AGENDA

- About Amgen
- Why Amgen?
- Thesis Points
- Risks
- Business & Stock Overview
- How it finances
- Familiar Strangers (key people)
- The future
- Valued Added Research
So what’s an Amgen?

- The World’s largest independent biotechnology medicine corporation.
  - Discover, develop, manufacture and market medicines for grievous illnesses
- Incorporated in 1980
- Approx. 17,200 staff World wide!
  - 6,600 = research and development, 4,700 = manufacturing, 3,900 = commercial operations, remaining = administrative.
- Primarily markets recombinant protein therapeutics in supportive cancer care, nephrology and inflammation. Main products:
  - Aranesp (darbepoetin alfa), EPOGEN (Epoetin alfa), Erythropoietic-stimulating agents (ESA’s stimulate production of red blood cells), Neulasta (pegfilgrastim), NEUPOGEN, Enbrel, etc.
Where is it?

- **Here! (Thousand Oaks, CA, MA, WA, CO, KY, Puerto Rico, D.C, RI)**
- Canada
- Mexico
- Brazil
- Austria
- Baltics (Switzerland)
- Belgium
- Bulgaria
- Czech & Slovakia
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Netherlands
- Norway
- Portugal
- Poland
- Spain
- Sweden
- Switzerland
- U.K
- Australia
- New Zealand
- Dubai
- Hong Kong
- India
- Japan
So, Why AMGN anyway?
Thesis Points

- We all need/use drugs!
  - Cancer research is on the rise
  - The Biotech industry has become a major player in medicine since the 21st century.
  - More and more research is done not only to heal the sick but also to make bodily functions more efficient (e.g., red blood cell hemoglobin)

**Amgen** doesn’t necessarily want to make max profits but to “heal.”
Profits = mere consequence
(some) Products

Aranesp! (Since 2001) For: Anemia; Chronic Renal failure and Chemo (cancer)

- 10.6 million WW are diagnosed with cancer/year. 24.6 alive that have been diagnosed with cancer in last 5yrs.
- Est. 3 million people have anemia in the U.S
- Cancer is virtually ineradicable 😞

.vs Procrit? (by J&J)

- requires frequent dosage during chemotherapy (shorter ½ life) = less effective. Needed every week (Aranesp = once every 2-3 weeks)
- now less preferred by Doctors
ENBREL! (Since 1998)

- First ever Tumor Necrosis Factor inhibitor!
- TNF = cell death (autoimmune disease)
- Global market for TNF inhibitors, 2007 = $10bn, 2008 = $13.5bn

vs Remicade (1999), Humira (2002) ?

- both fairly new
(other) Products

- EPOGEN since 1989 (= Procrit)
- Neulasta (bone marrow stimulant- Chemo etc)
- NEUPOGEN (Neutropena/low white blood cell #)
- Nplate (low platelet # etc)
- Sensipar (CRD etc)
- Vectibix (Chemo etc)
Thesis Points

- Patient Protection and Affordable Care Act (Public Law 111-148)
  - The law allows for 12yrs of exclusivity for Biotech drugs.
  - Large cap Biotech companies (like Amgen [the biggest]) will benefit from the bill.
  - Increased revenue from new 32 million pool insured
Thesis Points: “Competitors”

- Partnerships with “competitors.”
  
  - business relationships including joint ventures and collaborative arrangements for R&D/manufacture/commercialization of products.
  
  - these relationships provide:
    
    - non-refundable, up-front license fees
    
    - R&D and commercialization performance milestone payments (to us)
    
    - cost sharing & profit sharing
    
    - royalty payments
Competition/Partnerships

- Partnerships with “competitors.”

*Kirin Holding Company*

- 50-50 joint venture called *Kirin-Amgen Inc*
- obtained exclusive license to manufacture *darbepoetin, EPOGEN* and many others around the world
- receives royalty payments from sales
- Partnerships with “competitors.”

**Johnson & Johnson**

- Granted J&J license to commercialize recombinant human erythropoietin. Sold by J&J but initially developed by Amgen, now JNJ’s under trademark **PROCRIT**.
- receives 10% royalty on net sales of **PROCRIT** by J&J
- Partnerships with “competitors.”

**Pfizer**

- Co-promotes *ENBREL*

- We pay Pfizer a % of annual gross profits of ENBREL in U.S and Canada on a scale that increases as gross profits increase

HOWEVER- Amgen maintains a majority share of ENBREL profits!

![Pfizer Logo](Pfizer.png)
Competitors/Partnerships

- Partnerships with “competitors.”

_GlaxoSmithKline_

- Collaborative commercialization of _denosumab_ (for osteoporosis).

- Amgen commercializes in North America and GSK in Europe and other countries. Amgen has little market presence.

- 50-50 share of profits and losses
Competitors/Partnerships

- Partnerships with “competitors.”

*Takeda Pharmaceutical Company*

- Joint commercialization of many products relating to inflammation prevent and oncology.
- Has rights to participate in promoting products in Japan.
- Joint development and commercialization of other products (*motesanib, Vectibix, etc*)
Competitors/Partnerships

- Partnerships with “competitors.”

**Diichi Sankyo Company**

- They received exclusive rights to develop/promote our *denosumab* (oncology) in Japan.

- We received exclusive worldwide rights to Daiichi Sankyo “intellectual property” (applicable to only denosumab)
Other Partnerships

*Fresenius Medical Care North America*

- 5yr (since 2006) sole sourcing & supply agreement of all of FMC’s commercial requirements for ESA’s (for anemia and hemodialysis patients in USA)
So, what does it mean?

- Very diversified—found a way to have a stake in major competitor’s sale around the world
- As a result continuously out-performs the industry because of its major diversifications
.id est...
How are our competitors doing anyway?

- 2 Sept 2009, paid record $2.3B penalty for illegal promotion of various drugs
  - Civil (and criminal settlement $1.195B = largest criminal fine in history).
  - Because of “off label” uses. i.e not approved by FDA
- March 2010, found guilty, violated U.S racketeering law in marketing Neurontin. Pay $142.1M
How are our competitors doing anyway?

- 16 Jan 2010- J&J massive drug recall of Tylenol
- Because of unusual moldy, musty odor.
- FDA annoyed that J&J did not respond to problem fast enough.
AMGN?

free and clear!
RISKS

- Drug company- “nobody wants [Amgen] products.”
- Basically cannot do business without constant FDA approvals
- ESA’s under constant review, i.e. Side effects
- Need to conduct trials on humans before market
- Sales depend on coverage and reimbursement from 3rd party payers
- Major industry competition (difficult to differentiate products)
- Pfizer and ENBREL
- **CMS investigation!**
  - Over what dosage of their drugs should be prescribed to seniors and low-income patients in their programs (EPOGEN and Aranesp).

- **Problem?**
  - Helps reduce kidney failure but maybe bad for heart (increases # of red blood cells)

  - CMS affect prescription rate (sale) of EPOGEN + Aranesp = $2.6B of revenue for Amgen. (Still took in +$7B combined)
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<thead>
<tr>
<th>Business &amp; Stock Overview</th>
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<tr>
<td>Share Price: $60.68</td>
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<td>52 week Range: $44.96 - $64.76</td>
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<td>Market Cap: $59.64B</td>
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<td>Net Income: $4.605B</td>
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<td>P/E: 13.5</td>
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<td>Total Cash: $1.11B (from -$0.25 last year)</td>
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<td>EPS: 4.51</td>
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<td>Total Equity: $22.66B</td>
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<td>Market Cap</td>
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“Top Trumps”
Recession proof?
Recession proof?
JNJ?
NVS?
So, Why AMGN anyway?
How does AMGN make its money?

Really?

- Principle products accounted for 95%, 94% & 93% of sales in 2007, 2008 & 2009 respectively.

- Majority of revenue = sales alone (vertical integration)

- Other Revenue;
  
  Royalties, Commissions; contract fees;
**Kevin Sharer, CEO (since 2000)**

- Former: exec. @ GE, MCI Comm. and COO of Amgen.
- Trained in U.S Naval Academy, B.A, M.A in Aeronautical Engineering. MBA @ U.Pittsburg.
- Served on 2 nuclear attack submarines!
- Also on BOD @ 3M, U.S Naval Academy Foundation. Chair at L.A county museum. Also, member of the Business Council
- BOD of Executive Compensation Committee
Familiar Strangers

**Leadership style**

- Authentic; respectful; stimulates conversation; tries to follow-up; effective at every level; decisive; present and very available.
- Inspires employees- makes people feel comfortable e.g- no dress code, renovated gym

At Amgen HQ because 51% of staff didn’t like it
- Rem: Insurance industry restrictions have been lifted
- CEO Sharer intends to speed up growth of Amgen (more R&D, more sales)
- FDA approved new denosumab (osteoporosis) July 2010 BIG!!!
DENOSUMAB

- “Most exciting product in the world for 2010”
- Osteoporosis and other bone marrow cancer
- Projected 2010 = $650million; 2015 = $5billion
- Will partner with GlaxoSmithKline in promoting it in Europe and Australasia
- Push Amgen further away from its competitors!
- Institutions have already booked sales = optimism (e.g. Diichi & GSK)
- Kevin Sharer (CEO)
- John Shudderd (I.R @Amgen)
- Daniel R. Jacobson (M.D) reading
- Random Darden Students (some shareholders)
- An countless amounts of readings on Amgen products/diseases.
- Dr. Brian P. Helmke (halted communication/received recommendation)
Recommendation

Simply…
Questions?