US EQUITY RESEARCH

19 September 2025

Vertex Pharmaceuticals Inc

Guidance reaffirmed despite execution risks

Company Overview

Vertex Pharmaceuticals Incorporated invents, develops, and commercializes pharmaceutical products. Its pipeline consists of seven commercialized products targeting cystic fibrosis (CF), as well as eight programmes in clinical trial Phase 2 or 3 targeting pain, sickle cell diseases (SCD), and multiple diseases associated with gene mutations. As the leader in CF treatment, its segments include (by revenue share in FY24): CF drug TRIKAFTA (also known as Kaftrio): 93%, and other CF drugs: 7%.

Investment Overview

Cystic fibrosis performance buoys earnings. 2Q25 adjusted EPS turned positive to USD4.52, underpinned by a 12% y/y revenue growth to USD2.96bn. This was fuelled by strong traction in the core Cystic Fibrosis (CF) franchise, where TRIKAFTA/KAFTRIO delivered USD2.55bn in sales, up 4% y/y. Non-GAAP operating income turned positive to USD1.33bn at a 45% margin, while non-GAAP net income was USD1.17bn, marking a remarkable turnaround from 2Q24's loss driven by one-off charges. Cash reserves stood at USD12bn. Management reaffirmed full-year revenue guidance of USD11.85bn to USD12bn, citing sustained CF demand and diversified growth from launches.

Outlook remains bullish but clinical timing warrants caution. Guidance was reaffirmed across revenue, with combined R&D and SG&A expected to be USD4.9bn to USD5.0bn non-GAAP and tax rate to be 20.5% to 21.5%, underscoring confidence in execution despite external pressures. However, sentiment dimmed as the company halted development of its next-gen pain drug VX-993 and narrowed JOURNAVX's label to diabetic neuropathy only. These were significant setbacks in a previously high-value pain portfolio. Capital allocation remains balanced, though upside depends on regulatory success of pipeline mid- and late-stage programs and broader adoption of recent launches.

Vertex was – and will continue to be – a beneficiary of the growing CF market. Vertex's performance since 2017 indicates that its share price is mostly driven by revenue growth from its key CF medications. Vertex has launched numerous CF medications to cater for CF patients of all ages, allowing it to continue tapping into the burgeoning CF market, which is predicted to increase at a CAGR of 4.8% between 2023 and 2030. Furthermore, reimbursements for Vertex's CF products are available in the United States and other regions. Approximately half of all CF patients in the United States are covered by publicly sponsored programs like Medicaid, making Vertex's CF medications more accessible.

We have a BUY rating on Vertex, with a TP of USD480. Our TP is based on 16.5x 25F PE, 1.1 SD below its five-year average. Our BUY rating is premised on its strong revenue growth driven by new product launches and upcoming clinical trial developments.

Risks

High reliance on the Cystic Fibrosis portfolio. Out of Vertex's seven approved medications, five are indicated for CF. While Vertex leads the growing CF industry, its position may be challenged by competitors, posing a significant risk to the company's revenue and growth prospects.

Analyst

Nico Chen | dbsvhk@dbs.com

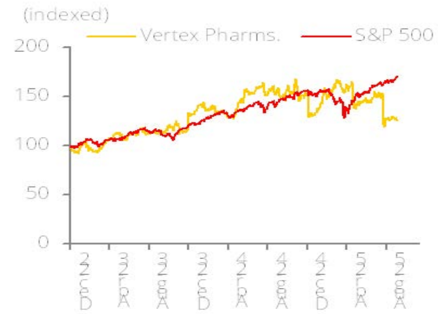
Key Financial Data (FY Dec)

Bloomberg Ticker	VRTX US
Sector	Health Care
Share Price(USD)	387.15
DBS Rating	BUY
12-mth Target Price (USD)	480.00
Market Cap (USDbn)	99.26
3m Avg. Daily Val (USDmn)	692.56
Dividend yield (%)	na
Net Debt/Equity (x)	Cash
Fwd. P/E (x)	19.95
P/Book (x)	na
ROE (%)	0.65

Closing Price as of 17/09/2025

Source: Twelve Data, DBS, Visible Alpha

Vertex Pharmaceuticals Inc Share Price



Source: Thomson Reuters

Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	8,931	9,869	11,020	11,998	13,189
% y/y	*17.9*	*10.5*	*11.7*	*8.9*	*9.9*
Gross Profit	7,850	8,607	9,490	10,410	11,536
% y/y	*17.7*	*9.6*	*10.3*	*9.6*	*10.8*
EBITDA	4,941	4,556	902.8	5,470	6,418
% y/y	*47.2*	*(7.8)*	*(80.2)*	*527.2*	*18.1*
Net Profit	3,855	3,968	110.6	4,618	5,229
% y/y	*53.4*	*2.9*	*(97.2)*	*3,869.9*	*13.2*
FCF	3,925	3,337	(790.3)	4,464	5,252
% y/y	*63.0*	*(15.0)*	*(123.7)*	*461.8*	*19.9*
CAPEX	204.7	200.4	297.7	240.2	260.6
% y/y	*(12.9)*	*(2.1)*	*48.6*	*(14.6)*	*2.4*
EBITDA Margin (%)	55.3	46.2	8.2	45.6	48.6
Net Margin (%)	43.2	40.2	1.0	38.5	39.6
ROA (%)	24.4	19.4	0.5	19.2	18.3
ROE (%)	32.1	25.2	0.6	25.6	23.7
Tax Rate (%)	20.8	19.4	91.0	20.1	20.5

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	19.4	26.7	939.0	21.6	19.4
P/B (x)	nm	nm	NaN	5.0	4.1
EV/EBITDA (x)	13.2	20.6	109.5	16.9	14.9
FCF Yield (%)	5.2	3.1	(0.8)	4.4	5.2

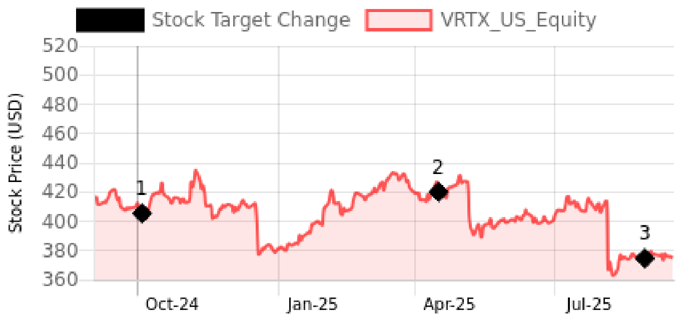
Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	5.8	4.1	10.1	6.3	5.1
Net Debt / Equity	(0.7)	(0.6)	(0.3)	(0.5)	(0.6)
Debt / Assets	4.5	3.2	7.4	5.1	4.2
Net Debt / Assets	(0.5)	(0.5)	(0.2)	(0.4)	(0.4)
EBITDA / Int Exp	90.2	103.3	29.5	304.9	267.5
ST Debt / Total Debt	0.00	0.00	0.00	0.00	0.00
Debt / EBITDA	0.2	0.2	1.8	0.2	0.2
[Cash + CFO] / ST Debt	nm	nm	nm	nm	nm
Receivables Days	58.9	57.8	53.3	57.3	56.6
Days Payable	12.4	13.5	13.7	12.6	12.3
Inventory Days	18.8	27.3	39.9	29.9	28.1

Source: Visible Alpha

Target Price & Ratings History - Vertex Pharmaceuticals Inc (VRTX_US_Equity)



#	Date of Report	Closing Price	12-m Target Price	Rating
1	04 Oct'24	455.31	450.00	HOLD
2	16 Apr'25	500.49	600.00	BUY
3	29 Aug'25	392.05	480.00	BUY

Source: DBS HK
Analyst: Nico Chen

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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