



Amgen Inc (AMGN)

Updated November 5th, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$319	5 Year CAGR Estimate:	6.0%	Market Cap:	\$172 B
Fair Value Price:	\$265	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	11/18/24
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.7%	Dividend Payment Date:	12/09/24
Dividend Yield:	2.8%	5 Year Price Target	\$371	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Amgen is the largest independent biotech company in the world. Amgen discovers, develops, manufactures and sells medicines that treat serious illnesses. The company focuses on six therapeutic areas: cardiovascular disease, oncology, bone health, neuroscience, nephrology, and inflammation. Amgen generates about \$28 billion in annual revenues. Founded in 1980, the company began with just three employees. Today Amgen has more than 24,000 employees and operates in approximately 100 countries.

On December 12th, 2023, Amgen announced that it was raising its quarterly dividend 5.6% to \$2.25.

On October 30th, 2024, Amgen reported third quarter earnings results for the period ending September 30th, 2024. Revenue grew 23.2% to \$8.5 billion, which was in-line with estimates. Adjusted earnings-per-share of \$5.58 compared favorably to \$4.96 in the prior year and was \$0.47 above expectations.

For the quarter, growth was primarily due to a 29% improvement in volumes, offset by 2% lower net selling prices. Sales for Enbrel, which treats rheumatoid arthritis, declined 20% to \$825 million due to a combination of unfavorable changes to estimated sales dedications and lower prices. Prolia, which treats osteoporosis, increased 6% to a \$1 billion, driven by volume growth. More than 7.5 million patients were treated with the product in 2023. Repatha, which is used to control cholesterol, grew 40% to \$567 million. Amgen reduced prices for Repatha in 2018 and this has allowed the product to capture market share. Volumes were higher by 41% during the quarter, helping to offset lower selling prices. Otezla, which is used to treat inflammatory diseases, fell 1% to \$564 million as lower selling prices more than offset a 5% improvement in volume. Amgen also confirmed that its Phase 2 data for its injectable weight-loss drug candidate, called MariTide, is ongoing. Topline data is expected late this year. The company ended the quarter with \$9.0 billion of cash and cash equivalents against debt of \$60.4 billion.

Amgen again narrowed its prior guidance for 2024. The company now expects adjusted earnings-per-share in a range of \$19.20 to \$20.00, compared to \$19.10 to \$20.10, \$19.00 to \$20.20, and \$18.90 to \$20.30 previously. At the midpoint, this would be a 5.1% improvement from the prior year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$8.70	\$10.38	\$11.65	\$12.58	\$14.40	\$14.82	\$16.60	\$17.10	\$17.69	\$18.65	\$19.60	\$27.49
DPS	\$2.44	\$3.16	\$4.00	\$4.60	\$5.28	\$5.80	\$6.40	\$7.04	\$7.76	\$8.52	\$9.00	\$12.62
Shares¹	760	754	738	720	640	598	585	565	539	535	538	525

Amgen's earnings not only held up during the last recession, but grew. Over the last ten years, the company has grown earnings at a rate of 8.8% per year, though that growth has slowed to 5.8% over the last five years. We reaffirm our expected growth rate of 7% annually, down from 9%, due to strength in new products and share repurchases, offset by the high beginning base for earnings-per-share. Amgen has been aggressively repurchasing its own shares, retiring 3.8% of outstanding shares annually since 2014.

¹ Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



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On August 16th, 2022, the Inflation Reduction Act of 2022 was signed into law. The law will, in part, require the federal government to negotiate prices for drugs covered under Medicare starting in 2026. This could reduce the profits pharmaceutical companies could collect, but these costs could be shifted to employer sponsored plans, reducing the negative impact on businesses. As such, we maintain our expected growth rates, but will monitor the situation as we get closer to the implementation of the law.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	15.1	15.2	13.4	13.6	13.1	13.3	13.9	13.1	14.8	15.4	16.4	13.5
Avg. Yld.	1.9%	2.0%	2.6%	2.7%	2.8%	3.0%	2.8%	3.1%	3.0%	3.0%	2.8%	3.4%

Shares of Amgen have declined \$3, or 0.9%, since our August 12th, 2024 update. Based off estimates for 2024, Amgen trades with a multiple of 16.4 times earnings. We view 13.5 as fair value for the stock, which is near the medium- and long-term average price-to-earnings multiples. If shares were to revert to our target multiple by 2029, then valuation would reduce annual returns by 3.7% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	28%	30%	34%	37%	37%	39%	39%	41%	44%	46%	46%	46%

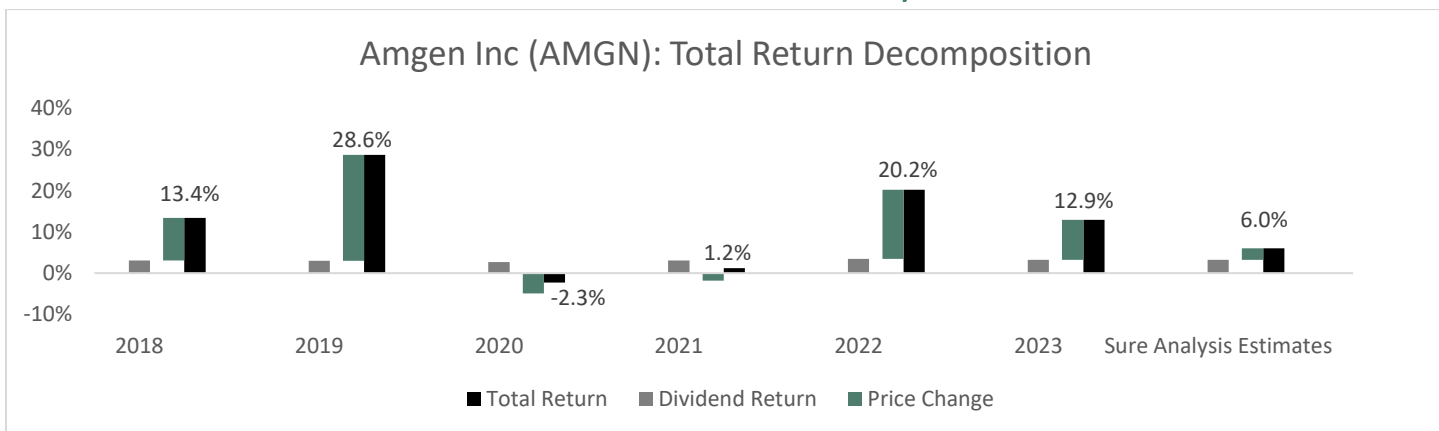
Amgen's profitability held up very well during the last recession. Companies in the health care sector are often recession resistant as people will seek treatment for their health issues regardless of economic conditions. The company also has a very low payout ratio that will allow it to continue to raise its dividend going forward, even in a prolonged recession.

Amgen is the largest biotech company in the world, giving it size and scale over its peers. This allows the company to reduce net selling price on products, such as with Repatha, to take market share. Another key competitive advantage Amgen has over its peers is the company's ability to bring new products to market. The company has reduced its development cycle timeline by 36 months. Amgen spent 17.8% of 2023 sales on R&D.

Final Thoughts & Recommendation

Following third quarter earnings results, Amgen is now projected to offer a total annual return of 6.0% through 2029, up from our previous estimate of 5.8%. Our estimated return stems from a 7% earnings growth rate and a 2.8% starting dividend yield, partially offset by a low single-digit headwind from multiple compression. Amgen's newer products continue to perform well. We reaffirm our 2029 price target of \$371 due to EPS estimates for the year and continue to rate Amgen as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	20,063	21,662	22,991	22,849	23,747	23,362	25,424	25,979	26,323	28,190
Gross Profit	15,641	17,435	18,829	18,780	19,646	19,006	19,265	19,525	19,917	19,739
Gross Margin	78.0%	80.5%	81.9%	82.2%	82.7%	81.4%	75.8%	75.2%	75.7%	70.0%
SG&A Exp.	4,699	4,846	5,062	4,870	5,332	5,150	5,730	5,368	5,414	6,179
D&A Exp.	2,092	2,108	2,105	1,955	1,946	2,206	3,601	3,398	3,417	4,071
Operating Profit	6,191	8,470	9,794	9,973	10,263	9,674	9,139	9,144	9,566	7,897
Op. Margin	30.9%	39.1%	42.6%	43.6%	43.2%	41.4%	35.9%	35.2%	36.3%	28.0%
Net Profit	5,158	6,939	7,722	1,979	8,394	7,842	7,264	5,893	6,552	6,717
Net Margin	25.7%	32.0%	33.6%	8.7%	35.3%	33.6%	28.6%	22.7%	24.9%	23.8%
Free Cash Flow	7,949	9,137	9,616	10,513	10,558	8,532	9,889	8,381	8,785	7,359
Income Tax	427	1,039	1,441	7,618	1,151	1,296	869	808	794	1,138

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	69,009	71,449	77,626	79,954	66,416	59,707	62,948	61,165	65,121	97,154
Cash & Equivalents	3,731	4,144	3,241	3,800	6,945	6,037	6,266	7,989	7,629	10,944
Acc. Receivable	2,546	2,995	3,165	3,237	3,580	4,057	4,525	4,895	5,563	7,268
Inventories	2,647	2,435	2,745	2,834	2,940	3,584	3,893	4,086	4,930	9,518
Goodwill & Int.	27,481	26,428	25,030	23,370	22,142	34,116	31,276	30,072	31,609	51,270
Total Liabilities	43,231	43,366	47,751	54,713	53,916	50,034	53,539	54,465	61,460	90,922
Accounts Payable	995	965	917	1,352	1,207	1,371	1,421	1,366	1,572	1,590
Long-Term Debt	30,715	31,429	34,596	35,342	33,929	29,903	32,986	33,309	38,945	64,613
Total Equity	25,778	28,083	29,875	25,241	12,500	9,673	9,409	6,700	3,661	6,232
LTD/E Ratio	1.19	1.12	1.16	1.40	2.71	3.09	3.51	4.97	10.64	10.37

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	7.6%	9.9%	10.4%	2.5%	11.5%	12.4%	11.8%	9.5%	10.4%	8.3%
Return on Equity	21.5%	25.8%	26.6%	7.2%	44.5%	70.7%	76.1%	73.2%	126.5%	135.8%
ROIC	9.3%	12.0%	12.5%	3.2%	15.7%	18.2%	17.7%	14.3%	15.9%	11.8%
Shares Out.	760	754	738	720	640	598	585	565	539	535
Revenue/Share	26.06	28.28	30.49	31.09	35.71	38.36	43.09	45.34	48.66	52.40
FCF/Share	10.32	11.93	12.75	14.30	15.88	14.01	16.76	14.63	16.24	13.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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