

June 30, 2020

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Return on Investment

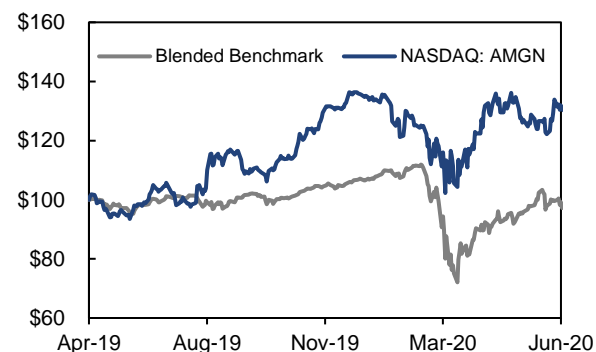
Current Share Price	\$235.86
Target Price	\$252.00
Dividend Yield	3.32%
Holding Period Return	10%
Conviction Rating	2

Market Profile

52-Week Range	\$174.11 - \$243.20
Market Capitalization (US\$mm)	\$138,744
Net Debt (US\$mm)	\$23,836
Enterprise Value (US\$mm)	\$162,580
Beta (5-Year Monthly)	0.95

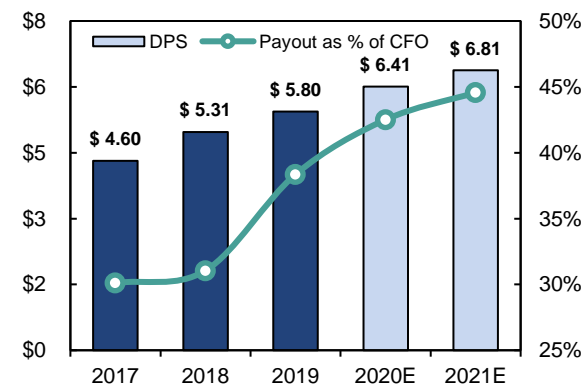
Metrics	2020E	2021E	2022E
Revenue (US\$mm)	\$23,098	\$23,181	\$23,234
EBITDA (US\$mm)	\$10,163	\$10,200	\$10,279
EPS	\$9.35	\$9.36	\$9.20
EV/EBITDA	16.0x	15.9x	15.8x

Holding Period Trading Performance (Indexed to \$100)



Source: S&P Capital IQ

Figure 1: LHS Dividends (US\$/sh) & RHS Payout of CFO



Source: Company Filings, CPMT Estimates

Business Description

Amgen (NASDAQ: AMGN) is a biotechnology company focused on discovering, developing, manufacturing and delivering innovative human therapeutics in six core areas: Oncology, Cardiovascular, Inflammation, Bone Health, Neuroscience, and Nephrology/Dialysis. AMGN operates primarily in the U.S. (~74% of revenue), although the Company has increased its international footprint through a recent expansion in the Asia-Pacific region (~26% of revenue).

Biotechnology Industry Overview

Biotechnology involves the development of new products that utilize cellular and biomolecular processes to treat debilitating and rare diseases. Typically, companies within the industry will focus on niche therapeutic areas and can achieve high revenue growth and margins through successful R&D investment. Slowed launches, long-term drug pricing shifts, and changing consumer behavior all present headwinds for biotech companies considering the COVID-19 pandemic; a particularly negative impact to the industry has been the suspension of near-term clinical trials and drug development. Additionally, the biotechnology space may see more alliances, partnerships, and/or M&A activity in order to service solutions as well as to raise and preserve capital.

COVID-19 Response

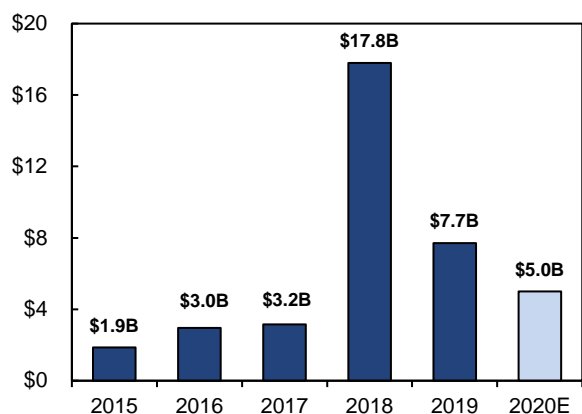
AMGN is addressing urgent continuity of care issues by exploring novel solutions; these include alternate sites of care, mobile nurse injections, prescription fills at specialty and retail pharmacies, and home delivery of medicines and infusions. The Company communicated in Q1 2020 that research labs and sites in Shanghai, Europe, the U.S., and Iceland were beginning to return to activity levels prior to the pandemic.

AMGN and Adaptive Biotechnologies (NASDAQ: ADPT) announced a strategic partnership to develop a therapeutic treatment for COVID-19. The collaboration brings together ADPT's proprietary immune medicine platform, which identifies virus-neutralizing antibodies, with AMGN's expertise in immunology and novel antibody therapy development. As firms hope to access new biotech innovations, more collaborations between various biotechnology companies have begun to emerge; examples include a US\$50mm licensing deal between Eli Lilly and Sitryx, as well as a US\$190mm deal between Roche and Arrakis Therapeutics to develop RNA-targeting small molecules.

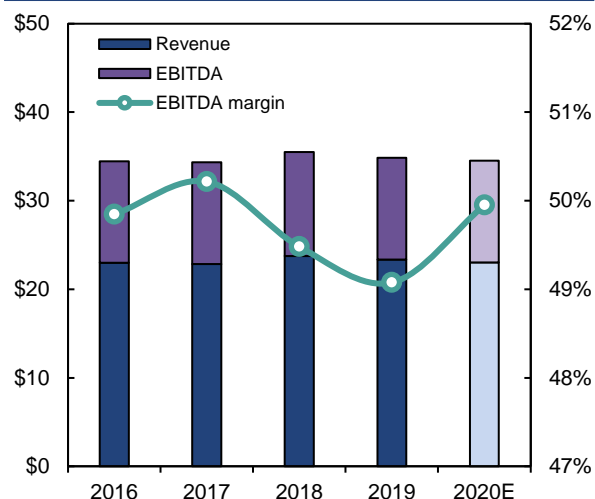
Pipeline

The Company expects that growth from its newer products, combined with products from its biosimilars portfolio, will outpace declines in its more mature legacy products. Currently, the Company has 10 drugs in its biosimilars portfolio, with seven of them publicly disclosed. AMGN's notable later-stage programs include: Tezepelumab, Omecamtiv, and AMG 510 (Sotorasib). All are expected to readout in the second half of 2020.

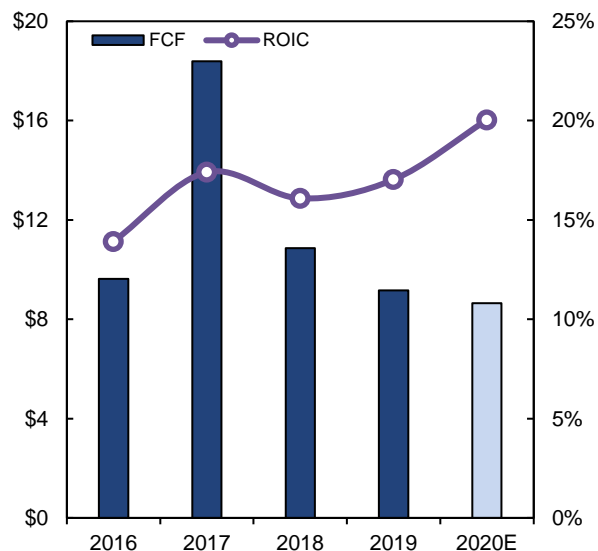
Tezepelumab: Tezepelumab is a treatment for asthma and functions by targeting TSLP, an epithelial cell that recruits inflammatory response in the event of tissue injury. Asthma can be broken (cont.)

Figure 2: Share Repurchases (US\$B)

Source: Company Filings, Street Estimates

Figure 3: EBITDA & Revenue (US\$B)

Source: Company Filings, CPMT Estimates

Figure 4: LHS FCF (US\$B) & RHS ROIC

Source: Company Filings, CPMT Estimates, S&P Capital IQ

up into two categories: allergic asthma and eosinophil high asthma; the Company believes there is a large amount of unmet medical need in the latter due to the absence of approved biologics.

Omecamtiv: the drug treats heart failure by improving heart contractility, a common health complication associated with aging demographics. Omecamtiv is the first drug to act directly on the heart muscle cell to improve contractility.

AMG 510: the Company has developed an extensive biomarker program to understand the predictors of response and resistance at the molecular level, which is critical in unveiling the behaviour of tumors that are driven by the KRAS G12C mutation in colorectal cancer that AMG 510 treats.

Other early-stage products such as the BiTE programs - which target PSMA in prostate cancer, DLL3 in small cell lung cancer and, BCMA in multiple myeloma - as well as the launch of the AMG 890 Phase II trial, are expected to be strong catalysts for the Company's pipeline.

Risks and Catalysts

AMGN's growth catalysts include: (1) its diversified commercial base and product mix shift - this is expected to mitigate concentration risk across multiple therapeutic areas and enable future market opportunities; (2) the Company's late-stage pipeline readouts in late-2020, which have the potential to drive commercial potential and increase R&D productivity; and (3) AMGN's capital allocation, FCF generation (US\$8.5B in 2019), and deal capacity indicate the Company's financial flexibility to continue share repurchases (estimated US\$5B over 2020) and dividend per share growth (~19% five-year CAGR), as well as increase M&A activity.

The CPMT is aware that AMGN is exposed to risks of (1) increased competition for novel and legacy biologics (especially in the event of legacy drug Enbrel's patent expiration in 2028), pricing pressures, and IP litigations (similar to the recent Enbrel IP appeal verdict); (2) the success of late-stage pipeline drugs being less than expected; and (3) operating margins compressing in the face of declining legacy business and new competition.

Valuation and Investment Thesis

The CPMT valued AMGN using a five-year DCF analysis at a WACC of 4.1%. The target price of \$243.00 was derived based on a 50/50 blend of the Gordon growth method, assuming a terminal growth rate of 1.00% and applying an EV/EBITDA exit multiple of 13.9x. Key assumptions made include pipeline readouts and sales growth, both of which were adjusted to reflect the impact of COVID-19; we anticipate the pandemic to primarily affect Q2 2020.

The CPMT believes AMGN's original investment thesis as a differentiated biotech investment opportunity still holds given its stable revenues and growing FCF, strong returns on capital, and its ability to determine and address market opportunities. Amidst the COVID-19 pandemic, AMGN has displayed relative stability, continuing to deliver shareholder value through the issuance of dividends and its share buyback program. It has also been diligent in cost-conserving practices to mitigate systematic market risk placing downward pressure on margins. In 2019, the Company delivered 3% volume growth worldwide and 19% volume growth in the U.S. Management has demonstrated its commitment to expand globally through its recent ~20% stake in BeiGene, a biotechnology company based in China. Management estimates the Asia-Pacific region will account for ~25% of Amgen's overall growth over the next decade.