

Amgen Inc.

Our Conference Takeaways

Reiterate Rating: NEUTRAL | PO: 315.00 USD | Price: 308.69 USD

Multiple pipeline milestones in 2024

Amgen's conference presentation highlighted the company's four business pillars driving long-term growth, including General Medicine, Oncology, Inflammation, and Rare Disease (Horizon and ChemoCentryx acquisitions). Overall, while the updates were largely incremental, we continue to believe that there's a lot to like in Amgen's pipeline given recent progress and multiple pipeline milestones this year, including **1)** tarlatamab for SCLC (3L+ PDUFA on June 12), **2)** rocatinimab for atopic dermatitis (first phase 3 data in 2H24), **3)** AMG 786 / 133 for obesity (phase 1 data in 1H24 and phase 2 data in late 2024, respectively), **4)** Tezspire for COPD (phase 2 data in 1H24), **5)** Uplinza phase 3 data in myasthenia gravis and IgG4-related disease (2H24), and **6)** AMG 670 phase 2 IPF data in 2H24. That said, we don't anticipate near-term inflection on the company's business and see 2H obesity readout as key catalyst for potential re-rating. We're maintaining our Neutral rating and but raised PO to \$315 (from \$290 PO) by raising our outyear estimates for Olpasiran, Tezpsire, and rocatinimab.

Obesity the main focus; oppty beyond weight loss

We expect obesity to remain top of mind in 2024 given key data readouts, including Amgen's AMG133 phase 2 data and multiple readouts for Lilly/Novo, as well as continued M&A in the category. Indeed, we believe Amgen's obesity readouts will be key to share re-rating in 2H24. While AMG786 non-incretin data readout in 1H24 could be interesting, we think it'd be too early to tell conclusively on benefit/risk based on phase 1 results. Additionally, management said noted that there are several other assets in pre-clinical development that they can bring forward. On the other hand, if AMG133 (MariTide) show convincing results, Amgen could expand development into other indications beyond weight loss (e.g., heart and kidney diseases). Topline data for MariTide is expected in late 2024 and management plan to share as appropriate when the data are available given the investment community interest.

Thesis Impact

We would not characterize today's presentation as thesis-changing. While BD remains an important part of Amgen strategy, management is focusing on execution to "earn a return on the capital that [it] deployed on prior transactions." Indeed, we don't anticipate any meaningful deal activity until we get more clarity on AMG133 data later this year.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	17.10	17.69	18.70	19.65	21.10
GAAP EPS	10.28	12.11	13.66	14.69	16.22
EPS Change (YoY)	6.4%	3.5%	5.7%	5.1%	7.4%
Consensus EPS (Bloomberg)			18.51	19.82	21.06
DPS	7.00	7.76	8.59	9.47	10.44
Valuation (Dec)					
P/E	18.1x	17.4x	16.5x	15.7x	14.6x
GAAP P/E	30.0x	25.5x	22.6x	21.0x	19.0x
Dividend Yield	2.3%	2.5%	2.8%	3.1%	3.4%
EV / EBITDA*	14.4x	14.1x	13.9x	12.8x	12.8x
Free Cash Flow Yield*	5.1%	5.3%	4.8%	5.5%	6.0%

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 08 January 2024 02:36PM EST

08 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	290.00	315.00
2024E EPS	19.60	19.65
2025E EPS	21.00	21.10

Geoff Meacham
Research Analyst
BofAS
+1 646 855 1004
geoff.meacham@bofa.com

Charlie Yang
Research Analyst
BofAS
+1 646 855 5732
charlie.yang@bofa.com

Susan Chor
Research Analyst
BofAS
susan.chor@bofa.com

Alexandria Hammond
Research Analyst
BofAS
alexandria.hammond@bofa.com

John Joy
Research Analyst
BofAS
john.joy@bofa.com

Stock Data

Price	308.69 USD
Price Objective	315.00 USD
Date Established	8-Jan-2024
Investment Opinion	B-2-7
52-Week Range	211.71 USD - 305.09 USD
Mrkt Val (mn) / Shares Out (mn)	165,204 USD / 535.2
Free Float	99.8%
Average Daily Value (mn)	738.43 USD
BofA Ticker / Exchange	AMGN / NAS
Bloomberg / Reuters	AMGN US / AMGN.OQ
ROE (2023E)	192.6%
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

iQprofileSM Amgen Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	21.6%	22.0%	17.2%	16.2%	16.9%
Return on Equity	121.6%	184.7%	192.6%	125.9%	96.5%
Operating Margin	47.8%	48.5%	48.3%	48.4%	48.6%
Free Cash Flow	8,381	8,785	7,963	9,086	9,988

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.9x	1.0x	0.9x	0.9x	1.0x
Asset Replacement Ratio	0.3x	0.3x	0.4x	0.4x	0.5x
Tax Rate	12.8%	13.8%	16.9%	17.0%	17.0%
Net Debt-to-Equity Ratio	377.2%	NM	NM	NM	338.3%
Interest Cover	10.5x	7.7x	9.2x	5.5x	6.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	25,979	26,323	28,126	32,205	32,896
% Change	2.2%	1.3%	6.8%	14.5%	2.1%
Gross Profit	21,985	22,372	23,664	26,994	27,627
% Change	-0.3%	1.8%	5.8%	14.1%	2.3%
EBITDA	15,822	16,178	16,364	17,800	17,779
% Change	-0.7%	2.3%	1.1%	8.8%	-0.1%
Net Interest & Other Income	(1,186)	(1,661)	(1,480)	(2,850)	(2,300)
Net Income (Adjusted)	9,797	9,570	10,068	10,577	11,356
% Change	3.4%	-2.3%	5.2%	5.1%	7.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	5,893	6,552	7,353	7,906	8,731
Depreciation & Amortization	3,398	3,417	2,768	2,206	1,797
Change in Working Capital	(1,194)	(733)	(1,561)	(520)	(88)
Deferred Taxation Charge	(453)	(1,198)	0	0	0
Other Adjustments, Net	1,617	1,683	401	401	401
Capital Expenditure	(880)	(936)	(999)	(907)	(853)
Free Cash Flow	8,381	8,785	7,963	9,086	9,988
% Change	-15.2%	4.8%	-9.4%	14.1%	9.9%
Share / Issue Repurchase	(4,975)	(6,360)	0	0	0
Cost of Dividends Paid	(4,013)	(4,196)	(4,621)	(5,095)	(5,617)
Change in Debt	795	6,622	26,263	(5,000)	(5,000)

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	8,037	9,305	11,109	10,100	9,470
Trade Receivables	4,895	5,563	5,299	6,068	6,198
Other Current Assets	6,453	7,318	6,986	8,000	8,171
Property, Plant & Equipment	5,184	5,427	13,381	13,186	13,140
Other Non-Current Assets	36,596	37,508	56,748	56,669	55,944
Total Assets	61,165	65,121	93,524	94,022	92,924
Short-Term Debt	87	1,591	5,591	5,591	5,591
Other Current Liabilities	12,097	14,096	13,097	14,996	15,318
Long-Term Debt	33,222	37,354	59,617	54,617	49,617
Other Non-Current Liabilities	9,059	8,419	8,426	8,813	8,878
Total Liabilities	54,465	61,460	86,730	84,017	79,404
Total Equity	6,700	3,661	6,794	10,005	13,520
Total Equity & Liabilities	61,165	65,121	93,524	94,022	92,924

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Biotechnology

Company Description

Amgen is a biopharmaceutical company that develops, manufactures, and markets biologic therapies for oncology, inflammation, and rare disease. Amgen's five key marketed products are among the top selling pharmaceutical products in the world, with collective revenues of >\$25B in 2021.

Investment Rationale

Our Neutral rating is based on a solid outlook, despite legacy product risk, and new product launches. But emerging LOE and LT growth remain a concern, offset by pipeline potential that adds optionality LT

Stock Data

Average Daily Volume 2,392,156

Quarterly Earnings Estimates

	2022	2023
Q1	2.68A	NAA
Q2	2.45A	NAA
Q3	3.98A	NAA
Q4	3.00A	NAE

Price objective basis & risk

Amgen Inc. (AMGN)

Our PO for AMGN is \$315 per share. We value AMGN using a sum of the parts NPV analysis of key marketed drugs (\$240/sh) and pipeline and others (\$156/sh), which assumes a range of weighted average cost of capital (WACC) from 5% and terminal growth rate ranging from -5% to -30% depending on the product lifecycle. Our PO also reflects -\$81/sh in net debt.

Upside risks to our price objective are 1) less than-expected base business erosion 2) stronger-than-expected sales of Lumakras, Tezspire, Tepezza, and 3) competitor clinical trial failures

Downside risks to our price objective are 1) faster-than-expected revenue erosion from legacy brands, 2) slower-than-expected growth of new drug launches, and 3) clinical trial failures.

Analyst Certification

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agiros Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmo Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTX	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan



US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRJ	RXRJ US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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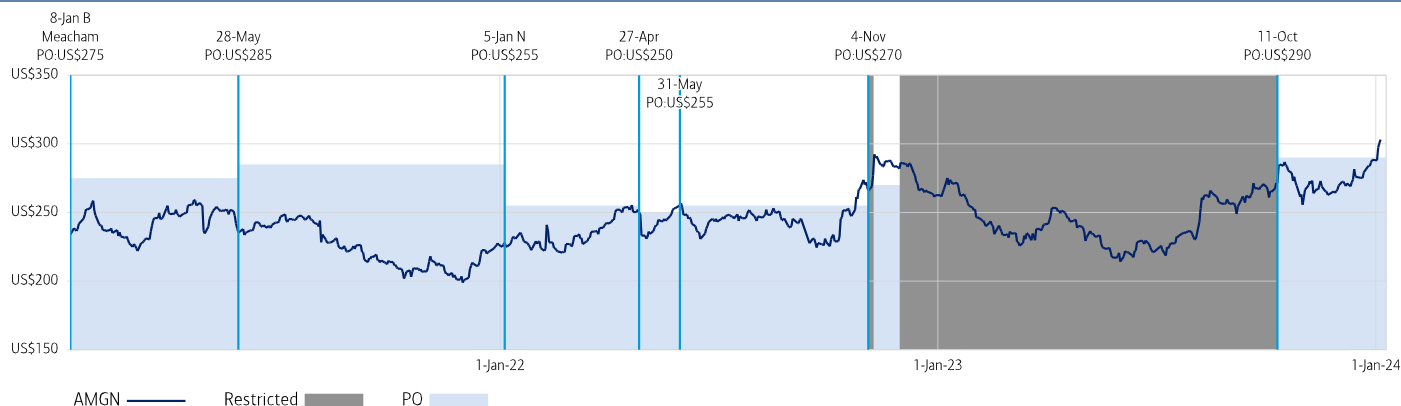
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Amgen Inc. (AMGN) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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