Q3 2021 Earnings Call

Company Participants

- Arvind Sood, Vice President
- Bob Bradway, Chief Executive Officer
- David M. Reese, Executive Vice President
- Murdo Gordon, Executive Vice President
- Peter H. Griffith, Chief Financial Officer

Other Participants

- Alethia Young, Analyst
- Analyst
- Carter Gould, Analyst
- Chris Raymond
- Geoffrey Porges, Analyst
- Jay Olson, Analyst
- Matthew Harrison, Analyst
- Michael Yee, Analyst
- Robyn Karnauskas, Analyst
- Ronny Gal, Analyst
- Umer Raffat, Analyst

Presentation

Operator

My name is Erica and I will be your conference facilitator today for Amgen's Third Quarter 2021 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. There will be a question-and-answer session at the conclusion of the last speaker's prepared remarks. In order to ensure that everyone has a chance to participate, we would like to request that you limit yourself to asking one question during the Q&A session. (Operator Instructions) I would now like to introduce Arvind Sood, Vice President of Investor Relations. Mr. Sood, you may now begin.

Arvind Sood {BIO 4246286 <GO>}

Erica, thank you. Good afternoon, everybody. Welcome to our Q3 call. I think the three key themes for this quarter; our continued execution, pipeline advancement and preparedness to launch important new product. So let's get started the slides have been posted quick reminder that we'll use non-GAAP financial measures in our presentation

and some of the statements will be forward-looking statements. Our SEC filings identify factors that could cause our actual results to differ materially. So with that, I would like to turn the call over to our Chairman and CEO, Bob Bradway. Bob?

Bob Bradway {BIO 1850760 <GO>}

Okay. Hello, everyone, and thank you for joining our call. It was another solid quarter of growth for Amgen with total revenues rising 4% driven by volume growth of 8%, which reflects the strong global demand for many of our innovative medicines, such as Repatha and Prolia as well as for our high quality biosimilars. Earnings per share for the quarter grew 11% thanks to disciplined management of our operating expenses.

Shifting to the future, as we begin to see beyond COVID-19, I believe we've set ourselves up well to deliver attractive growth over the long term. By way of example, I'll draw your attention to our immunology and oncology portfolios, where we are building on our successful track record through a combination of internally generated innovation and strategic business development, which we expect to contribute to our long-term growth. In inflammation, we're very excited about tezepelumab, a first in class treatment for severe asthma that we hope to launch in the US next year. Given the millions of patients for whom existing asthma therapies are inadequate, we believe tezepelumab will be a significant growth driver for us for years to come.

This product builds on our many years of success in inflammation, first with Enbrel, and now of course with Otezla. We remain optimistic about the growth potential of Otezla and as the next step, we are eagerly awaiting an expanded indication in the US for mild to moderate plaque psoriasis, particularly at a time when concerns have emerged for some potential new competitors. We also continue to grow Otezla globally with the product now available in over 40 countries, up from 32 countries when we acquired it.

Looking at bit further into the future, we expect to bring Amgevita, our biosimilar to Humira, to the US in 2023. We expect to replicate the success we've had with Amgevita in many other markets around the world. We're also enthusiastic about AMG 451, a Phase III ready potential first-in-class treatment for atopic dermatitis that we're studying with our partners, Kyowa Kirin as well as a number of Amgen discovered therapies currently in Phase 2 for lupus and celiac disease.

In oncology, we're happy with the recent launch in the US of Lumakras, our first-in-class KRAS G12C inhibitor which treats non-small cell lung cancer and we look forward to additional approvals and launches in major markets around the world as we roll forward. Lumakras joins a portfolio of medicines already generating some $10 billion a year in sales. Several of these medicines delivered double-digit sales growth in the third quarter including KYPROLIS, BLINCYTO and MVASI.

Looking ahead, we're excited about the growth potential of several other oncology assets in our pipeline. We've initiated already our first Phase III trial for bemarituzumab, a potential first-in-class molecule to treat gastric and gastroesophageal junction cancers.

We're also making good progress with several of our internally discovered solid tumor BiTE molecules, including one for prostate cancer, and another for small cell lung cancer.

In short, we have a number of products now on the market with plenty of room to grow, more coming over the next several years from our pipeline, a compelling discovery research engine to continuously replenished that pipeline and the wherewithal to take advantage of compelling business development opportunities as they arise. All that gives me confidence in our ability to serve more patients around the world and to deliver strong financial performance for our shareholders.

One final note, I would like to thank my Amgen colleagues for their continued commitment to patients and to our business. We were delighted to be named last week by Fortune Magazine as one of the 25 Best Workplaces in the world and that's a reflection of our people and the passion and excellence they bring to their work. Dave, let me turn it over to you.

David M. Reese {BIO 19782623 <GO>}

Thanks, Bob. Good afternoon, everyone. I would like to begin by welcoming our new colleagues from Teneobio who bring expertise and technologies that will accelerate our innovation. One of our core areas of interest in research and molecular engineering is the development of multi-specific drugs to make un-druggable targets tractable. The Teneobio acquisition combined with our previous incorporation of new evolution and its DNA encoded library technology provides capabilities to develop both large and small molecule multi specifics and is a good example of how we are combining internal and external sources of innovation to advance the R&D portfolio. More than 60% of the molecules in our preclinical pipeline are multi-specifics. We will have more to say as those programs advance.

Aross R&D, we are focused on building a portfolio of complementary assets in certain disease areas to help drive the long-term growth of the company. Turning to our clinical programs, I'll highlight a few areas where we have made significant progress and are advancing multiple first-in-class molecules. In oncology. One key area of focus is lung cancer. As you'll hear from Murdo, the Lumakras launch is off to an excellent start and the clinical programs remain on track. We have initiated the Phase II study of Lumakras monotherapy in first-line non-small cell lung cancer for patients with STK 11 mutant and or PD-L1 negative tumors.

We continue to expect the top line results from the Phase 3 confirmatory study versus docetaxel, as well as data from our PD-1 combination and SHP combination cohorts in the first half of next year. In the Tarlatamab or AMG 757, BiTE program targeting DLL-3 in small cell lung cancer, some patients with very advanced disease in the Phase 1 trial have now had responses lasting over a year, supporting our potentially registrational Phase 2 study, which we intend to launch by year end. Finally, in squamous, non-small cell lung cancer, we will initiate a Phase 1b study of bemarituzumab directed against FGFR2b in the coming months.

Turning to gastrointestinal cancers, we will begin enrolling a Phase 3 trial of Lumakras in combination with Vectibix in third line colorectal cancer in the coming weeks. In first-line gastric cancer, we have initiated the first of multiple Phase 3 studies with bemarituzumab with additional trial starts in the coming months. These studies will address regional differences in the treatment of gastric cancer by exploring bemarituzumab in combination with either backbone chemotherapy or chemotherapy plus a checkpoint inhibitor.

Prostate cancer is another area of focus in oncology. With the acquisition of Teneobio, we now have two distinct bispecific T-cell engager technologies targeting PSMA. We anticipate decision enabling data from the expansion cohort in the acapatamab, AMG-160, program in the first half of next year and are now exploring outpatient administration.

AMG-340, formerly TNB-585, continues to progress through dose escalation and we anticipate having informative data by the middle of next year as well, allowing us to determine the best path forward for one or both of these PSMA molecules. Finally, rounding out our prostate cancer portfolio is AMG-509 targeting STEAP-1 which is also progressing through dose escalation. We anticipate having decision making data next year.

In inflammation, we spoke at length a few weeks ago about the increasing activity in our portfolio of both innovative and biosimilar molecules, regulatory approvals and launches expected in each of the next several years. In the tezepelumab program, regulatory reviews in severe asthma are proceeding with an FDA action date in the first quarter of 2022. Studies in three additional indications are in progress to investigate the utility of tezepelumab across a range of inflammatory diseases.

In skin autoimmune diseases, the FDA review of Otezla for mild to moderate psoriasis continues with a PDUFA date in December. A few weeks ago, we presented results from a Phase 2 study of AMG-451/KHK4083, the first in class dual action anti OX40 antibody we are developing for atopic dermatitis in collaboration with Kyowa Kirin. These data were very well received by the medical community as there is a clear need for innovative therapies with differentiated mechanisms of action for these patients. We have had productive regulatory interactions on the program and plan to launch Phase 3 trials in the first half of 2022. Finally, we also expect Phase 3 data from biosimilar candidates to STELARA, EYLEA and SOLIRIS in the inflammation portfolio next year.

In cardiometabolic disease, in atherosclerosis, the Repatha VESALIUS trial Phase 3 outcome study of approximately 12,000 patients at high cardiovascular risk but without prior myocardial infarction or stroke is expected to complete enrollment in the coming weeks. OLPASIRAN, a small interfering RNA-targeting LP(a) and our first RNA-based therapy remains on track to read out Phase 2B data by the middle of 2022 and provides a potential complement to Repatha in the treatment of atherosclerotic cardiovascular disease by serving patients whose pathology is not driven by LDL cholesterol.

In conclusion, with an innovative portfolio where approximately three quarters of our clinical stage programs have first-in-class potential and a growing portfolio of biosimilars,

we are well positioned to continue to deliver important new medicines for patients and growth for shareholders over the near and long-term. Murdo?

Murdo Gordon {BIO 18450783 <GO>}

Thank you, Dave. Third quarter product sales increased 4% year-over-year. Volumes increased 8% globally and we had record quarterly sales for several of our key products including EVENITY, KYPROLIS, XGEVA and Nplate. Our ex-US business grew 19%, with volume growth of 25% year-over-year. We continue to execute our volume-driven growth strategy and see gradual recovery in our business from the impact of the pandemic. During the early part of Q3, we saw volatility in patient care dynamics due to a surge in COVID-19. As we progressed through the quarter, we saw improvement in patient visits and diagnoses.

Total customer activity improved during Q3; however, face-to-face, customer interactions remain below 2019 levels. Now, let me review some product details beginning with our general medicine portfolio which includes PROLIA, EVENITY, REPATHA and AIMOVIG. Overall revenue for our General Medicine portfolio grew 22% year-over-year with 24% volume growth. In bone health, PROLIA sales grew 15% year-over-year driven by double-digit volume growth.

In the third quarter, new and repeat patient demand continue to improve as osteoporosis diagnosis rates reached over 90% of pre-COVID levels. EVENITY which complements PROLIA in our bone portfolio had record sales of $149 million for the third quarter, driven by strong volume growth. Given the severe impact of fractures on the lives of postmenopausal women, EVENITY provides an excellent therapy to build bone first. Moving to REPATHA, which remains the global leader in the PCSK9 class. REPATHA sales increased 33% year-over-year driven by 42% volume growth.

In the US, we saw 64% year-over-year volume growth. This was partially offset by lower net selling price stemming from an increase in the number of Medicare Part D patients receiving REPATHA and who entered the donut hole. I would say the US volumes grew 24% year-over-year. We remain confident in our ability to grow REPATHA globally to address the significant unmet medical need in treating high risk cardiovascular patients.

Moving to our inflammation portfolio. OTEZLA sales increased 13% year-over-year with 7% volume growth. Since its launch, OTEZLA has been used by over 750,000 patients globally. And in the US, it is the leader in bio-naive psoriasis patient share. OTEZLA has 92% commercial payer coverage and is an affordable, safe and efficacious option for psoriasis and psoriatic arthritis patients. We are now preparing for the anticipated US approval of the mild to moderate psoriasis indication in the fourth quarter, when we will have the opportunity for the first time to promote the use of OTEZLA in this patient population.

ENBREL sales decreased 3% year-over-year driven by a 2% decline in volume. This is the second straight quarter of slowing volume declines, thanks to ENBREL's long track record of efficacy and safety. Together with our partner, AstraZeneca, we're preparing for the

launch of tezepelumab in the US with an expected PDUFA date in early Q1 2022. Our sales force is fully staffed trained and has been deployed to provide disease state education. We are actively engaging with payers to ensure access to patients for this breakthrough medicine. We look forward to bringing tezepelumab to the 2.5 million people around the world who live with severe uncontrolled asthma.

Moving to the hematology and oncology business, sales of our six innovative products and our MVASI and KANJINTI biosimilars collectively totaled $1.8 billion in the quarter, growing 12% year-over-year. Several brands had record sales in the quarter including XGEVA, KYPROLIS, Nplate and BLINCYTO. Neulasta OnPro maintained 50% volume share in the quarter and continues to be the preferred choice for physicians and patients. The most recent published average selling price for Neulasta in the US declined 38% year-over-year and 10% quarter-over-quarter. Going forward, we expect increased competition to result in continued net price and volume erosion.

Our launch of Lumakras is off to a strong start with revenues of $36 million in Q3 and cumulative sales of $45 million through the end of the third quarter. Lumakras has been prescribed by over 500 oncologists in both academic and community settings. A majority of clinical laboratories have updated their testing reports to reflect KRAS G12C as an actionable mutation and approximately 75% of patients with non-small cell lung cancer are now being tested for the mutation at the time of diagnosis.

Having been a part of several lung cancer launches in my career, I'm very pleased with the Lumakras launch uptake in the US, thanks to our broad payer access and the positive reaction from the oncology community. I would say the US health authorities have also approved Lumakras in Canada and Lumakras in the UK. Overall, I'm pleased with our results for the quarter, our record sales across a number of products and our increasing levels of customer activity. And with that, I'll turn it to Peter.

Peter H. Griffith {BIO 4299061 <GO>}

Thank you. Murdo. I will briefly walk through our third quarter financial results before discussing 2021 guidance. Our team's quality of execution during the past 18 challenging months continues to provide us with the strength to make timely, prudent investments as we see them in both internal and external innovation, that will deliver long-term growth.

Let's now turn to the business. The third quarter marked another period of solid performance with year-over-year revenue growth of 4% and non-GAAP EPS growth of 11%. As Murdo described, strong volume growth continued in the quarter with 8% year-over-year growth driven by PROLIA, EVENITY, REPATHA and MVASI. In addition, this quarter includes $147 million of favorable changes to estimated sales deductions previously recorded. In the third quarter last year, the favorable estimated sales deductions were $36 million resulting in a $111 million year-over-year benefit in this quarter.

Our established products which includes NEULASTA, NEUPOGEN, EPOGEN, ARANESP, PARSABIV and SENSIPAR declined 21% year-over-year, driven by volume declines and lower net selling price. These products will continue to contribute meaningful cash flows

to our broader portfolio and also to innovation. We do expect increased competition result and additional erosion of these established products.

Other revenues at $386 million increased 21% year-over-year, primarily driven by shipments of the COVID-19 antibody therapy to Lilly. We expect full-year 2021 other revenues to be in a range of $1.5 to $1.7 billion. Third quarter total non-GAAP operating expenses were flat year-over-year as continued focus on execution, productivity and efficiency fueled investments to drive long-term growth, including the third quarter share of the approximately $200 million of operating expenses expected for the full year related to the Rodeo, 5-Prime and Teneobio acquisitions as well as the Kyowa Kirin collaboration.

Through focused expense discipline, we now expect full-year operating expenses on an absolute basis to increase approximately 3% to 4% over last year, inclusive of the approximately $200 million related to these transactions. We will continue to execute on opportunities to allocate capital to important internal and external innovation opportunities. On a non-GAAP basis, cost of sales as a percent of product sales increased 1.5 percentage points on a year-over-year basis to 15.8% driven primarily by product mix including COVID-19 antibody shipments to Lilly.

For the full year, we continue to expect cost of sales as a percent of product sales to be 16% to 17%. Non-GAAP R&D spend in the quarter decreased 4% year-over-year. For the full year, we expect non-GAAP R&D spend will increase in the mid single-digit percentage range as we progress our innovative pipeline programs, including the launch of registration-enabling trials in lung and gastric cancer.

Non-GAAP SG&A expense in the quarter decreased 5% and we expect the full year to also decline as we continue our focus on execution efficiency and digitalization. Non-GAAP other income and expense net expenses increased on a year-over-year basis due to increased losses from our 20% share of BeiGene's results recorded under the equity method of accounting one quarter in arrears. We expect full year net expense in the range of $1.3 to $1.4 billion. We have financial flexibility with $12.9 billion in cash and investments on our balance sheet and strong cash flows. Additionally, our third quarter dividend was $1.76 per share, an increase of 10% over last year.

Turning to the outlook for the business for 2021. We have invested internal and external innovation to advance our pipeline in 2021 and continue to set ourselves up well for long-term growth. Moving to revenue. Based on underlying market dynamics, we are updating our 2021 revenue guidance range to $25.8 billion to $26.2 billion. We are increasing our non-GAAP EPS guidance range to $16.50 to $17.10. Our non-GAAP tax rate range is updated to 13.0% to 14.0%. Our capital expenditure guidance remains at $900 million and our capital expenditures continue to include investments supporting our environmental activities and also support our commitment to attain carbon neutrality.

We expect share repurchases for 2021 to be in the upper end of our range of $3 billion to $5 billion. We executed effectively in the third quarter and are well positioned for long-term growth. Before turning it over to Bob, I'd like to thank and recognize our 24,000

Amgen colleagues around the world for delivering another strong quarter of execution. Bob?

Bob Bradway {BIO 1850760 <GO>}

Okay. Thank you, Peter. Why do we open up the call now for questions and let's remind our callers of the procedures and the requests that we limit our questions to just one on the first go. Thanks.

Questions And Answers

Operator

(Operator Instructions) Your first question comes from the line of Michael Yee with Jefferies.

Q - Michael Yee {BIO 15077976 <GO>}

Hi guys, good afternoon, good evening. Just say, a question about the financials and how to think about go forward and sort of a high-level question, but as you think about the results this year, sort of the narrowing of guidance this year a Company that typically seems to come in on the higher end and I know there's a COVID pandemic ongoing, how do you think about the push and pull dynamics as we enter 2022? I know you don't give 2022 guidance, so I would just love for you to comment on the high level realizing we're in a pandemic. Thank you.

A - Peter H. Griffith {BIO 4299061 <GO>}

Yeah, Michael. You're right, we're not going to give 2022 guidance at this point, I think what you can see as we continue to manage the the business effectively that's I think reflected in the 4% on the top-line, 11% on the bottom-line EPS growth and we'll continue to invest in opportunities that we think can deliver growth.

We're very clear that as we look at the future, we expect to be able to deliver growth for our shareholders and we'll have more say about that when we give guidance for the next period.

Q - Michael Yee {BIO 15077976 <GO>}

Thank you.

Operator

Your next question comes from the line of Geoff Meacham with Bank of America.

Q - Analyst

Hey guys, it's [ph]Aspen on for Geoff. Thanks for the question. So you previously talked about at a [ph] -- over 3,000 patient number treated with Lumakras that include some

patients on studies. I guess I just want to get a sense of what percentage of that maybe the non-paying bolus has been converted over to paying and I mean, what's the timeline for moving through the rest of the them is. Thanks.

A - Murdo Gordon {BIO 18450783 <GO>}

Yeah, hi, it's Murdo. Thanks for the question. We are roughly at about 75% of early access programs or patients who were enrolled in clinical trials converting to commercial supply. The two major markets where that's happening are the US obviously and in France. While we've not been approved in Europe yet, we do have access to the ATU program in France where patients coming out of our early access program can roll into the ATU program where we actually are booking revenue.

Q - Analyst

Thanks.

Operator

Your next question comes from the line of Chris Raymond with Piper Sandler.

Q - Chris Raymond {BIO 4690861 <GO>}

Thank you. I got a question on AIMOVIG or maybe more strategically your neurology presence. So just for the drug, obviously revenue and script trends have kind of stalled and I think it's pretty obvious that it's the oral CGRP that are sort of having an impact on the market. Murdo, I kind of noticed that you sort of skipped over that one in the prepared comments, maybe just sort of talk about your commitment to neurology now with this market dynamic.

Is this a category that we should expect more investment in from a product offering standpoint or is there maybe some other plan here that you could maybe talk about? Thanks.

A - Murdo Gordon {BIO 18450783 <GO>}

Sure. Thanks, Chris. The first thing I would say is AIMOVIG continues to be an important product to help patients suffering from migraine and we continue to believe that there are -- there is a large population of migraine sufferers who have yet to be helped by the advent of the CGRP category.

Obviously, as the market leaders in the subcutaneous category of CGRP products, we have given up share to the orals as they've come into the market, but they've also expanded the market beyond the preventative setting and into the acute setting and even the preventative setting has grown with the advent of the oral.

So we expect that the market still has quite a bit of growth and headroom for growth. We expect to be able to continue to maintain our leadership share position in total prescriptions. We have over five years now of safety and efficacy data in the market. We

continue now to have all of the US commercial responsibility for AIMOVIG given recent work to consolidate what Novartis was previously contributing, so we've actually increased our neurology presence in the last few months.

And then the last piece that we're excited about is we're awaiting our head-to-head superiority data versus topiramate to be published and after which we will be able to promote that to general neurologists, headache specialists and even the many primary care physicians who are using AIMOVIG to help their patients who are chronic migraine sufferers. So bit of headroom, you're right on the oral evolution taking some growth out and also a little bit of net price in the quarter taking some of that as well.

A - Peter H. Griffith {BIO 4299061 <GO>}

And strategically, we'll continue to look and see if we can find products that fit well with the franchise that we're building and we'll continue to look for those.

Q - Chris Raymond {BIO 4690861 <GO>}

Thank you.

Operator

Your next question comes from the line of Umer Raffat with Evercore ISI.

Q - Umer Raffat {BIO 16743519 <GO>}

Hi guys, thanks for taking my question. I feel like Amgen went through this period of getting a fair amount of credit for the clinical development and the Lumakras program and we might be sort of entering that phase where a lot of competitors have clinical stage programs on KRAS and we're about to go out of data over the next few months.

And I guess my question is what's your base case on how sort of the clinical data across the field shakes out. Is this going to be a PD-1 like situation where everybody about the same or could you end up seeing approaches like (inaudible) inhibitors etcetera look any different resistance mutations.

And a followup to that also. I feel like as we think about Amgen's leadership on KRAS target in the first place, should we expect Amgen to file INDs on other KRAS mutations like G12D or G12V? Thank you.

A - David M. Reese {BIO 19782623 <GO>}

Thanks, Umer. This is Dave. As you mentioned, of course, there are multiple competitors coming behind Lumakras. We feel very good about our position. I've not seen anything to tell us that we don't have a really outstanding molecule and many of those are very, very early, just starting dose escalation. So I think it's premature to speculate on potential differentiated mechanism of action or these sorts of things.

We also have a very broad-based global program. As we mentioned, we're now under regulatory review. I think at last count, it's now in over 15 jurisdictions or countries including the EMA and Japan where reviews are progressing in those of course two very large markets. So I feel very good about where we are. We've got a large combination therapy program. There's lots to learn yet, it took 40 years to get into the clinic and we're sorting out a lot of biology. But I feel very good about the molecule we've got and where we are.

A - Peter H. Griffith {BIO 4299061 <GO>}

Dave, do you want to say anything else about our G12D or V program?

A - David M. Reese {BIO 19782623 <GO>}

Sorry. And thanks for the reminder. In terms of we are interested in other targets. As many of you know, there are seven or eight specific KRAS mutations that are now potentially attractable although they are different on a structural basis and each one poses distinct challenges. We do have some work ongoing and as that progresses, we will say more about that publicly.

Q - Umer Raffat {BIO 16743519 <GO>}

Thank you.

Operator

Your next question comes from the line of Yaron Werber with Cowen.

Q - Analyst

Hey, this is Gabe on for Yaron. Thanks for taking my question. Just for Lumakras to follow up. So for the data with pembro that's expected in the first half of next year, can you kind of give us some maybe set the stage a little bit for whether the data will be mature enough for to get a good look at efficacy, what we have TPS status available for all patients.

And then just for the second SHP2 combination arm that you recently added, any insight you could share into the thinking behind adding TNO-155 or is there any difference in the profile compared to the REV MED molecule that you would highlight that might be a better overlap with Lumakras? Thank you.

A - Bob Bradway {BIO 1850760 <GO>}

Yeah. Thanks, Steve, The, in terms of the, what I would say broadly the checkpoint inhibitor combination data, we do expect to have a fulsome enough data set when we have everything together and present at some point in the first half of next year to, I think, you've good insights to the field about what these combinations look like. In terms of the various SHP2 inhibitors for which we're pursuing combinations, there are some biochemical differences between those drugs and I think it's well worth our while given the potential importance and the mechanistic rationale of SHP2 as a combination target

for us to examine those various molecules and so we're pressing forward on all fronts. Thank you.

Q - Analyst

Thank you.

Operator

Your next question comes from the line of Geoffrey Porges with SVB Leerink.

Q - Geoffrey Porges {BIO 3112036 <GO>}

Very much for taking my question. Maybe just another slightly big picture one. Bob and Murdo, I know you pay close attention to what's going on in DC and I'd be interested in whether you think that we are close to having a deal on drug pricing reform, and particularly could you give us a sense of what the financial impact on Amgen would be of the proposed Part D changes. And then secondly, do you believe that you have any molecules that would be subject to negotiation under the proposed federal negotiation of Part B -- selected Part B drugs in the language? Thanks.

A - Bob Bradway {BIO 1850760 <GO>}

Yeah, thanks, Geoff. It's obviously very premature for anybody to pretend like they know what the shape of the legislation will be. I don't think anybody's really seen any meaningful draft language. What we are aware of, of course, is that there is some tweaking in some back and forth between the House and the Senate including moderates in both suggesting that they're close and that they think they have a framework that they can align around.

So we'll need to wait and see the details and as you would expect, we'll be focused on seeing whether what they're proposing leads to better access for patients to medicines and whether it does that while preserving the ecosystem that enables all of us to innovate the way we do and the way we think we need to for the country. So stay tuned, Geoff. Again, very premature. I know you guys would love to have a picture that you could share with your investors and the picture that would make some sense. But I think anybody trying to draw one at this point is really doing it in the way of sculpting fog.

Q - Geoffrey Porges {BIO 3112036 <GO>}

Okay. Thank you.

A - Bob Bradway {BIO 1850760 <GO>}

Okay. Thanks, Geoff.

Operator

Your next question comes from the line of Matthew Harrison with Morgan Stanley.

Q - Matthew Harrison {BIO 17603148 <GO>}

Great. Good evening. Thanks for taking the question. I was wondering if we could just touch a little bit on your outlook for product guidance. It looks like you raised other revenue guidance, but you also took down the high end of your total company guidance. So maybe you could just talk about -- and that looks like about a $800 million swing if you add the two together. So maybe you could just talk about what's the driver there and where you're seeing the pressure. Thanks.

A - Peter H. Griffith {BIO 4299061 <GO>}

Yeah. Matthew, thank you. Peter here. Listen, on the revenue range where 25-8 to 26-2 reflects the latest market dynamics as Murdo shared with you. Volume growth year-over-year from products Prolia, Otezla, Repatha, Evenity, biosimilars, competition against the mature products, as I mentioned, but great cash flow producers for us. With the sharper recovery we'd anticipated early hasn't materialized at the rate we projected, but the recovery continues at is this even more gradual rate as Murdo described for you.

So we continue to build in the guidance mid single digit net price declines in '21 and we've got other revenue at 15 to 17. The increase year-over-year driven primarily by the Lilly manufacturing reimbursement profit share, which began in the second quarter as we've said. And so those are the dynamics around the top side of the guidance.

A - Murdo Gordon {BIO 18450783 <GO>}

I just, Matt, I might just observe that relative to the beginning of the year when we gave you original guidance. The COVID impact has lingered longer than I think we thought when we looked at this at the beginning of the year, in particular in terms of face-to-face visits and the number of patient diagnoses inside doctors offices. So by now looking through the retrospective scope, it's all is pretty clear that the surge had an impact on the number of patients going to see their doctors and in turn prescriptions being written.

So I don't think we're experiencing anything different from our peers but at the start of the year we were hopeful that vaccines and other things might have made us or enabled us to be further along in saying goodbye to this pandemic and I think we are right now. But again otherwise business is performing well and consistent with where we hope at the end of the year.

Operator

Your next question comes from the line of Alethia Young with Cantor Fitzgerald.

Q - Alethia Young {BIO 17451976 <GO>}

Hey guys, thanks for taking my question. Maybe the follow a little bit along with that. Can you just talk a little bit about what Repatha and Aimovig some of the selling price pressure you're seeing and do you think that's kind of a slow step down or is it kind of something that just will happen more periodically? Thank you.

A - Murdo Gordon {BIO 18450783 <GO>}

Alethia, did you say Repatha and Aimovig? Is that what you're asking?

Q - Alethia Young {BIO 17451976 <GO>}

Yeah, yeah.

A - Murdo Gordon {BIO 18450783 <GO>}

Okay. Okay, sure. So Repatha in the quarter is more a function of what we've been able to do since lowering the price in terms of increasing our penetration in the Medicare Part D population. So we've seen some really nice growth there. But what happens when you grow in Medicare Part D is you also grow in the number of patients that enter the donut hole, and that's what we're really seeing in Q3 and we expect that to continue that in Q4.

The good news side of that equation is we're growing nicely in Medicare, we're seeing much less patient abandonment in Medicare and that should be a compounding source of growth for us on a go-forward basis, but I would expect a pattern of Q3 and Q4 net price drag as a function of the Medicare Part D coverage gap. Unless, of course that changes in whatever is brewing in DC, but that's how it's happened right now.

On Aimovig is a little bit different, it's really the annualization of contracted business with PBMs in general. There has been fairly competitive activity there to maintain preferred formulary positions on national PBMs and we don't have the same amount of volume growth on Aimovig but we do expect that to be more stable going forward. So overall, I think our major price effects have stabilized and we're actually now seeing some good topline volume drop to the bottom.

Operator

Your next question comes from the line of Jay Olson with Oppenheimer.

Q - Jay Olson {BIO 18027199 <GO>}

Well, hey, thanks for taking the question. Is there any color you could provide on the pace of enrollment for the Phase 2 study of OLPASIRAN and also any comments you could share on how you anticipate the competitive landscape to evolve in lipoprotein(a) market with (inaudible) potentially getting approved before OLPASIRAN. Thank you.

A - Bob Bradway {BIO 1850760 <GO>}

Yeah, thanks, Jay. In terms of the Phase 2 study, this is actually completed enrollment, so, of course, these patients are followed for some time and as I noted in my remarks, we expect data in the middle of 2022. We're quite pleased with the long-term followup we've seen from the Phase 1 trial in terms of Lp(a) lowering in the preliminary safety profile molecule. So that program is on track or, if anything, a little ahead of schedule.

As you know, there is another molecule ahead of us. We have a slightly different mechanism as a small interfering RNA. We like the molecule quite a bit. This is a large

population of patients. Recall that about 50% of atherosclerotic cardiovascular disease is not driven by LDL cholesterol and probably the majority of that is Lp(a) driven, so we believe there are many, many patients around the world that can be served by Lp(a) lowering agents and so we're quite eager to see the full Phase 2b data.

Q - Jay Olson {BIO 18027199 <GO>}

Great. Thanks for taking the question.

Operator

Your next question comes from the line of Ronny Gal with Bernstein.

Q - Ronny Gal {BIO 15022045 <GO>}

Good afternoon and thank you for taking my question. So we typically ask you about the negative impact of a potential deal in Washington. I was wondering if we can reverse it and talk about the benefits. So to the extent there are any -- a deal which limits patients' out of bucket costs what are drugs that will benefit from increased use here? What are the drugs where you see significant abandonment in Medicare Part D that might get more use?

And second, you started a interchangeability trial for HUMIRA biosimilars. Can you just talk a little bit about your change of perspective here? Do you believe that interchangeability will be required longer term to participate in this market, and if not, what's the justification for the drop?

A - Murdo Gordon {BIO 18450783 <GO>}

Thanks, Ronnie. It's Murdo. So hypothetically speaking, should there be an out-of-pocket cap for patients in Part D introduced in some change in legislation, I think it would help in our portfolio. We've been advocates for changes to Part D in that regard for quite a while, where we do think that the out-of-pocket expenditures and the list price equation for co-pays for patients are disincentives to drug adherence and maybe even for initial fill.

So I think products like REPATHA where we are largely a Medicare Part D population could benefit from out-of-pocket caps. Now it will depend obviously what that travels with. Does it travel with more commitment from the manufacturer in the catastrophic phase where we pick up more of the top? So it needs to be equated with other things that could be in any proposed legislation, but I hope that out-of-pocket caps come into play because I think patients who are in Part D are sometimes treated poorly and are suboptimally treated because of that and it would improve their affordability.

To the question on the AMJEVITA interchangeability study. We continue to feel very good about our opportunity with AMJEVITA. Being in that first wave and potentially alone in the first wave of biosimilar launches to Humira in the US affords us an opportunity to work with payers, work with the PBMs and with providers to establish a leadership position.

We look at every parameter of a biosimilar product and this is experience from AMJEVITA itself in Europe, but it's also experience from our other biosimilar portfolio in the US and we look at things like latex free, citrate free. We look at needle gauge. We look at device, and of course, we look at interchangeability. So while we don't think it's essential, we think it's just another attribute of the product that could augment our success in that launch in 2023. So that's really why we've initiated the trial, Ronny.

Q - Ronny Gal {BIO 15022045 <GO>}

Thank you.

Operator

Your next question comes from the line of Kennen MacKay with RBC Capital Markets.

Q - Analyst

Hi. This is (inaudible) on for Kennen. Thank you in advance for taking our questions. So first I wanted to ask on Lumakras. So how much of an impact are you expecting Lumakras having on the updated top end revenue guidance that you updated for 2021? And then taking into account any competition entering the market in '22, how do you plan to formulate revenue guidance based on that for '22?

And then secondly, in regards to Lumakras plus VECTIBIX third line combo program for colorectal cancer, looking forward, how could this -- what could this mean for Vectibix if approved? Do you know if can we expect some growth in that program if this combination gets through to approval?

And then thirdly, just wanted to mention and ask about the antibody manufacturing agreement with for -- in COVID-19. Is that still something we can expect to be included in the other revenue line item going forward? Any updates on that just based on pandemic environment?

A - Arvind Sood {BIO 4246286 <GO>}

Yeah, let's take the first question and we can answer that. And the rest, call me later. This is Arvind from Investor Relations. And we can address those questions separately. So Dave, maybe you can address the question about Lumakras.

A - Murdo Gordon {BIO 18450783 <GO>}

I think it was, yeah, I think revenue and the competition. Yeah, more of a commercial question. So we obviously don't provide product level revenue guidance, but I'll say this, I've worked in oncology for many years now and I've been a part of some important lung cancer product launches. And this launch after 40 years of trying to solve the KRAS G12C conundrum in lung cancer, this launch has been very special and the team has done an excellent job of executing across the payer customers, our provider customers and of course for patients and I was very proud of what our R&D organization was able to do and the speed at which they brought this product to market.

And I feel that the medical and commercial organizations have taken the customer facing stage and the go-to-market stage of this launch extremely seriously and with a lot of responsibility. And so far it's early days, but so far, they've done very well, and so I'm pleased with the trajectory. What we're seeing is many academic centers are changing their testing protocols in lung cancer so that everybody knows their KRAS G12C status. Many large community oncology networks have done the same. Now we still have a few large community oncology networks to go.

So we will be working on those in the fourth quarter, but I couldn't be more pleased with the way in which we've entered the market and I think that bodes well for our ability to establish a strong leadership position and help many, many patients who are unfortunately progressing from first line into second line disease before competitors come in.

It's hugely rewarding to launch a product like this where you hear stories of patients who have been told that their options are limited and that they should sign up for hospice care, coming at a hospice and getting treated with Lumakras with commercial drug and responding. The drug is working well in the marketplace. We're hearing those anecdotal stories coming back from prescribers and we will continue to do everything within our power to continue to launch Lumakras quickly around the world and help many, many more patients.

A - Peter H. Griffith {BIO 4299061 <GO>}

Thanks, Murdo. Erika, let's take the next question, please.

Operator

Your next question comes from the line of Robyn Karnauskas with Truist Securities.

Q - Robyn Karnauskas {BIO 15238701 <GO>}

Hi, thanks for taking my question. Maybe a glass half empty one and a glass half full one. Start off with the glass half empty. So when I look at what's going on with your business, I mean I think what we've heard on the call a lot is pricing pressure despite your growth and your great marketing strategy, and then you've got a pipeline that's got a lot of competitors that are going to compete with it because there's a lot of people up there with either similar molecules or competing molecules.

So now the question is how, any change in strategy for development and picking next generation R&D candidates going forward or any tool kits or platforms that you might need to develop a drug. And then the half-full question is you have this great opportunity in lung or you did a great job with Lumakras developing that drug. Can you talk a little bit about marketing strategy? You could have competition here, but you could stay ahead of the competition with all the drugs that you're developing. Walk us through, remind us of the strategy at Amgen for making sure that you're the dominant player even in a multiplayer environment. Thanks.

A - Peter H. Griffith {BIO 4299061 <GO>}

We'll just go in reverse order. Murdo, why don't you start and then Dave you can pitch.

A - Murdo Gordon {BIO 18450783 <GO>}

Well, not to belabor the point, but again I've worked in the oncology field for a number of years. And what I've seen since coming to Amgen is real strength in the legacy of Amgen, which is of course the supportive care products that we have. We've augmented that recently with the launch of our biosimilar portfolio and then most recently of course with the launch of Lumakras and when I sit down with CEOs of cancer networks or academic cancer centers, they are very interested in talking to Amgen.

And they are also interested in talking to us about the very rich pipeline of products that (inaudible) his R&D colleagues are developing. So I think we are very much a leader in oncology. I think that our commercial position with innovative products and biosimilars and launches of new therapeutics puts us in a very strong account position, and I think in a world where a lot of care is delivered in community oncology, our relationships there are extremely strong.

I've been able to make some customer visits this year despite some of the interruptions of the pandemic, and most of my visits have been in support of the Lumakras launch and I can tell you they have been very, very good at working with us to develop testing programs, look back programs, entering flags and EMRs, making sure patients are flagged for treatment.

And it's those systems and those processes that being first on the ground, we should be able to build and sustain. Longer term, of course, it will be the continuation of being first with indications and being broad in the development of the asset and then supporting it with additional products in lung cancer that Dave is developing in our pipeline.

A - David M. Reese {BIO 19782623 <GO>}

Great. Thanks, Robyn. Yeah, in terms of toolkits, we could obviously talk probably for hours about the tool kits that we've got in discovery research and our clinical trials. Let me focus on just a couple of things for the purposes of this discussion.

We are building what I think is in industry leading capability and what I call human data, which means the collection, integration and interrogation of data ranging from various omic data; genomic data, transcriptomic data, proteomic data, through clinical trials data, through real world evidence, and real world data. And it's one of our core beliefs that the coming few decades will be won by those who understand how to make use of and in particular analyze the giant tsunami of data that is now starting to wash over us.

Now that data of course generates drug targets and pathways and as I mentioned in my prepared remarks, we are building extensive capabilities for the development of multi-specific molecules either small molecules, large molecules or hybrid molecules. About 80% to 85% of the currently validated targets are currently not approachable with existing

technologies and we are building the capability to go after what I think will be a good fraction of those un-druggable targets.

So I feel great about the platforms that we've got in place and are continuing to build on and a lot more on this over the next year or two.

Operator

Your next question comes from the line of Cory Kasimov with JPMorgan.

Q - Analyst

This is Gavin on for Cory. Thanks for taking our question. Maybe one for Murdo. Just curious about the expected impact of Otezla as mild to moderate label expansion. Specifically, should we expect immediate uptake in 2022 or is this something that will be a little more gradual? And then secondly just the geographic expansion underscores a key strategy for the growth profile for this product and rest of world has been around 20% of total sales. So just curious if that trend is going to continue.

A - Murdo Gordon {BIO 18450783 <GO>}

Yeah. Thank you, Gavin. When we acquired Otezla, I thought it would be a really good add to the portfolio and our strength in immunology both with dermatology and with rheumatology. And obviously we had to make a certain set of assumptions about how that product would evolve in our ownership and so far, I have to say I'm even more pleased with the strength that the product brings to Amgen. We've been successful, as you highlight, in demonstrating the product's efficacy and safety in the mild to moderate patient setting, which is a perfect sweet spot for this product given the convenience of its oral dosing, given the well demonstrated safety and efficacy of the product.

We also recently had a decision on the patent for Otezla which definitely helps make a very strategic product for us, a very important product for the growth of the company. And the fit is just perfect. We have integrated the legacy Celgene team fully into Amgen. We've got both ENBREL and Otezla now being promoted in rheumatology and dermatology. And we've seen volume growth improve and most markedly in the last part of Q3, but that continues into Q4.

We didn't plan on a pandemic when we did the transaction, obviously, but we've weathered it well. The team is staying focused and we are well prepared for the mild to moderate launch. We are anticipating a decision on that soon from the FDA. We have the resources available. We have the teams trained. We have an increased footprint in dermatology in anticipation of the approval. And we expect to be able to execute very effectively.

We also have very, very strong payer coverage here and we think that the majority of these mild to moderate patients -- and we're targeting a specific subset. We're targeting, those patients that have larger body surface area or very difficult to treat areas with topicals. So that's about a 1.5 million patient population. So it's a large opportunity, but we

think that the, the profile of the product, the price point of the product versus biologics puts us in a very, very strong position to treat these patients.

The other thing I would add that we expect to benefit from somewhat more so in the PSA area versus psoriasis but the safety concerns of the JAKs right now quite frankly are helping Otezla and the overall perception of our safety and our efficacy and I think that might bode well for future competition that's currently in the process, I guess, of being filed with the FDA.

Operator

Your next question comes from the line of Carter Gould with Barclays.

Q - Carter Gould {BIO 21330584 <GO>}

Great. Good evening. Thanks for taking the question. Maybe to change it up a little bit. I wanted to ask around the line extension strategy for tezepelumab into EoE. How you think about the attractiveness of EoE given that it's increasingly caught the attention of larger biopharma? And I guess alongside that when your partner disclosed the orphan drug designation, they talked about a planned Phase 3, should that be the expectation that you will move straight into Phase 3 versus doing some Phase 2 work here? Thank you.

A - Bob Bradway {BIO 1850760 <GO>}

Yeah. Thanks, Carter. Eosinophilic esophagitis or EoE as it's called in the field, is an increasingly diagnosed condition. Patients with heartburn now who typically would have been diagnosed with reflux over the previous decade, a fair number of those are now recognized to have eosinophilic esophagitis. Given the mechanism of action of tezepelumab, given what we've seen in some of our biomarker and tissue acquisition studies in asthma based on eosinophil depletion in target tissue.

This makes a lot of sense and that is why with our partners, we are carrying this forward into Phase 3 based on the Phase 1 data that we have generated. So I think it's the evidence package across the molecule here that supports that.

A - David M. Reese {BIO 19782623 <GO>}

Erica, as we are getting close to the top of the hour, why don't we take one more question, after which I'll ask Bob to make some concluding comments.

Operator

Your final question comes from the line of Michael Schmidt with Guggenheim.

Q - Analyst

Hey, this is Kelsey on for Michael. Thanks for taking our questions. Could you maybe just discuss kind of your latest thoughts around potential accelerated approval opportunity in

the frontline setting for lung cancer and maybe when you might expect to have kind of a clear path forward, one way or the other, from the FDA. Thank you.

A - David M. Reese {BIO 19782623 <GO>}

Yeah, thanks for the question. The FDA has just been generally clear that in the first-line setting, randomized data are required. We are, as I indicated, conducting a trial in patients with STK 11 and/or PD-L1 negative or low tumors where checkpoint inhibitors are not particularly effective. When we have those Phase 2 data available, of course, if we saw interesting data, we would have the appropriate discussions with regulators, but I think the general expectation is that barring significant results, one will expect randomized trials in front-line lung cancer.

A - Bob Bradway {BIO 1850760 <GO>}

Okay, well let me...

Q - Analyst

Thank you.

A - Bob Bradway {BIO 1850760 <GO>}

Let me thank all of you again for joining our call and we look forward to having an opportunity to meet with you in the New Year when we report on the fourth quarter. We obviously have a lot of exciting things happening between now and then again starting, we expect, with the expanded label for Otezla to be followed by the launch label for tezepelumab and the beginnings of a number of new Phase 3 trial programs as we indicated on the call. So exciting time for us. We look forward to a gathering with you in the New Year. Again, thanks for your support.

A - Murdo Gordon {BIO 18450783 <GO>}

Great. Thanks, everybody.

Operator

And this concludes Amgen's Third Quarter 2021 Financial Results Conference Call. You may now disconnect.
