

AMGEN INC Ticker: AMGN Sector: Healthcare Industry: Biotechnology	Intrinsic Value: \$185.10 Current Price: \$139.15 Stop Loss: \$118.27 Upside Review: \$210.86	TTM P/E: 21.31 Forward P/E: 16.7 Beta: 0.8	Market Cap: \$105.70 B Dividend Yield: \$2.44 (1.80%) 52 Week Range: \$105.76 – 144.46
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Business Summary: Amgen Inc. is the world's largest independent biotechnology medicines company. It discovers, develops, manufactures, and markets medicines for grievous ailments. Amgen's products sales, which were 97% of sales in 2013, inc.: Aranesp and EPOGEN (treat anemia in patients with chronic renal failure, etc.); Neulasta and Neupogen (fight infections in chemotherapy patients, etc.), and Enbrel (treats autoimmune diseases). (Value Line)

Industry Trends: Companies in the Biotechnology Industry differ from their pharmaceutical counterparts. Most notably, biotechnology firms utilize the natural environment in the quest for cures. The discovery process is a long and arduous task with the pathway to commercial success highly uncertain. However, if market approval is attained, the rewards can be bountiful, indeed. Too, since the development process is so tedious and scientifically intense, generic duplication is near impossible. (Value Line)

Investment Thesis: Amgen is well positioned to continue growth trends for the next 5-10 years. Their current drug offerings and pipeline are strong. The company recently acquired Onyx Pharmaceuticals and will be restructuring for the next two years, reducing their operating expenses and allowing for increased contributions to R&D.

Competitive Analysis: Amgen is the largest “pure play” biotech company. Through organic growth and acquisition, it has built a strong drug portfolio and pipeline which will ensure revenues for the next decade through patent protection and the complex nature of biologics. It is also leading the industry in developing biosimilar R&D and manufacturing capabilities.

Pros:

- Strong sales and market share from currently available drugs. Robust pipeline with at least 5 additional drugs in late stages of approval.
- Industry leader in investments into biosimilar (generic) drug manufacturing and R&D processes.
- Restructuring following the acquisition of Onyx Pharmaceuticals will reduce expenses and operating costs in the next two years.

Risk Factors:

- As others enter the biosimilars market will be price pressure on mature drugs.
- Increased pressure from public to reduce the price of “specialty drugs.”
- High degree of regulation on entire industry.

5 Year Stock Performance:



Total Return Estimates

3 Yr FV Reversion: 9.76%
 5 Yr FV Reversion: 8.45%

Key Valuation Assumptions

Est Revenue Growth: 7.00%
 WACC: 7.92%
 Expected Inflation: 1.7%
 Terminal Growth Rate: 3.5%
 10 Yr Risk Free Rate: 4.00%
 Equity Risk Premium: 7.00%
 Tax Rate: 15.00%

Key Financial Data

Est 2014 EPS: 8.40
 Est 2015 EPS: 9.00
 3-5 Yr Est EPS Growth: 4.56%
 PEG (TTM): 2.187

Credit Quality: B+
 ROE: 24.50%

ROA: 9.06%
 Price/Book: 4.34
 Price/Cash Flow: 13.45
 Debt/Equity: 136.69%
 Current Ratio: 3.44

Quick Ratio: 3.06

CSR Characteristics

Human Rights: 0/0
 Business Ethics Policy: 1/1
 ESG Disclosure: 46.69/23.58
 Equal Opportunity: 1/1
 Emission Reduction: 1/0
 Environment Disclosure Score: 48.96/35.94

Prepared by Doug Bova (October 5, 2014)

Competitor Comparison:

Direct Competitor Comparison					
	AMGN	JNJ	NVS	TEVA	Industry
Market Cap:	105.70B	296.50B	224.11B	46.89B	144.91M
Employees:	20,000	128,100	135,000	44,945	46.00
Qtrly Rev Growth (yoy):	0.11	0.09	0.03	0.03	0.18
Revenue (ttm):	19.46B	73.54B	59.33B	20.54B	8.90M
Gross Margin (ttm):	0.80	0.69	0.66	0.53	0.50
EBITDA (ttm):	8.13B	24.51B	16.66B	5.88B	-11.12M
Operating Margin (ttm):	0.33	0.28	0.20	0.21	-1.80
Net Income (ttm):	5.01B	15.55B	9.22B	2.58B	N/A
EPS (ttm):	6.53	5.41	3.94	3.04	-0.34
P/E (ttm):	21.31	19.44	23.46	18.09	31.41
PEG (5 yr expected):	1.79	2.50	2.17	8.44	0.04
P/S (ttm):	5.36	3.98	3.80	2.25	17.58

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo