

July 23, 2014

Stock Rating
Overweight

Industry View
In-Line

Biogen Idec Inc. The Earnings Keep Coming

Upside revs (+\$279M vs cons) drove the \$0.68 EPS beat: Revs of \$2.4B were driven by upside Tecfidera (\$144M vs cons), Tysabri (\$91M cons, incl. a 1x \$54M or \$0.15 catch-up from a reimbursement dispute with Italy) and Avonex (+\$30M vs cons). Spending was slightly ahead driven by SG&A (+\$83M vs cons), offset by a lower tax rate (27% vs 29% in 1Q14). Mgt. increased its 2014 guide to reflect to solid underlying trends with revs now expected up 38-41% Y/Y (26-28% prior) and EPS of \$12.90-13.10 (\$11.35-11.45 prior).

Solid product growth continues to support this earnings story: Tecfidera continues to grow in the US, with better compliance and gross-to-net also impacting the qtr. ExUS, Germany is now on a ~\$350M run-rate with France and UK launches expected in 4Q. A robust exUS launch continues to be a key thesis for us and we remain above consensus, bumping our global Tecfidera ests by \$400M to \$2.8B for 2014E. While Avonex does face volume declines, price and market share gains have kept revs flat. We expect the launch of Plegridy (approved in EU today and US expected in 2H) to accelerate share gains which should continue to keep franchise revs flat Y/Y. And on Tysabri, underlying trends have turned with +3-4% Y/Y vol incr. We have raised our Tysabri revs by ~\$170M to reflect the full year impact of AIFA (~\$96M for Italian reimbursement decision) as well as the strong underlying trends.

1st LINGO data pushed to Jan 2015 (from 4Q14), but still plenty of pipeline catalysts over the next 12mo: We don't see the timing change as sig. given that mgt. stated the optic neuritis study is on track and now fully enrolled. While mgt's decision not to disclose the 12mo interim data from LINGO in multiple sclerosis (2H15) means we'll have to wait longer (18mo in 2016) for the more important of the two LINGO datasets, significant catalysts remain incl. Alzheimer's (2H14), Tysabri in SPMS (mid-2015), STX-100, Neublabin and Lupus.

Guidance points to strong underlying growth for biz and stock – Biogen remains a top pick: Even without the AIFA benefit, guidance still incr. by ~\$1.30 or 11%. We've raised our 2014E/2015E EPS to \$13.00/\$16.28 from \$11.45/\$15.48 driven mainly by product revs offset slightly by incrs to spending. We see capital allocation as also becoming an important 2H debate for the stock given the growing cash.

Key Ratios and Statistics

Reuters: BIIB.O Bloomberg: BIIB US
Biotechnology / United States of America

Shr price, close (Jul 22, 2014)	\$303.67
Mkt cap, curr (mm)	\$72,313
52-Week Range	\$358.89-203.55

Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS (\$)	8.92	13.00	16.28	19.61
Prior ModelWare EPS (\$)	-	11.45	15.48	19.32
P/E	31.3	23.4	18.7	15.5
Consensus EPS (\$)	8.02	11.53	14.48	17.74
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Biogen Idec Inc.

Risk-Reward Snapshot: Biogen Idec (BIIB, OW, PT \$395)

Pipeline, Tecfidera and Hemophilia Drive Risk-Reward



Source: Morgan Stanley Research estimates, Thomson Reuters

Price Target \$395	We derive our PT from a discounted cash flow analysis that uses a WACC of 10% and a 2% terminal growth rate. The main drivers are Tecfidera, the hemophilia franchise, Plegridy/Avonex and the pipeline	
Bull Case \$502	DCF	Outsized penetration of Tecfidera into both the US and ROW markets; a faster Hemophilia launch and more conversion to long-acting agents and a lower discount on pipeline assets. We assume: 1) ~\$7.7B in global Tecfidera sales, 2) Modest growth in Plegridy/Avonex sales through 2020E to ~\$3.5B, 3) Global hemophilia sales of ~\$2B (\$1.2B to Biogen), 4) ~\$115/share for the pipeline, and 5) Unchanged ██████ spending from our base case scenario
Base Case \$395	DCF	~36% 1st/2nd line Tecfidera market share, declining Avonex/Plegridy total share but growing share of injectables, modestly faster Hemophilia launch than consensus and less than 50% discounted value of the pipeline. We assume: 1) ~\$6.5B in global Tecfidera sales by 2020E, 2) Flat Plegridy/Avonex sales through 2020E at \$3B, 3) Global hemophilia sales of ~\$1.5B (\$1B to Biogen), and 4) Margin expansion of ~650 bps as leverage is achieved with Tecfidera
Bear Case \$228	DCF	~30% 1st/2nd line Tecfidera market share, declining Avonex/Plegridy \$ share, a slow Hemophilia launch and no pipeline. We assume: 1) ~\$5.5B in global Tecfidera sales by 2020E, 2) Declining Plegridy/Avonex sales to \$2B from ~\$3B by 2020E, 3) Global hemophilia sales of ~\$1.3B (\$800M to Biogen), 4) \$0/share for the pipeline, and 5) No margin expansion

Investment Thesis

We are OW Biogen. Our work suggests upside to the launches of Tecfidera in Europe and Hemophilia. We see Biogen as having the most differentiated and highest value pipeline among its peers.

• **Upside to EU Tecfidera launch:** We believe Biogen can hit consensus estimates for EU Tecfidera based on German sales alone. And based on our survey work we see rapid adoption in Europe, ahead of consensus.

• **Upside to Hemophilia:** Our channel checks suggests prophylaxis patients will switch rapidly, putting our estimates ahead of consensus and mgmt commentary. We believe patients are seen by their physicians often enough for a quick switch.

• **Underappreciated durability of injectable MS franchise:** We see daclizumab and Plegridy as underappreciated assets that can move the needle. Our survey work suggests Avonex/Plegridy can take >50% of the injectable segment and daclizumab, even with PhII like efficacy, will penetrate the 3rd line market.

• **Best pipeline in the industry:** We are most excited about anti-LINGO, BIIB037 SMN_{RX} and DMPK. The pipeline is not without risk, but there is solid mechanistic rationale, high unmet need and reasonable development paths.

Risks to our price target

1) Slower than expected launches of Tecfidera and Hemophilia, 2) Pipeline disappointments, 3) Injectable share losses to generic Copaxone.

July 23, 2014
Biogen Idec Inc.

Exhibit 1

Biogen Idec 2Q14 Variance

	2Q14E		2Q14A			Consensus		
	MSe	% Y/Y	Actual	% Y/Y	Difference	2Q14E	Difference	%
Product Sales (WW):								
Avonex/Plegridy	\$753	-3%	\$774	0%	3%	\$744	\$30	4%
Tysabri*	\$423	9%	\$533	38%	26%	\$442	\$91	21%
Tecfidera	\$580	202%	\$700	265%	21%	\$556	\$144	26%
Daclizumab	\$0	NM	\$0	NM	NM			0%
Fampyra (EU only)	\$21	25%	\$22	33%	6%			
Fumaderm	\$16	0%	\$16	1%	1%			
Eloctate	\$3	NM	\$0	NM	-100%			
Alprolix	\$0	NM	\$10	NM	NM			
Other	\$0	NM	\$0	NM	NM			
Legacy Revenues	\$0	NM	\$0	NM	NM			
Total Product Sales	\$1,795	30%	\$2,056	48%	15%	\$1,786	\$270	15%
Rituxan Profit Share	\$295	2%	\$303	5%	3%	\$296	\$7	2%
Royalty Revenue	\$45	18%	\$40	6%	-10%	\$59	-\$19	-32%
Corporate Partner Revenue	\$15	41%	\$22	102%	43%			
Total Revenues	\$2,150	25%	\$2,421	40%	13%	\$2,142	\$279	13%
COGS	\$276	20%	\$292	27%	6%	\$285	\$7	2%
Gross Profit	\$1,874	26%	\$2,130	43%	14%	\$1,857	\$273	15%
SG&A	\$420	29%	\$446	36%	6%	\$442	\$4	1%
SG&A	\$510	19%	\$575	34%	13%	\$492	\$83	17%
Collaboration Profit Sharing	\$0	NM	\$0	NM	NM			
Other	\$3	NM	(\$35)	NM	-1114%			
Operating Income	\$940	27%	\$1,143	55%	22%	\$924	\$219	24%
Other income (expense), net	(\$12)	NM	\$5	NM	NM			
Pretax Income	\$928	29%	\$1,148	59%	24%	914	234.286	26%
Taxes	\$264	49%	\$309	74%	17%	248	60.621	24%
Tax rate	29%	16%	27%	10%	-6%	27%		-1%
Net Income, Non-Controlling Int.	\$1	-56%	\$11	361%	956%			
Net Income (Non-GAAP)	\$663	22%	\$829	53%	25%	\$666	\$163	24%
Non-GAAP EPS (excl. options)	\$2.80	23%	\$3.49	54%	25%	\$2.80	\$0.69	25%
GAAP EPS	\$2.46	21%	\$3.01	48%	22%			
Diluted Shares Outstanding	237	-1%	237	NM	0%	238	-1	0%
Gross Margin	87%	1%	88%	2%	1%	87%		1%
SG&A (% of Sales)	20%	3%	18%	-3%	-6%	21%		-11%
SG&A (% of Sales)	24%	-5%	24%	-5%	0%	23%		3%
Operating Margin	44%	2%	47%	10%	8%	43%		9%

Source: Biogen Idec Analyst Consensus Poll (4/4/14), Morgan Stanley Research

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Biogen Idec Inc.

Exhibit 2

Biogen Idec Income Statement

	2009A	2010A	2011A	2012A	2013A	1Q14A	2Q14A	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Biogen Income Statement																
Product Revenues	3,153	3,470	3,823	4,166	5,542	1,743	2,056	2,095	2,254	8,147	9,154	10,319	11,267	12,021	12,786	13,592
Unconsolidated joint business	1,095	1,077	997	1,138	1,125	297	303	309	282	1,191	1,284	1,326	1,387	1,420	1,501	1,555
Royalty	124	157	158	215	186	38	40	50	58	186	223	111	99	90	81	73
Corporate partner	5	32	57	44	78	52	22	15	11	100	105	110	116	122	128	134
Total Revenue	4,377	4,716	5,035	5,563	6,933	2,130	2,421	2,468	2,605	9,624	10,665	11,866	12,870	13,652	14,495	15,353
Consensus Revenue																
								Co. Guidance	\$5,568-9,778							
								2,212	2,271	8,552	10,167	11,522	12,672			
COGS	382	400	467	545	858	279	292	310	338	1,219	1,273	1,400	1,493	1,578	1,674	1,777
Gross Profit	3,995	4,316	4,568	5,018	6,075	1,851	2,130	2,159	2,267	8,405	9,392	10,466	11,377	12,074	12,821	13,577
SG&A	1,264	1,238	1,215	1,323	1,440	527	446	494	521	1,987	2,000	2,100	2,205	2,260	2,317	2,375
Amortization of acquired intangible assets	890	999	1,049	1,281	1,680	509	540	543	573	2,165	2,250	2,351	2,457	2,580	2,644	2,711
Collaboration profit sharing	216	258	318	318	85	3	4	4	4	15	15	15	15	15	15	15
Gain on sale of rights					25	4	3.9			8						
Operating Income	1,825	1,823	1,987	2,096	2,883	815	1,143	1,118	1,169	4,248	5,127	6,000	6,700	7,219	7,845	8,477
Interest Income	49	22	19	23	12	4	15	8	3	31	26	37	51	66	82	109
Interest Expense	(36)	(36)	(33)	(37)	(36)	(10)	(10)	(10)	(10)	(39)	(38)	(38)	(37)	(4)	0	0
Total other income (loss)	25	(5)	2	14	(26)	(8)	0.0	0	0	(8)	0	0	0	0	0	0
Pretax Income	1,862	1,804	1,975	2,095	2,833	802	1,148	1,117	1,162	4,229	5,114	5,999	6,714	7,261	7,927	8,586
Taxes	453	447	506	524	694	215	309	301	314	1,139	1,352	1,556	1,708	1,816	1,937	2,056
Tax Rate	27%	25%	26%	25%	24%	27%	27%	27%	27%	27%	26%	26%	25%	25%	24%	24%
Net income (non-gaap)	1,210	1,357	1,469	1,571	2,139	587	840	815	849	3,090	3,762	4,443	5,006	5,465	5,989	6,530
Net income from noncontrolling interest	15	42	32	4	13	0	11	1	1	12	15	15	15	15	15	15
Net income to Biogen (Non-GAAP)	1,195	1,315	1,437	1,567	2,125	587	829.1	814	848	3,077	3,747	4,428	4,991	5,450	5,974	6,515
Non-GAAP EPS (excl. options)	\$4.12	\$5.15	\$5.86	\$6.54	\$8.92	\$2.47	\$3.49	\$3.44	\$3.58	\$13.00	\$16.28	\$19.61	\$22.59	\$25.39	\$29.01	\$33.35
Consensus EPS																
								Co. Guidance	\$12.90-13.10							
								3.02	3.23	11.53	14.48	17.74	20.87			
Options expense	160.9	28.7	12.3	7.3	9.7	4.9	2.7	2.8	3.0	13.4	14.8	16.3	17.9	19.7	21.6	23.8
% of operating expense	7.5%	1.3%	0.5%	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%
Tax Impact	49.4	7.1	1.1	1.9	2.4	1.3	0.7	0.8	0.8	3.6	3.9	4.2	4.5	4.9	5.3	5.7
Net income (non-gaap, incl. options)	1,084	1,293	1,426	1,562	2,118	583	827	812	845	3,068	3,736	4,416	4,978	5,435	5,958	6,497
Non-GAAP EPS (incl. options)	\$3.74	\$5.07	\$5.81	\$6.51	\$8.89	\$2.45	\$3.48	\$3.43	\$3.57	\$12.96	\$16.23	\$19.56	\$22.53	\$25.32	\$29.03	\$33.26
GAAP Net Income	968	1,003	1,224	1,390	1,879	480	715	725	773	2,712	3,489	4,177	4,733	5,188	5,690	6,208
GAAP EPS (incl. options)	\$3.35	\$3.94	\$4.99	\$5.76	\$7.88	\$2.02	\$3.01	\$3.07	\$3.28	\$11.45	\$15.16	\$18.50	\$21.43	\$24.16	\$27.63	\$31.78
Co. Guidance																
								\$11.26-11.46								
Basic Shares - GAAP	287	252	242	238	236	237	237	236	235	236	229	225	220	214	205	195
Diluted Shares - GAAP	289	255	245	240	238	238	237	236	235	237	230	226	221	215	206	195
Diluted Shares - non-GAAP	289	255	245	240	238	238	237	236	237	237	230	226	221	215	206	195
Margin Analysis (non-GAAP)																
COGS (product revenue)	12%	12%	12%	13%	15%	16%	14%	15%	15%	15%	14%	14%	13%	13%	13%	13%
Gross Margin (total revenue)	91%	92%	91%	90%	88%	87%	88%	87%	87%	87%	88%	88%	88%	88%	88%	88%
SG&A (as a % of sales)	20%	21%	21%	23%	24%	24%	22%	22%	22%	23%	21%	20%	19%	19%	18%	18%
(as a % of sales)	29%	26%	24%	24%	21%	25%	18%	20%	20%	21%	19%	18%	17%	17%	16%	15%
Co. Guidance																
								22-23%								
Co. Guidance																
								20-21%								
Operating Margin	37%	39%	39%	38%	42%	38%	47%	45%	45%	44%	48%	51%	52%	53%	54%	55%
EBITDA Margin	47%	46%	47%	44%	49%	46%	54%	52%	51%	51%	54%	56%	57%	58%	60%	61%
Net Margin	27%	28%	29%	28%	31%	28%	34%	33%	33%	32%	35%	37%	39%	40%	41%	42%
Growth Analysis (non-GAAP)																
Net product sales	11%	10%	10%	9%	33%	59%	48%	44%	40%	47%	12%	13%	9%	7%	6%	6%
Total revenue	7%	8%	7%	10%	25%	51%	40%	35%	33%	39%	11%	11%	8%	6%	6%	6%
Co. Guidance																
								+3.4-13%								
COGS	-5%	5%	17%	17%	57%	109%	27%	32%	31%	42%	4%	10%	7%	6%	6%	6%
SG&A	-20%	-2%	-2%	9%	9%	86%	37%	21%	24%	38%	1%	5%	5%	2%	2%	2%
Non-gaap EPS	-2%	12%	5%	22%	31%	45%	26%	34%	16%	29%	4%	4%	4%	5%	2%	2%
Operating margin (EBIT)	13%	25%	14%	12%	38%	25%	54%	48%	53%	46%	25%	20%	15%	12%	14%	15%
EBITDA margin	-5%	4%	2%	-5%	10%	-4%	10%	6%	11%	6%	9%	5%	3%	2%	2%	2%
EBITDA margin	-7%	-2%	1%	-5%	11%	-6%	7%	4%	9%	4%	5%	4%	3%	2%	3%	2%

Source: Company Data, Morgan Stanley Research

July 23, 2014
Biogen Idec Inc.

Exhibit 3

Biogen Idec Product Revenues

Product Revenue	2009A	2010A	2011A	2012A	2013A	1Q14A	2Q14A	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Avonex/Plegridy worldwide sales	2,323	2,518	2,687	2,913	3,005	761	774	771	788	3,094	2,899	2,748	2,795	2,829	2,896	2,966
US	1,406	1,492	1,629	1,794	1,902	476	498	496	509	1,979	1,919	1,901	1,985	2,054	2,125	2,198
Ex-US	917	1,027	1,058	1,119	1,103	285	276	275	279	1,115	980	848	811	775	771	768
Tysabri worldwide sales	1,059	1,230	1,511	1,631	1,671	441	533	475	514	1,963	2,002	2,043	2,088	2,112	2,138	2,166
US	509	593	747	886	957	234	250	265	295	1,044	1,099	1,146	1,197	1,225	1,253	1,283
Ex-US	551	637	764	745	714	207	283	210	219	919	904	897	891	887	884	883
Tecfidera					876	506	700	773	857	2,836	3,659	4,563	5,251	5,691	6,092	6,518
US					867	460	585	618	654	2,317	2,757	3,377	3,781	4,059	4,354	4,667
Ex-US					9	46	115	155	203	519	903	1,186	1,470	1,631	1,738	1,851
Daclizumab												160	256	383	533	697
US												104	166	247	340	433
Ex-US												56	90	137	193	264
Fampyra (EU only)			14	57	74	19	22	23	22	86	102	118	134	151	161	164
Fumaderm	50	51	55	60	60	16	16	16	16	63	66	70	73	77	81	85
Hemophilia						0	10	37	57	104	425	617	670	779	885	996
US - ELOCTATE						0	0	30	45	75	334	450	463	539	607	666
US - ALPROLIX						0	10	7	10	27	67	102	115	129	143	155
ROW						0	0	0	2	2	24	65	91	111	136	174
Other	4	0	2	0												
Legacy Revenues																
Total Product Revenues	3,153	3,470	3,823	4,166	5,542	1,743	2,056	2,095	2,254	8,147	9,154	10,319	11,267	12,021	12,786	13,592
Rituxan Profit Share	1,095	1,077	997	1,138	1,126	297	303	309	282	1,191	1,284	1,326	1,387	1,420	1,501	1,555
Royalty Revenue	124	137	158	215	186	38	40	50	58	186	123	111	99	90	81	73
Corporate Partner Revenue	5	32	57	44	78	52	22	15	11	100	105	110	116	122	128	134
Total Revenues	4,377	4,716	5,035	5,563	6,933	2,130	2,421	2,468	2,605	9,624	10,665	11,866	12,870	13,652	14,495	15,353

Source: Company Data, Morgan Stanley Research

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Biogen Idec Inc.

Exhibit 4

Biogen Idec Balance Sheet

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Cash and Equivalents	582	760	515	571	603	1,894	2,994	4,399	5,809	7,335	10,007	12,934
Marketable securities	682	448	1,176	1,135	620	661	696	741	787	851	932	1,021
Accounts Receivable	551	605	585	687	824	1,144	1,268	1,411	1,530	1,623	1,724	1,826
Inventory	294	289	327	447	659	937	978	1,075	1,147	1,212	1,286	1,365
Due from unconsolidated joint business	194	222	229	268	253	267	288	297	311	319	337	349
Deferred Tax Asset	89	112	0	0	0	0	0	0	0	0	0	0
Other	89	104	145	136	226	314	348	387	420	445	473	501
Total Current Assets	2,481	2,540	2,975	3,244	3,185	5,217	6,573	8,312	10,005	11,786	14,759	17,996
Marketable securities	1,194	743	1,417	2,037	626	747	855	990	1,127	1,318	1,562	1,829
Property & Equipment, Net	1,637	1,642	1,571	1,742	1,751	1,871	1,990	2,112	2,223	2,315	2,386	2,433
Intangible assets, net	1,871	1,773	1,608	1,632	4,475	4,012	3,675	3,353	3,025	2,695	2,340	1,959
Goodwill	1,139	1,146	1,146	1,201	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233
Investments and other assets	230	248	332	274	594	594	594	594	594	594	594	594
Total Assets	8,552	8,092	9,050	10,130	11,863	13,673	14,921	16,593	18,208	19,941	22,874	26,045
Current portion of debt and line of credit	20	137	3	453	3	0	0	0	524	0	0	0
Taxes Payable	76	85	46	20	180	180	180	180	180	180	180	180
Accounts Payable	119	163	186	204	220	313	326	359	383	405	429	456
Accrued expenses and other	501	666	677	980	1,355	1,804	1,846	1,934	2,026	2,103	2,155	2,209
Total Current Liabilities	715	1,050	913	1,657	1,758	2,296	2,353	2,472	3,112	2,687	2,764	2,845
Notes payable and other financing	1,080	1,066	1,061	687	592	585	574	563	27	27	27	27
Long-Term Deferred Tax Liability	241	201	249	217	233	233	233	233	233	233	233	233
Other Long Term Liabilities	254	326	400	604	659	878	898	941	985	1,023	1,048	1,075
Total Liabilities	2,290	2,643	2,623	3,166	3,242	3,992	4,057	4,208	4,357	3,970	4,073	4,179
Common Stock	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	5,782	3,895	4,185	3,855	4,024	2,361	39	-2,632	-5,914	-8,997	-11,872	-15,030
Accumulated other comprehensive income	50	-22	-27	-55	-28	-28	-28	-28	-28	-28	-28	-28
Retained Earnings	1,069	1,872	3,107	4,487	6,349	9,061	12,549	16,726	21,460	26,648	32,337	38,545
Treasury stock	-680	-350	-840	-1,325	-1,725	-1,725	-1,725	-1,725	-1,725	-1,725	-1,725	-1,725
Total Biogen Idec, Inc. shareholders' equity	6,222	5,397	6,425	6,962	8,620	9,669	10,836	12,342	13,793	15,898	18,713	21,763
Noncontrolling interests	40	53	1	2	1	13	28	43	58	73	88	103
Total Shareholders' Equity	6,222	5,397	6,425	6,962	8,621	9,682	10,863	12,384	13,851	15,971	18,801	21,866
Total Liabilities & Shareholders' Equity	8,552	8,092	9,050	10,130	11,863	13,673	14,921	16,593	18,208	19,941	22,874	26,045

Source: Company Data, Morgan Stanley Research

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Biogen Idec Inc.

Exhibit 5

Biogen Idec Cash Flow Statement

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Income (Loss)	977	899	1,267	1,380	1,862	2,724	3,504	4,192	4,748	5,203	5,705	6,223
Depreciation & Amort.	428	354	359	366	532	685	595	623	673	723	799	878
Depreciation	138	145	144	164	189	222	259	300	345	393	444	498
Amortization	290	209	215	201	343	463	336	323	328	330	355	380
Share-based compensation	161	168	113	119	136	113	115	116	118	120	122	124
Deferred Income Taxes	-137	-81	154	-117	-245	0	0	0	0	0	0	0
Tecfidera milestone payments	0	0	0	0	0	-350	-1,200	-1,200	-1,800	-900	0	0
Other	-2	282	20	29	-28	-1	-1	-1	-2	-1	0	0
Changes in Operating Assets and Liabilities												
Accounts Receivable	-100	-99	-73	4	-127	-320	-124	-143	-119	-93	-100	-102
Inventory	-43	-5	-59	-140	-244	-278	-42	-97	-72	-65	-74	-79
Other assets	35	-41	-50	-67	-160	-102	-55	-49	-47	-33	-46	-40
Accrued expenses and other current liabilities	-49	131	34	273	284	542	56	120	116	99	77	80
Other liabilities and taxes payable	-195	18	-36	34	334	218	21	43	45	38	26	26
Net Cash From Operations	1,075	1,625	1,728	1,880	2,345	3,232	2,869	3,604	3,660	5,091	6,509	7,110
Net (Purchase) Proceeds Marketable Securities	-229	680	-1,420	-585	1,912	-162	-143	-180	-183	-255	-325	-356
Increase In PP&E	-166	-173	-206	-255	-246	-342	-379	-422	-457	-485	-515	-545
Net disposals (acquisitions)	0	-162	-24	-104	-3,278	0	0	0	0	0	0	0
Investment In Research Collaboration	0	0	0	-7	0	0	0	0	0	0	0	0
Other					7	0	0	0	0	0	0	0
Net Cash From Investing	-395	345	-1,650	-950	-1,605	-503	-522	-602	-640	-740	-840	-901
Purchase of treasury stock	-751	-2,078	-498	-985	-400	-1,450	-1,248	-1,592	-1,602	-2,303	-2,997	-3,283
Proceeds from issuance of stock for stock comp	48	183	315	67	67	13	6	3	1	1	0	0
Excess tax benefit from share-based compensation	3	13	51	55	73	11	5	2	1	0	0	0
Proceeds From Issuance of Long-Term Debt	0	126	0	0	0	0	0	0	0	0	0	0
Repayments Of Long-Term Debt	-11	-18	0	0	-452	-10	-10	-10	-10	-523	0	0
Net distributions to noncontrolling interests	4	-23	-27	-3	0	0	0	0	0	0	0	0
Other	-18	12	-160	-12	-4	0	0	0	0	0	0	0
Net Cash From Financing	-724	-1,785	-320	-877	-717	-1,437	-1,247	-1,597	-1,610	-2,825	-2,997	-3,282
Net Change In Cash & Equivalents	-44	185	-242	52	24	1,292	1,100	1,405	1,410	1,526	2,672	2,927
Effect of exchange rate changes	4	-7	-3	4	8	0	0	0	0	0	0	0
Cash Balance Beginning Of Year	622	582	760	515	571	603	1,894	2,994	4,399	5,809	7,335	10,007
Cash & Equivalents Balance Year-End	582	760	515	571	603	1,894	2,994	4,399	5,809	7,335	10,007	12,934

Source: Company Data, Morgan Stanley Research

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Biogen Idec Inc.

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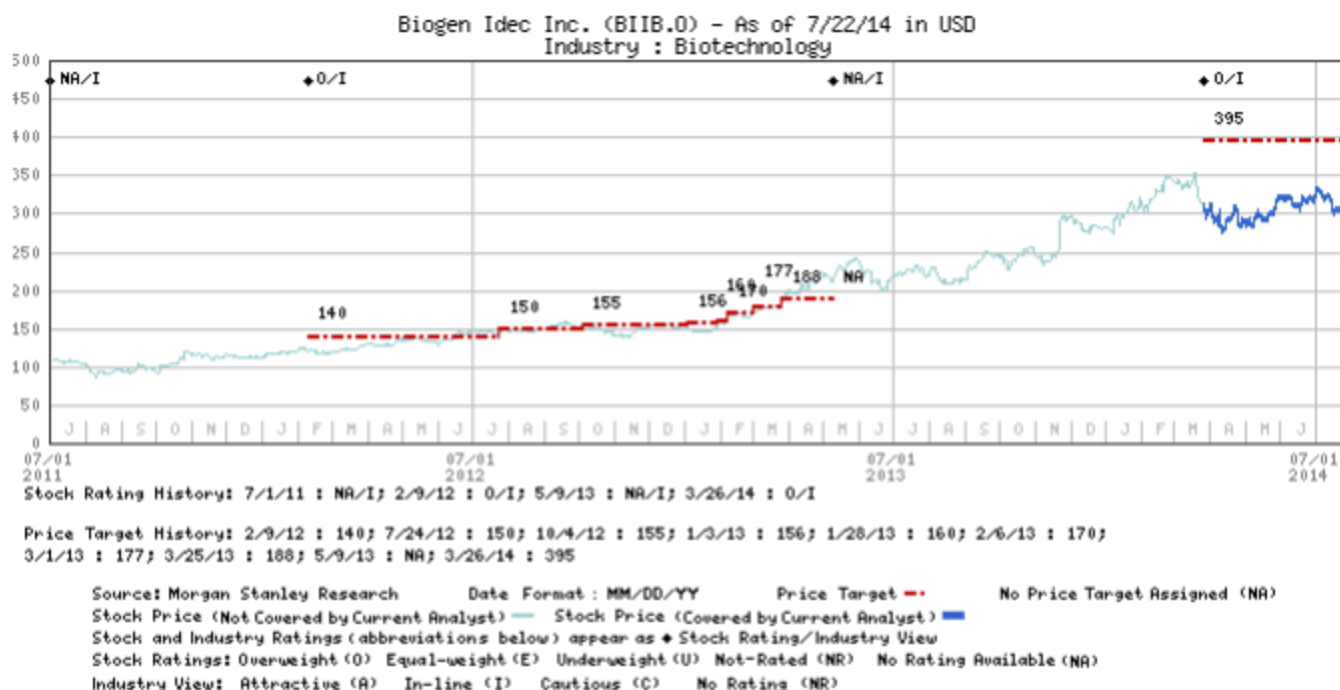
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Industry Coverage: Biotechnology

Company (Ticker)	Rating (as of)	Price* (07/22/2014)
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David Friedman, ■■

AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$18.49
Akebia Therapeutics Inc (AKBA.O)	O (04/14/2014)	\$23.27
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$167.97
Alnylam Pharmaceuticals (ALNY.O)	E (01/14/2014)	\$55.26
Auxilium Pharmaceuticals (AUXL.O)	U (03/06/2014)	\$19.35
Chimerix Inc (CMRX.O)	O (05/06/2013)	\$21.58
Cubist Pharmaceuticals Inc. (CBST.O)	O (11/13/2013)	\$65.7
GW Pharmaceuticals PLC (GWPH.O)	O (04/22/2014)	\$88.24
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$24.31
Incyte Corporation (INCY.O)	U (01/23/2013)	\$47.92
InterMune (ITMN.O)	E (09/07/2010)	\$45.14
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$14.47
Lexicon Pharmaceuticals, Inc. (LXRX.O)	U (06/11/2013)	\$1.54
NPS Pharmaceuticals (NPSP.O)	++	\$29.72
Neurocrine Biosciences Inc (NBIX.O)	E (01/08/2014)	\$13.55
Ophthotech Corp (OPHT.O)	O (10/21/2013)	\$41.24
Portola Pharmaceuticals Inc (PTLA.O)	O (06/17/2013)	\$24.6
Rellypsa, Inc. (RLYP.O)	O (12/10/2013)	\$23.61
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$71.42
Theravance Inc (THRX.O)	U (07/22/2013)	\$27.68
Ultragenyx Pharmaceutical Inc (RARE.O)	O (02/25/2014)	\$42.97
Versartis, Inc. (VSAR.O)	O (04/15/2014)	\$23.79
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$97.74
XenoPort Inc (XNPT.O)	U (06/11/2013)	\$4.35

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Amgen Inc. (AMGN.O)	O (03/26/2014)	\$121.11
Biogen Idec Inc. (BIIB.O)	O (03/26/2014)	\$303.67
Celgene Corp (CELG.O)	E (03/26/2014)	\$86.66
Gilead Sciences Inc. (GILD.O)	E (03/26/2014)	\$89.33
ImmunoGen Inc. (IMGN.O)	U (06/25/2014)	\$11.33
Infinity Pharmaceuticals Inc (INFI.O)	O (06/25/2014)	\$9.9

Pharmacycics Inc. (PCYC.O)	E (03/26/2014)	\$96.61
Regeneron Pharmaceuticals Inc. (REGN.O)	E (03/26/2014)	\$306.02

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.