

AMGEN INC Ticker: AMGN Sector: Health Care Industry: Biotechnology	Intrinsic Value: \$ 153.46 Current Price: \$112.41 Stop Loss: \$ 95.55 Upside Review: \$ 176.48	TTM P/E: 18.76 Forward P/E: 14.46 Beta: 0.80	Market Cap: \$89.17B Dividend Yield: 1.88(1.60%) 52 Wk Range: \$81.56-\$118.96
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Business Summary: Amgen is the world's largest independent biotechnology company which has business in more than 50 countries worldwide. The company discovers, develops, manufactures and delivers the innovative biologic medicines to help people against cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illness. Its flag-ship drugs include Epogen and Aranesp for red blood cell boosters, Neupogen and Neulasta for immune system boosters, Enbrel for inflammatory disease, Vectibix for cancer therapeutic and Prolia/ Xgeva for bone-strengthening.

Industry Trends: Firstly, traditional pharmaceutical companies will be converging with biotechnological companies. It is projected that biotech drugs will occupy 51% of top 100 drugs in 2013 comparing with 17% in 2004 and 39% in 2012. Secondly, FDA was authorized to establish a regulatory pathway for the approval and marketing of biosimilars. Thirdly, biotech drugs costs continue to rise disproportionately to overall drug spending.

Investment Thesis: Although Amgen might face challenge and pressure with coming FDA regulation and reimbursement pressure, but the growth from their products such as Prolia /Xgeva, Sensipar/Mimpara and Vectibix convinces us the future revenue growth. Also, Amgen continue to work on their pipeline's improvement. The new approval of denosumab which for cancer patients will drive more than 3\$ billion of sales. The acquisition and research expansion also will make Amgen enter into new fields and expand to new locations.

5 year Stock Performance:



Direct Competitor Comparison					
	AMGN	JNJ	NVS	TEVA	Industry
Market Cap:	89.17B	262.48B	192.65B	34.68B	132.56M
Employees:	18,000	128,700	133,000	45,948	53.00
Qtrly Rev Growth (yoy):	0.10	0.03	0.04	-0.01	0.16
Revenue (ttm):	18.09B	70.52B	58.48B	20.05B	13.21M
Gross Margin (ttm):	0.84	0.69	0.67	0.53	0.62
EBITDA (ttm):	7.21B	22.85B	17.19B	5.61B	-6.40M
Operating Margin (ttm):	0.34	0.27	0.21	0.20	-0.98
Net Income (ttm):	4.85B	12.88B	9.37B	419.00M	N/A
EPS (ttm):	6.30	4.48	3.79	0.49	-0.19
P/E (ttm):	18.76	20.77	20.87	84.23	25.64
PEG (5 yr expected):	1.61	2.69	3.59	5.47	N/A
P/S (ttm):	4.93	3.69	3.30	1.73	13.66

Source: AMGEN INC; S&P 500 Net Advantage; MorningStar; Value Line; Yahoo! Finance.

Competitive Analysis: The competitors are in different specific industries due to diversified pipelines of Amgen, including drug manufacturers Johnson & Johnson, Novartis AG and Teva Pharmaceutical Industries Limited which is the direct competitor for Neupogen product.

Pros:

- The \$155 million government order for Neupogen, the heightened demand for Enbrel and Neulasta and sales growth from Prolia/ Xgeva support the continued strong revenue in next two years.
- The planned acquisition of Onyx Pharmaceuticals lets Amgen enter into cancer-drug field which has lucrative addressable markets.
- The new blood of management team and R&D engine are expected to be beneficial to company's productivity and future share performance.
- Diversified products mitigate the pressures.

Risk Factors:

- The biosimilars such as Epogen and Neupogen will be impacted by coming U.S. regulatory pathway and patent expires in near future.
- The market become more competitive and regulated and the company's business performance could be negatively impacted by government reimbursement policies.

Total Return Estimates:

3 Yr FV Reversion*: 7.14%
5 Yr FV Reversion*: 6.81%
(* - From limit order price of \$00.00)

Key Valuation Assumptions:

Est. Revenue Growth 5%
WACC 6.23%
Expected Inflation 1.5%
Terminal Growth Rate 1.5%
10 yr. Risk Free Rate 2.62%
Equity Risk Premium 5.9%
Tax Rate 13.26%

Key Financial Data:

Est. 2013 EPS 7.46
Est. 2014 EPS 8.10
3-5 Yr. Est. EPS Growth 12.01%
PEG (TTM) 1.74
Credit Quality B+
ROE 22.81%
ROA 8.42%
Price /Book 4.12
Price/Cash Flow 15.45
Debt/Equity 139.19%
Current Ratio 3.81
Quick Ratio 3.24

CSR characteristics

Human Rights 0/0
Business Ethics Policy 1/1
ESG Disclosure 47.52/23.06
Equal Opportunity 1/1
Emission Reduction 1/0
Environmental Disclosure Score 48.06/37.05

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