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Bristol-Myers Squibb and "the best of both worlds"

Bristol-Myers Squibb (BMY) represents a unique investment opportunity.

First, it offers hope for growth. Its Plavix patent, used to inhibit blood clots, is believed to expire in the near future. It is a big drug for the company representing an estimated 34% of the company's 2010 revenues. While this is negative, the stock price has been treading water for a long time, so the market has been well prepared for this reduction of revenue and this is no surprise.

To offset this expected reduction, Bristol-Myers Squibb has recently announced good trial results on a new blood thinner, (apixaban). More discussion on its trials is expected on August 28, 2011. If approved and launched into the market place, apixaban could finally offer hope for growth and replacement of the Plavix patent expiration.

Secondly, BMY is currently paying $0.33 per share per quarter. The next dividend is August 1, 2011 and should recycle in November, February and May. At an annual rate of $1.32 per share and a stock price last night of $29.33, this gives a cash yield of 4.53%. When compared to bank CDs, money market funds and bonds, this is extraordinary.

Thirdly, re value, the stock is selling at 13.3 times estimated 2011 earnings. This means that investors are earning 7.5% in terms of profits. When compared in this manner to long term, medium term and short term U.S. government bonds, U.S. bonds are earning south of 4%.

Fourthly, the shares are massively held by institutional investors, estimated at 69% of all shares. It appears that a large number of the institutional holders are value oriented and indexed investors. If the growth or momentum crowd decides to enter this stock, it would spread out the distribution.

Lastly, the budget matter in Washington is going to be a random event. While it may go into overtime, once we see the conclusion, the whole market is subject to reappraisal. Accordingly, from a timing point of view, this is a good time to be positive.