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

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 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.

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
WACC
Expected Inflation
Terminal Growth Rate
10 yr. Risk Free Rate
Equity Risk Premium
Tax Rate

Key Financial Data:
Est. 2013 EPS
Est. 2014 EPS
5 Yr. Est. EPS Growth
PEG (TTM)
Credit Quality
ROE
ROA
Price /Book
Price/Cash Flow
Debt/Equity
Current Ratio
Quick Ratio

CSR characteristics
Human Rights
Business Ethics Policy
ESG Disclosure
Equal Opportunity
Emission Reduction

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