

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