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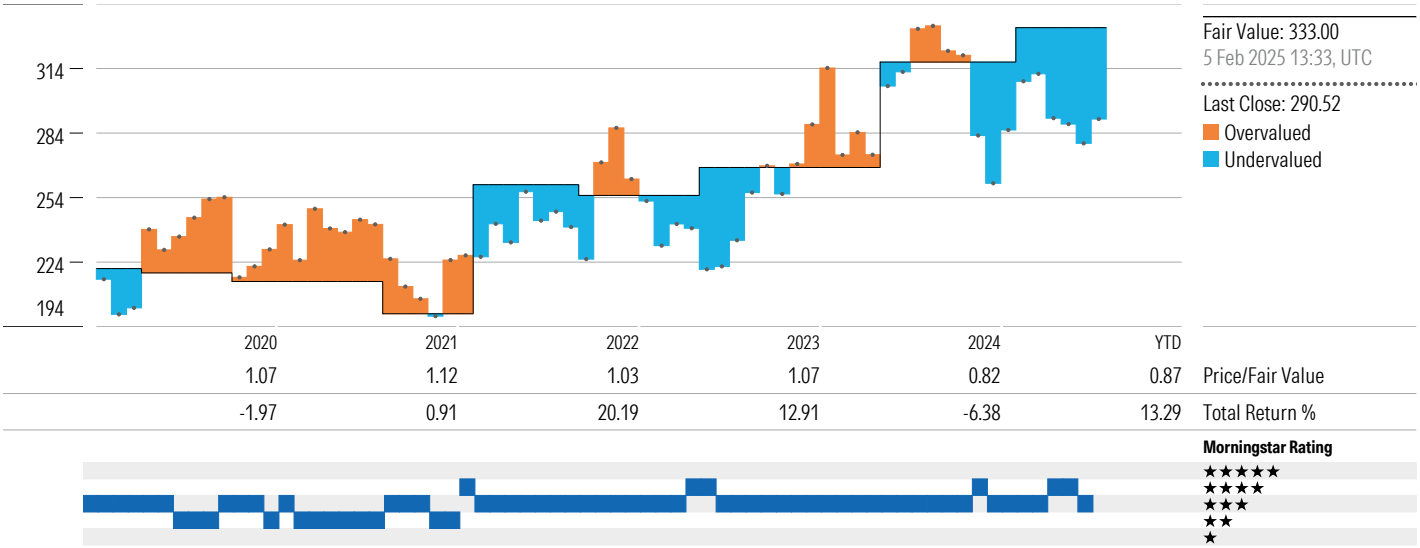
Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
290.52 USD 1 Jul 2025	333.00 USD 5 Feb 2025 13:33, UTC	0.87	159.62 USD Bil 2 Jul 2025	Wide	Large Value	High	Exemplary	4 Jun 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	1.07	1.12	1.03	1.07	0.82	0.87	Price/Fair Value
	-1.97	0.91	20.19	12.91	-6.38	13.29	Total Return %

Morningstar Rating

Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 5 Feb 2025 13:33, UTC.

Contents

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Amgen: We Still See Obesity Market Niche for Maritide Despite Tolerability Struggles

Analyst Note Karen Andersen, CFA, Director, 24 Jun 2025

Amgen announced detailed tolerability data from phase 1 and phase 2 studies of obesity drug candidate maritide, and management disclosed the design of its two ongoing phase 3 obesity studies.

Why it matters: Amgen is one of the potential challengers to incumbents Novo Nordisk and Eli Lilly, and investors have already built potential for maritide into valuations.

- We think shares fell in reaction to the data and trial design as investors are frustrated with Amgen's difficulty in nailing down a dosing regimen to lock in a solid tolerability profile. Amgen's two steps of dose escalation have brought vomiting rates down, but they are still roughly 20%-25%.
- We expect that the three-step dose escalation built into phase 3 will bring tolerability to a level more in line with key competitor Zepbound (midteens vomiting), and with strong tolerability data following the first doses, we expect the drug's monthly (or less frequent) dosing could be popular.

The bottom line: We're maintaining our $333 fair value estimate for wide-moat Amgen following the firm's maritide update. We continue to see a 2028 launch and $9 billion in 2034 revenue as a realistic base-case scenario, given strong efficacy (in line with Lilly's Zepbound) and differentiated dosing.

- These estimates imply that Amgen could build a roughly 5% market share in a $200 billion GLP-1 market by 2034, and we think upside still exists, with potential in additional indications or maintenance dosing for patients initiating on other therapies.

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Sector
Healthcare

Industry
Drug Manufacturers - General

Business Description

Amgen is a leader in biotechnology-based human therapeutics. Flagship drugs include red blood cell boosters Epogen and Aranesp, immune system boosters Neupogen and Neulasta, and Enbrel and Otezla for inflammatory diseases. Amgen introduced its first cancer therapeutic, Vectibix, in 2006 and markets bone-strengthening drugs Prolia/Xgeva (approved 2010) and Evenity (2019). The acquisition of Onyx Pharmaceuticals bolstered the firm's therapeutic oncology portfolio with Kyprolis. Recent launches include Repatha (cholesterol-lowering), Aimovig (migraine), Lumakras (lung cancer), and Tezspire (asthma). The 2023 Horizon acquisition brought several rare-disease drugs, including thyroid eye disease drug Tepezza. Amgen also has a growing biosimilar portfolio.

- We also expect additional phase 2 data for maritide in the second half of the year that could give us more insight into its ability to move to quarterly dosing.

Business Strategy & Outlook Karen Andersen, CFA, Director, 5 Feb 2025

Amgen has its roots in providing supportive-care products to kidney disease and cancer patients, but it has expanded its portfolio to include innovative drugs in therapeutic areas ranging from cardiology to immunology. Despite headwinds from biosimilar and branded competition, Amgen's newer blockbusters like cholesterol-lowering drug Repatha defend its wide moat and keep free cash flow above 30% of sales in our forecast.

Amgen's first generation of biologics is coming under pressure, but newer drugs are keeping overall sales steady. Tougher labels and reimbursement had been affecting anemia drugs Epogen and Aranesp since safety concerns emerged in 2007, and the 2019 launch of Pfizer's biosimilar, Retacrit, is weighing on sales. Neutropenia drugs Neupogen and Neulasta are also in decline due to biosimilar launches. While Enbrel patents run to 2028, more-effective branded competitors are poised to continue to erode its market share. Prolia (osteoporosis) and Xgeva (fracture prevention in cancer patients) saw $6.6 billion in combined sales in 2024 but look vulnerable to biosimilars in 2025. To address these headwinds, Amgen has invested heavily in more-efficient manufacturing to defend margins and allow reinvestment in research and development and promotion in new areas, like cardiology. Amgen also purchased oral immunology drug Otezla, which fits well with the Enbrel franchise. Amgen's own large biosimilar portfolio and low manufacturing costs make it a viable biosimilar player, as well.

Amgen's newer drugs and its pipeline will be key to countering biosimilar versions of older drugs and branded competition. We see Repatha as a $3 billion opportunity despite price pressure, and asthma drug Tezspire (launched in the US in 2022, $3 billion Amgen sales opportunity) looks differentiated. The Horizon Therapeutics acquisition closed in October 2023 and should boost midterm growth with thyroid eye disease drug Tepezza ($3.5 billion peak sales). Pipeline programs in cardiology (olpasiran), obesity (maridebart cafraglutide), and oncology (Imdelltra) have generated promising data and could begin to support growth within the next few years.

Bulls Say Karen Andersen, CFA, Director, 5 Feb 2025

- Amgen's pipeline had been stale since the launch of Prolia/Xgeva, but cholesterol drug Repatha and migraine drug Aimovig revived our enthusiasm for the firm's research engine. Blincyto and Tezspire also look differentiated.
- The acquisition of Decode gave Amgen the ability to identify potential new drug targets, validated by human genetics, and the firm continues to build on this database.
- Amgen's improved manufacturing efficiency not only will benefit gross margins but also could give the

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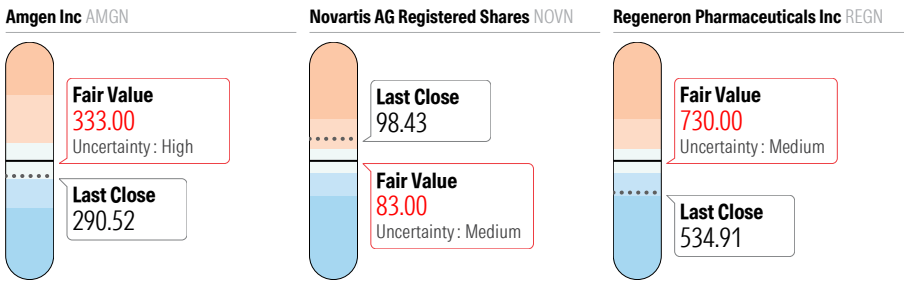
Competitors



	Amgen Inc AMGN	Novartis AG Registered Shares NOVN	Regeneron Pharmaceuticals Inc REGN
Economic Moat	Wide	Wide	Narrow
Currency	USD	CHF	USD
Fair Value	333.00 5 Feb 2025 13:33, UTC	83.00 29 Apr 2025 22:19, UTC	730.00 30 Apr 2025 16:48, UTC
1-Star Price	516.15	112.05	985.50
5-Star Price	199.80	58.10	511.00
Assessment	Fairly Valued 2 Jul 2025	Overvalued 2 Jul 2025	Undervalued 2 Jul 2025
Morningstar Rating	★★★2 Jul 2025 21:30, UTC	★★2 Jul 2025 17:29, UTC	★★★★2 Jul 2025 21:38, UTC
Analyst	Karen Andersen, Director	Jay Lee, Senior Equity Analyst	Jay Lee, Senior Equity Analyst
Capital Allocation	Exemplary	Standard	Standard
Price/Fair Value	0.87	1.19	0.75
Price/Sales	4.62	4.18	4.33
Price/Book	25.16	5.67	1.97
Price/Earning	26.48	18.99	14.96
Dividend Yield	3.19%	3.58%	0.33%
Market Cap	159.62 Bil	194.41 Bil	59.14 Bil
52-Week Range	253.30—346.85	81.10—102.72	476.49—1,211.20
Investment Style	Large Value	Large Blend	Mid Value

firm a cost advantage in the biosimilar market.

Bears Say Karen Andersen, CFA, Director, 5 Feb 2025

- Biosimilars have been on the market in Europe since 2007 but have had a larger impact on Amgen since 2019 as US exposure intensifies. Pressure on Prolia/Xgeva is coming in 2025.
- Amgen's position in blood cancer is uncertain, as Kyprolis sales haven't lived up to expectations from the $10 billion Onyx acquisition, and Johnson & Johnson/Genmab's Darzalex and BCMA-targeted therapies are strong competition.
- Amgen lacks the focus of some of its biotech peers, with drugs targeting large markets like osteoporosis and cardiology and specialty markets like immunology and oncology.

Economic Moat Karen Andersen, CFA, Director, 5 Feb 2025

Amgen markets several blockbuster biologic therapies in oncology and immunology, giving it the

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intangible assets that form the foundation of its wide moat. We think the firm does face environmental, social, and governance risks, particularly related to potential US drug price-related policy reform (Amgen sees roughly three fourths of its sales from the US market) and ongoing potential for product governance issues (including litigation). While we have factored these threats into our analysis, we don't see them as material to our valuation or moat rating. Highly profitable biologics like Prolia and Enbrel continue to support very strong free cash flows for the firm, generally above 30% of sales. We expect Amgen to see relatively steady free cash flow margins, and returns on invested capital should remain above its cost of capital for the foreseeable future. We think newly launched products and higher rates of productivity for its late-stage pipeline—both branded and biosimilar—will allow the firm to maintain strong ROICs. With new lower-cost manufacturing technology and aggressive cost-cutting efforts, pricing and volume pressure from biosimilar competition should not weigh heavily on long-term margins.

One of the original biotechs, Amgen launched innovative recombinant proteins for anemia and neutropenia, beginning with Epogen in 1989 and Neupogen in 1991. Longer-acting products Aranesp and Neulasta were launched in 2001-02, just as the firm decided to acquire Immunex and bring immunology drug Enbrel into its portfolio. The launch of bone-strengthening drug Prolia/Xgeva in 2010 led to $6.6 billion in 2024 sales prior to expected biosimilar competition in 2025.

Amgen has largely continued to grow despite steady regulatory and competitive headwinds, including safety issues weighing on anemia drugs Epogen and Aranesp since 2007, as well as generic (biosimilar) competition in anemia and neutropenia (against Epogen, Neupogen, and Neulasta). Prolia/Xgeva remains Amgen's single-largest product at roughly 20% of sales in 2024, but we expect two fairly significant patent cliffs for Amgen: Prolia/Xgeva in 2025 and Enbrel and immunology drug Otezla in 2028.

Countering these pressures are several newer products that continue to bolster Amgen's moat. Newer products like cholesterol-lowering drug Repatha (approved in 2015) and immunology drug Tezspire (approved in 2021) are poised to be top products by 2030, in addition to oncology drug Lumakras (approved in 2021). Despite Repatha's slow start, we expect PCSK9 antibodies as a class could generate $7 billion in peak sales, with significant potential for volume growth to more than counter additional pressure on price as well as new competitive threats (like Novartis' new drug Leqvio). Osteoporosis drug Evenity was approved in 2019, and while cardiovascular side effects could limit broad uptake, the drug's bone-forming mechanism of action complements Amgen's Prolia.

In addition, Amgen's own biosimilar portfolio is growing as it launches against Roche's and AbbVie's mature oncology and immunology franchises. We think Amgen's experience navigating regulatory, clinical, and manufacturing hurdles, as well as its strong reputation for its branded therapies, is helping the firm position itself as a leading biosimilar player.

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Regarding pipeline productivity, we think Amgen has turned a corner, and we think it will be able to maintain its top line, despite pressure on current blockbusters, through at least 2030. Amgen historically has had a high failure rate for its pipeline, particularly its oncology pipeline between 2011 and 2014. Amgen's decision to return brodalumab rights to Astra due to higher rates of suicide was also a hit to its late-stage pipeline in 2015. Current leading pipeline programs include small-cell lung cancer drug tarlatamab (approved as Imdelltra in 2024), cardiovascular drug olpasiran (in phase 3), and phase 3 obesity drug candidate maridebart cafraglutide. Beyond Imdelltra, Amgen is beginning to amass a pipeline of oncology therapies, with heavy investment in bispecific therapies that could more effectively harness the immune system to fight specific forms of cancer. However, this pipeline is still relatively early and has seen mixed data, and we therefore incorporate moderate sales into our valuation model from these pipeline candidates.

Fair Value and Profit Drivers Karen Andersen, CFA, Director, 5 Feb 2025

We're raising our fair value estimate to $333 per share from $317 following solid recent results for some of Amgen's strongest-growing products (osteoporosis drug Evenity, cholesterol drug Repatha, cancer drug Blincyto, and asthma drug Tezspire), as well as a later expected entry for biosimilar versions of key drug denosumab (Prolia/Xgeva).

We assume a 60% probability of maritide's approval and probability-adjusted sales of $8 billion in 2033, largely in obesity.

The Horizon acquisition is relatively neutral to our valuation, but it brings a portfolio of rare-disease and immunology drugs that we expect could see combined sales north of $6 billion by 2028.

For the Inflation Reduction Act, we included a 2% step-down in US sales to account for Medicare inflation caps and a 1% step-down in US sales beginning in 2025 to account for Medicare Part D redesign in our valuation. We also assume Medicare negotiations could reduce sales of Otezla, Repatha, and Lumakras prior to patent expirations.

We expect peak sales of combined Prolia/Xgeva at $6.6 billion (in 2024), Repatha at $3 billion, and Evenity around $2 billion. We see Amgen's biosimilar portfolio, with roughly $2.3 billion in 2021 sales, growing to more than $4 billion in sales at peak. We include less than $1 billion in peak Lumakras sales and $3 billion in peak Tezspire sales. Beyond these products, we only model billion-dollar sales for maridebart cafraglutide and four other pipeline products: cardiology drug olpasiran (partnered with Arrowhead) and cancer drugs bemarituzumab (gastric cancer), Imdelltra (lung cancer), and AMG 193 (multiple cancers).

With pricing power eroding, we think Enbrel sales will continue to decline, and branded Aranesp

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competition (Mircera) as well as Epogen biosimilar launches (2019) will weigh on anemia drug sales. We expect double-digit Neulasta sales declines beginning in 2019 to extend through our 10-year forecast as biosimilars launch in the US market. We see Prolia's patent expiration in 2025 as the next big patent cliff for Amgen and model Otezla's patent expiration in 2029.

We assume a 7% cost of capital. We rate the systematic risk surrounding Amgen shares as below average; our 7.5% cost of equity assumption aligns our capital cost assumptions with the returns that equity investors are likely to demand over the long run. We assume a 5.8% pretax cost of debt to reflect a more normalized long-term rate environment. We assume a 16% tax rate for Amgen beyond 2024, higher than the company's recent tax rates, which we believe covers some of the risk from ongoing tax disputes with the IRS.

Risk and Uncertainty Karen Andersen, CFA, Director, 5 Feb 2025

We're confident that Amgen will be capable of defending its bottom line through a key period of weakness for legacy products, as cost-cutting and manufacturing innovation help to trim operating costs. However, growth will depend on the firm's ability to help several newer franchises (such as Repatha, Aimovig, and Evenity) and newer launches (Lumakras and Tezspire) navigate payer restrictions and drive strong demand growth. Less cost-effective medicines like Tezspire and Enbrel could be more vulnerable to payer pressure down the road. We therefore assign this diversified biotech a High Morningstar Uncertainty Rating.

Our rating for Amgen is not materially affected by environmental, social, and governance risks; we see access to basic services (tied to drug pricing) as the biggest ESG risk that the firm needs to manage. Amgen sees three fourths of its sales from the US, increasing its exposure to US policy changes. Following passage of the Inflation Reduction Act, we included a 2% step-down in US sales to account for Medicare inflation caps and a 1% step-down in US sales in 2025 to account for Medicare Part D redesign in our valuation. We assume a more than 50% probability of Amgen seeing future costs related to product governance ESG risks (such as off-label marketing or litigation related to side effects) and therefore model annual legal costs at 1% of non-GAAP net income, which has an immaterial effect on our valuation.

Beyond existing biosimilar and reimbursement headwinds, Amgen faces the risk of Prolia/Xgeva biosimilar competition beginning in 2025. In addition, the $10 billion acquisition of Onyx (cancer drug Kyprolis) proved expensive, and the value of the $28 billion acquisition of Horizon depends on whether the firm can maintain strong growth for drugs currently holding monopoly positions.

Capital Allocation Karen Andersen, CFA, Director, 5 Feb 2025

We assign Amgen an Exemplary Capital Allocation Rating. The rating reflects our belief that Amgen possesses a sound balance sheet, exceptional investment outlook, and appropriate shareholder

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distributions.

Amgen's nearly $50 billion in net debt (as of the end of 2024) was built despite strong free cash flows from the business, as management prioritized distributions (in the form of share repurchases and, since 2011, a dividend) as well as large acquisitions, including the $10.4 billion Onyx acquisition in 2013, the $13.4 billion acquisition of immunology drug Otezla (from Celgene) in 2019, and the $28 billion Horizon acquisition in 2023. However, Amgen holds a net debt/EBITDA ratio below 4, which we think is manageable as we model steady cash flows over the next several years.

We have a positive view on Amgen's history of investments and our outlook for future investment. While we see Amgen's history of acquisitions and collaborative deals as relatively neutral to ROICs, meaning that they don't appear to create or destroy significant economic value, we think they improve the firm's competitive positioning and moat sources. Onyx gave Amgen standing in the oncology market, creating a platform for further expansion of the firm's oncology pipeline, including future drugs using bispecific technology from Micromet and Xencor. The Decode acquisition gave Amgen access to a human genetics database, supporting drug discovery and development. We also see the acquisition of Otezla as adding value through execution, as Amgen is leveraging marketing costs with its established Enbrel salesforce. Amgen should be able to leverage its immunology expertise and global infrastructure as it maximizes the potential of the portfolio of rare-disease therapeutics from Horizon, as well.

We think Amgen's current level of dividend payments (roughly $4 billion annually) and share repurchases (likely to fall below dividend payments following the Horizon deal) is appropriate, as it maximizes returns to shareholders but still leaves some free cash flow remaining to repay debt as it comes due or support M&A. Share-repurchase prices averaged $230 in 2020, above our fair value estimate that year, but historical repurchases have also come in below our fair value estimate, giving us a neutral view on Amgen's ability to add or destroy value with share repurchases.

Analyst Notes Archive

Amgen Earnings: On Track to Meet 2025 Guidance Following Broad-Based Growth in First Quarter

Karen Andersen, CFA,Director,2 May 2025

Amgen reported 9% top-line growth and 24% non-GAAP EPS growth in the first quarter, and management maintained full-year guidance for mid-single-digit growth in each measure, at the midpoint. Why it matters: Amgen's strong start to 2025 reflects double-digit sales growth for multiple drugs across therapeutic areas, but Prolia/Xgeva biosimilars and increasing investment in phase 3 programs like MariTide (obesity) and olpasiran (cardiovascular disease) will weigh on full-year growth. We're impressed with strong growth for cancer drug Blincyto (52% growth), asthma drug Tezspire (65%), cholesterol drug Repatha (27%), and osteoporosis drug Evenity (29%). Despite Amgen's growing investment in research and development (we expect roughly 20% of sales in 2025 will go toward R&D),

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we think Amgen can maintain non-GAAP operating margins in the mid-40s over the next several years. The bottom line: We're maintaining our $333 fair value estimate for wide-moat Amgen, as the firm is exhibiting broad-based growth from its branded and biosimilar portfolio. We're increasingly optimistic about Amgen's ability to further improve returns on invested capital as it advances Horizon's rare disease drug portfolio, including Tepezza (upcoming Europe launch) and Uplizna (recent IgG4 approval and potential myasthenia gravis approval later in 2025). Amgen's biosimilar strength appears solid, with impressive launches of Pavblu (Eylea) and Wezlana (Stelara) and ongoing trials for biosimilar versions of oncology drugs like Bristol's Opdivo and Merck's Keytruda as well as Roche's multiple sclerosis drug Ocrevus. Coming up: Upcoming phase 3 data later in 2025 includes Repatha cardiovascular outcomes data for a broader group of patients, more studies for atopic dermatitis drug candidate rocatinlimab, and two gastric cancer trials for drug candidate bemarituzumab. We expect additional phase 2 data for MariTide in second-half 2025 that could give us more insight into potential quarterly dosing.

Amgen Earnings: Raising Our Fair Value by 5% on Solid 2025 Guidance and Diversified Growth Prospects Karen Andersen, CFA,Director,5 Feb 2025

Amgen reported $33.4 billion in revenue (19% growth, boosted by the Horizon acquisition) and $19.84 in non-GAAP earnings per share (6% growth) for 2024. 2025 guidance implies roughly 3%-7% top-line growth and 1%-7% non-GAAP EPS growth.Why it matters: Amgen's performance in 2024 was in line with our estimates, but 2025 guidance is ahead of our prior outlook, largely due to biosimilar denosumab competition (bone drug Prolia and cancer drug Xgeva) coming later in the year than we had anticipated. Denosumab constituted about 20% of Amgen's 2024 revenue, so the rest of the portfolio and pipeline should be pressured when biosimilar competition begins later this year. Research and development expenses are growing faster than sales, but other operating expense cost controls from automation and steady non-GAAP gross margins should allow Amgen to maintain non-GAAP operating margins in the mid-40s.The bottom line: We're raising our fair value estimate for wide-moat Amgen to $333 from $317 following the solid outlook as well as encouraging 2024 growth for several products, including cholesterol-lowering drug Repatha, osteoporosis drug Evenity, and Humira biosimilar Amjevita. We now forecast more than 4% revenue growth in 2025 and flat sales in 2026, assuming Amgen faces the brunt of biosimilar denosumab competition that year.Coming up: Amgen is moving its obesity drug candidate into phase 3 in the first half of 2025. We now assume that this implies phase 3 data in late 2026 and a 2028 launch (previously assumed a 2027 launch), with probability-weighted peak sales around $9 billion (using a 60% probability of approval). Amgen expects phase 3 data later this year for atopic dermatitis drug rocatinlimab and gastric cancer drug bemarituzumab and also data for Repatha in primary prevention. Bears say: A clinical hold for phase 1 obesity drug candidate AMG 513 highlights the uncertainty around Amgen's ability to diversify and expand its obesity portfolio beyond maritide.

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More Trump Healthcare Nominations Largely Aligned With Kennedy Karen Andersen, CFA,Director,2 Dec 2024

Following President-elect Donald Trump's Nov. 14 announcement of the nomination of Robert F. Kennedy Jr. as secretary of the US Department of Health and Human Services, there have seen several more nominations for leadership in the 13 HHS divisions, including Dr. Mehmet Oz (Centers for Medicare and Medicaid Services) on Nov. 19, Dr. Marty Makary (US Food and Drug Administration) and Dr. Dave Weldon (Centers for Disease Control and Prevention) on Nov. 22, and Dr. Jay Bhattacharya (National Institutes of Health) on Nov. 26. Overall, we think these selections show a consistent theme of introducing potential disruptive forces to US healthcare, although their lack of experience and the power of career staffers in these agencies could serve to blunt any significant proposed changes. We continue to see obesity drugs and vaccines as areas of potential scrutiny, although without any clarity on proposals, we're not making any changes to our fair value estimates following these announcements.As discussed in our Nov. 18 note, we think biopharma industry tailwinds under the new Trump administration could include repealing the Medicare negotiation provision in the Inflation Reduction Act, less Federal Trade Commission scrutiny of acquisitions, as well as continued lower corporate taxes. However, Kennedy's skepticism of vaccine and obesity drug benefits could erode public trust and we think his team could slow the approval of new drugs and vaccines and de-emphasize CDC vaccine guidelines. Views on obesity drugs will likely be front and center in 2025, given the proposed rule from the Biden administration to expand obesity drug coverage in Medicare and Medicaid and the upcoming announcement of the 2027 list of negotiated drugs (which is likely to include Novo Nordisk's semaglutide). The Trump administration would need to finalize the rule and we expect Kennedy will be conflicted over whether to discourage reliance on weight loss drugs or reduce obesity drug costs significantly.

Amgen: Maintaining Our $317 Fair Value Estimate Following Maritide's Mixed Phase 2 Data Karen Andersen, CFA,Director,26 Nov 2024

We think Amgen's phase 2 data for obesity drug candidate maritide shows evidence of a differentiated convenience profile (monthly or less frequent injections versus weekly injections for approved therapies) as well as potential for a reliable manufacturing foundation, given Amgen's biologics manufacturing record and fewer injections needed per patient. In addition, data on bone mineral density and heart rate effects was reassuring and supports the safety profile of the drug candidate. However, the view on efficacy is somewhat muddled by pooled data and lack of clarity on doses moving to phase 3; we think it looked only in line with approved competitors. In addition, Amgen is still trying to reduce nausea and vomiting side effects by starting patients at even lower doses.We're maintaining our $317 fair value estimate, as we think maritide still has multi-billion-dollar sales potential, but we're not inclined to increase our fair value estimate based on the data so far. Overall, we think maritide's

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Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
290.52 USD 1 Jul 2025	333.00 USD 5 Feb 2025 13:33, UTC	0.87	159.62 USD Bil 2 Jul 2025	Wide	Large Value	High	Exemplary	4 Jun 2025 05:00, UTC

probability of approval is likely higher, although commercial success is still less certain until the firm can nail down its tolerability and maintenance profile in phase 3 studies, which are expected to begin shortly. We continue to think Amgen's broad portfolio and pipeline support a wide moat regardless of maritide's future sales.In the phase 2 study at 52 weeks, maritide generated its highest efficacy of roughly 20% weight loss in a 280-milligram monthly dosing arm among nondiabetic obese patients and 17% weight loss in a 420 mg monthly dosing arm among diabetic obese patients. Among the nondiabetic patients, Amgen also tested some patients with lower starting doses as part of a dose escalation strategy, which lowered discontinuation rates due to gastrointestinal issues to less than 8%, although rates of nausea (70%) and vomiting (40%) were still high despite dose escalation.

Trump's Nomination of RFK Jr. to Lead HHS a Potential Industry Headwind Karen Andersen, CFA,Director,18 Nov 2024

President-elect Donald Trump announced on Nov. 14 that he is nominating Robert F. Kennedy Jr. to be secretary of the Department of Health and Human Services under his new administration in 2025. RFK Jr. has strong views on public health and, if confirmed, could use his position to make changes at several of the 13 HHS divisions. In our Nov. 8 note, we discussed the potential tailwinds of a Trump administration, including possible repeal of the Medicare negotiation provision in the Inflation Reduction Act, less Federal Trade Commission scrutiny of acquisitions, and a likely continuation of lower corporate taxes. However, if RFK's nomination is confirmed, we expect more "wild card" headwinds to the industry will come to fruition. As the HHS covers the US Food and Drug Administration and the Centers for Disease Control and Prevention, an HHS secretary skeptical of vaccine and obesity drug benefits could work to erode public trust, put up roadblocks for approval of new vaccines, and prevent the CDC from recommending any vaccines that make it through the approval process. With less federal guidance, we think it is possible certain states could waver in support of broad mandates for childhood vaccines. All of these could weigh on sales of vaccines in the US, including covid vaccine makers Moderna and BioNTech and big biopharma vaccine makers like GSK (we model 14% of GSK revenue from US vaccine sales in 2024), Pfizer (12%), Merck (9%), and Sanofi (6%).If RFK Jr. is confirmed, we may lower our US vaccine sales estimates, although we don't think reductions would be long-lasting, and we don't yet see this as a significant hit to our valuations. Broad international price benchmarks could be a bear-case scenario under RFK Jr., which may increase our Morningstar Uncertainty Ratings. That said, any proposal would likely start with a smaller portion of the Medicare market and not extend to private markets, and we would be unlikely to include this in our fair value estimates.

Biopharma Election Impact: Potential Reduced IRA Headwind but Unpredictable Challenges Karen Andersen, CFA,Director,8 Nov 2024

We think that President-elect Donald Trump brings a mix of potential headwinds and tailwinds to the

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Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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biopharma industry, and we're not making any adjustments to our fair value estimates at this time. We had previously assumed that the most likely case was split control of the presidency and Congress by Democrats and Republicans. However, with Republicans locking in control of the Senate and holding a lead in elections in the House, we think it looks increasingly likely that Trump and his party could have control across both branches of government, making any potential policy priorities more likely to be implemented.In terms of industry tailwinds, Trump could lessen pressure from the Federal Trade Commission on mergers and acquisitions, making it easier for large firms with sufficient cash to expand their pipelines. He could also try to repeal the Medicare negotiation portion of the Inflation Reduction Act, lessening pricing pressure on the industry.However, Trump's alignment with and potential to place RFK Jr. in a prominent role in the Department of Health and Human Services or the Food and Drug Administration could lead to less predictable outcomes, ranging from White House influence in approval decisions (possibly fewer approvals of certain new types of drugs, and particularly vaccines) to high turnover of FDA staff (leading to significant backlogs in applications).One of the first priorities could be an attempt to repeal the IRA. We think it would be difficult to repeal the IRA in its entirety, as many parts of its multiyear implementation are already in progress, and legislators might be unwilling to stop funding on projects in their states and districts. However, a more piecemeal approach to dismantling some upcoming provisions might work.

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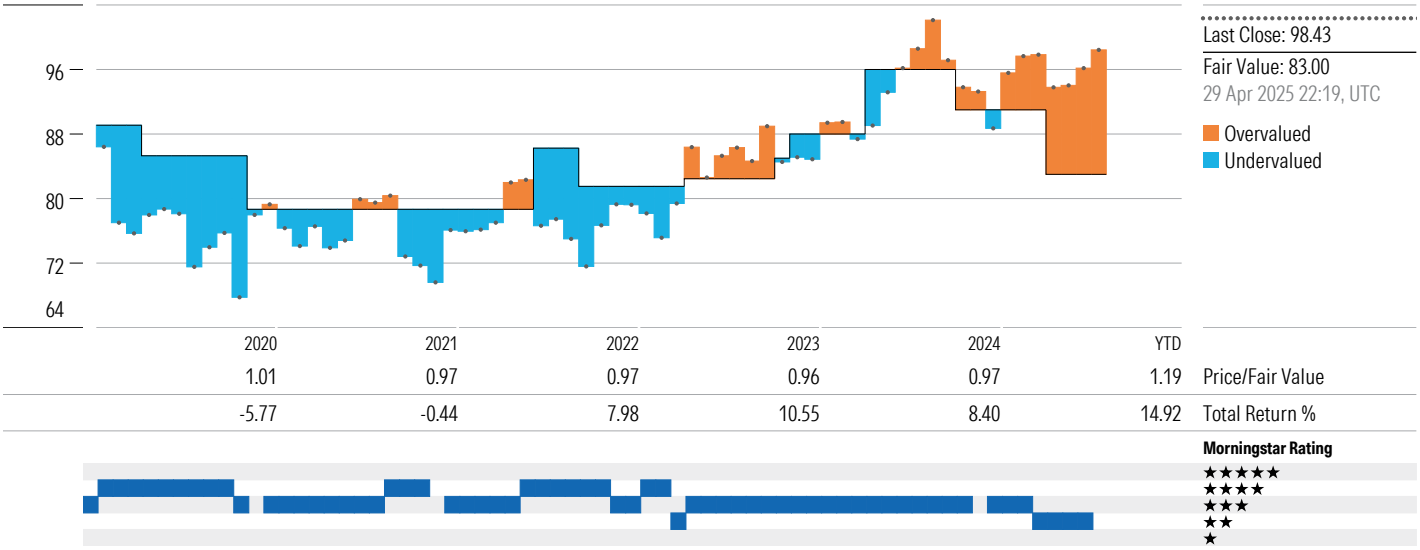
Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Competitors Price vs. Fair Value

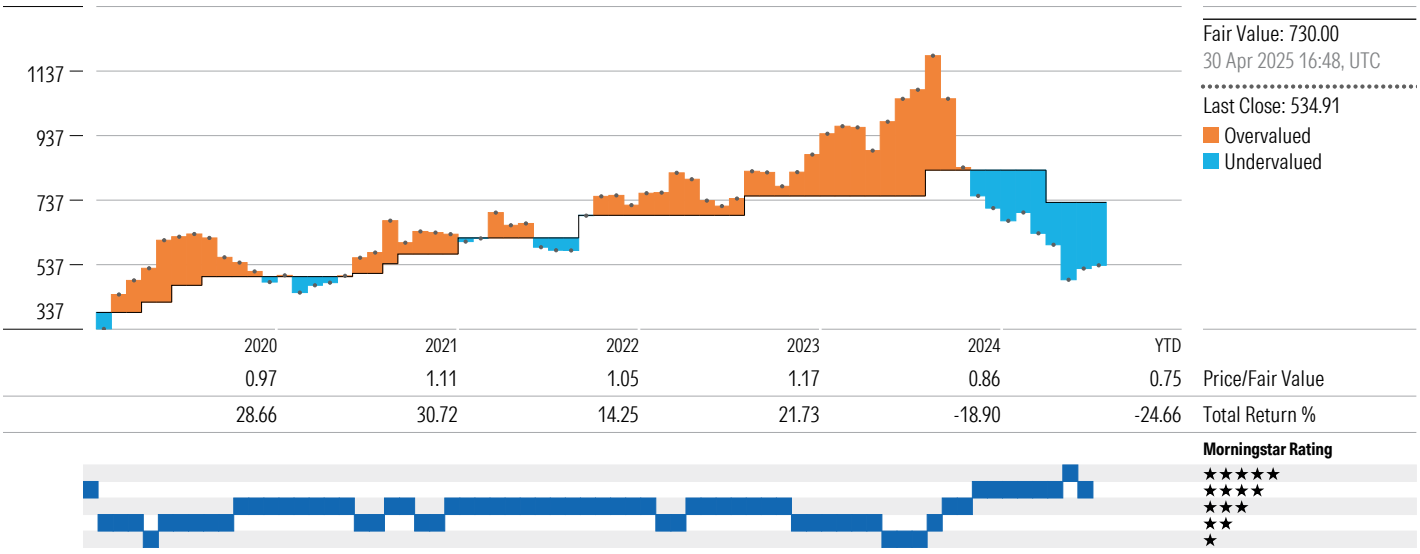
Novartis AG Registered Shares NOVN



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.01	0.97	0.97	0.96	0.97	1.19
Total Return %	-5.77	-0.44	7.98	10.55	8.40	14.92

Total Return % as of 02 Jul 2025. Last Close as of 02 Jul 2025. Fair Value as of 29 Apr 2025 22:19, UTC.

Regeneron Pharmaceuticals Inc REGN



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	0.97	1.11	1.05	1.17	0.86	0.75
Total Return %	28.66	30.72	14.25	21.73	-18.90	-24.66

Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 30 Apr 2025 16:48, UTC.

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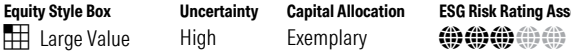
Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
290.52 USD 1 Jul 2025	333.00 USD 5 Feb 2025 13:33, UTC	0.87	159.62 USD Bil 2 Jul 2025	Wide	Large Value	High	Exemplary	 4 Jun 2025 05:00, UTC

Morningstar Valuation Model Summary

Financials as of 01 May 2025

Fiscal Year, ends 31 Dec	Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029
Revenue (USD Mil)	26,323	28,190	33,424	35,688	35,879	37,085	39,104	40,456
Operating Income (USD Mil)	10,069	8,776	7,506	10,172	11,103	12,144	14,095	15,311
EBITDA (USD Mil)	12,983	11,968	12,850	15,157	15,908	16,982	17,990	18,544
Adjusted EBITDA (USD Mil)	12,983	11,968	12,850	15,157	15,908	16,982	17,990	18,544
Net Income (USD Mil)	6,552	6,717	4,090	6,769	7,421	8,361	10,068	11,184
Adjusted Net Income (USD Mil)	9,570	10,034	10,734	11,283	10,877	11,817	12,724	13,280
Free Cash Flow To The Firm (USD Mil)	8,110	-25,535	11,946	10,276	11,499	11,834	12,505	12,843
Weighted Average Diluted Shares Outstanding (Mil)	541	538	541	537	529	522	515	508
Earnings Per Share (Diluted) (USD)	12.11	12.49	7.56	12.61	14.03	16.03	19.56	22.00
Adjusted Earnings Per Share (Diluted) (USD)	17.69	18.65	19.84	21.01	20.56	22.65	24.72	26.13
Dividends Per Share (USD)	7.95	8.64	9.13	9.52	10.09	10.70	11.34	12.02

Margins & Returns as of 01 May 2025

	3 Year Avg	Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029	5 Year Avg
Operating Margin %	28.7	38.3	31.1	22.5	28.5	31.0	32.8	36.1	37.9	32.5
EBITDA Margin %	—	49.3	42.4	38.5	42.5	44.3	45.8	46.0	45.8	—
Adjusted EBITDA Margin %	—	49.3	42.4	38.5	42.5	44.3	45.8	46.0	45.8	44.9
Net Margin %	20.3	24.9	23.8	12.2	19.0	20.7	22.5	25.8	27.6	23.1
Adjusted Net Margin %	34.7	36.4	35.6	32.1	31.6	30.3	31.9	32.5	32.8	31.8
Free Cash Flow To The Firm Margin %	-8.0	30.8	-90.6	35.7	28.8	32.1	31.9	32.0	31.7	31.3

Growth & Ratios as of 01 May 2025

	3 Year CAGR	Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029	5 Year CAGR
Revenue Growth %	8.8	1.3	7.1	18.6	6.8	0.5	3.4	5.4	3.5	3.9
Operating Income Growth %	-7.0	7.8	-12.8	-14.5	35.5	9.2	9.4	16.1	8.6	15.3
EBITDA Growth %	5.7	17.6	-7.8	7.4	18.0	5.0	6.8	5.9	3.1	7.8
Adjusted EBITDA Growth %	5.2	17.6	-7.8	7.4	18.0	5.0	6.8	5.9	3.1	7.6
Earnings Per Share Growth %	-9.8	17.8	3.1	-39.5	66.7	11.3	14.3	22.0	12.5	23.8
Adjusted Earnings Per Share Growth %	-9.8	27.5	5.4	6.4	5.9	-2.2	10.2	9.1	5.7	23.8

Valuation as of 01 May 2025

	Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029
Price/Earning	14.8	15.4	13.1	14.1	14.4	13.1	12.0	11.4
Price/Sales	5.3	5.5	4.2	4.5	4.4	4.3	4.1	3.9
Price/Book	38.8	24.9	24.0	31.7	34.0	31.6	23.1	16.4
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	12.9	15.0	14.9	13.7	13.1	12.3	11.6	11.2
EV/EBIT	16.6	20.5	25.5	20.5	18.8	17.1	14.8	13.6
Dividend Yield %	3.0	3.0	3.5	3.2	3.4	3.6	3.8	4.1
Dividend Payout %	44.9	46.3	46.0	45.3	49.1	47.2	45.9	46.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 01 May 2025

Fiscal Year, ends 31 Dec	Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029
ROA %	10.1	6.9	4.5	7.9	9.2	10.5	12.6	14.0
ROE %	179.0	107.8	69.6	134.5	160.8	170.8	151.9	121.5
ROIC %	18.0	12.5	10.6	13.9	14.8	15.9	18.1	19.0

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Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	2022	2023	2024	2025	2026	2027	2028	2029
Debt/Capital %	20.8	21.8	29.5	23.2	21.2	20.2	19.3	18.0
Assets/Equity	17.8	15.6	15.6	17.1	17.6	16.3	12.1	8.7
Net Debt/EBITDA	1.9	2.5	4.2	3.1	2.8	2.5	2.2	2.0
Total Debt/EBITDA	2.6	3.3	5.0	3.7	3.2	2.9	2.7	2.5
EBITDA/ Net Interest Expense	5.8	285.0	4.9	11.6	7.3	8.0	8.8	9.6

Forecast Revisions as of 2 May 2025	2025		2026		2027	
Prior data as of 27 Feb 2025	Current	Prior	Current	Prior	Current	Prior
Fair Value Estimate Change (Trading Currency)	333.00	326.52	—	—	—	—
Revenue (USD Mil)	35,688	35,697	35,879	35,839	37,085	37,008
Operating Income (USD Mil)	10,172	10,547	11,103	11,117	12,144	12,146
EBITDA (USD Mil)	15,157	15,939	15,908	15,921	16,982	16,982
Net Income (USD Mil)	11,283	11,211	10,877	10,829	11,817	11,751
Earnings Per Share (Diluted) (USD)	12.61	12.05	14.03	13.94	16.03	15.90
Adjusted Earnings Per Share (Diluted) (USD)	21.01	20.88	20.56	20.47	22.65	22.53
Dividends Per Share (USD)	9.52	9.52	10.09	10.09	10.70	10.70

Key Valuation Drivers as of 01 May 2025

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	6.9
Long-Run Tax Rate %	17.0
Stage II EBI Growth Rate %	3.5
Stage II Investment Rate %	25.0
Perpetuity Year	20

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 01 May 2025

	USD Mil
Present Value Stage I	85,979
Present Value Stage II	50,730
Present Value Stage III	86,757
Total Firm Value	**223,465**
Cash and Equivalents	11,973
Debt	60,099
Other Adjustments	-891
Equity Value	**174,448**
Projected Diluted Shares	533
Fair Value per Share (USD)	**333.00**

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Amgen Inc AMGN ★★★ 2 Jul 2025 21:30, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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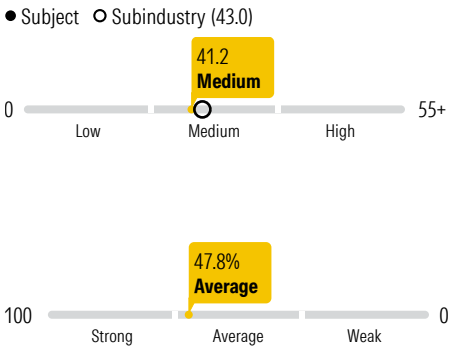
ESG Risk Rating Breakdown

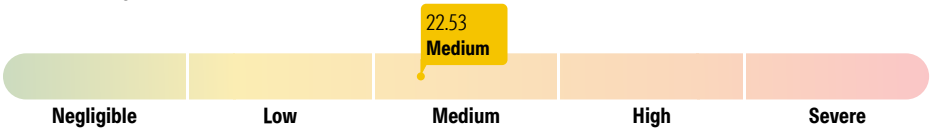
Exposure	
Company Exposure[1]	41.2
– Manageable Risk	39.1
Unmanageable Risk[2]	**2.1**
Management	
Manageable Risk	39.1
– Managed Risk[3]	18.7
Management Gap[4]	**20.4**
Overall Unmanaged Risk	**22.5**



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Jun 04, 2025. Highest Controversy Level is as of Jun 08, 2025. Sustainalytics Subindustry: Biotechnology. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 47.8% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

Peer Analysis 04 Jun 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
Amgen Inc	41.2 | Medium	0	55+	47.8 | Average	100	0	22.5 | Medium	0	40+
Bristol-Myers Squibb Co	41.0 | Medium	0	55+	59.1 | Strong	100	0	17.9 | Low	0	40+
Regeneron Pharmaceuticals Inc	38.1 | Medium	0	55+	54.5 | Strong	100	0	18.4 | Low	0	40+
Novartis AG	44.2 | Medium	0	55+	69.8 | Strong	100	0	15.6 | Low	0	40+
Moderna Inc	38.6 | Medium	0	55+	53.0 | Strong	100	0	19.2 | Low	0	40+

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Appendix

Historical Morningstar Rating

Amgen Inc AMGN 2 Jul 2025 21:30, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★★	★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★★

Novartis AG Registered Shares NOVN 2 Jul 2025 17:29, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★	★★	★★	★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★	★★★★	★★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
—	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★

Regeneron Pharmaceuticals Inc REGN 2 Jul 2025 21:38, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★	★★★	★★	★	★	★	★★	★★	★★	★★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★	★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★	★★★	★★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★	★★	★★	★★	★★	★	★★	★★	★★	★★★★

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Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology

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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

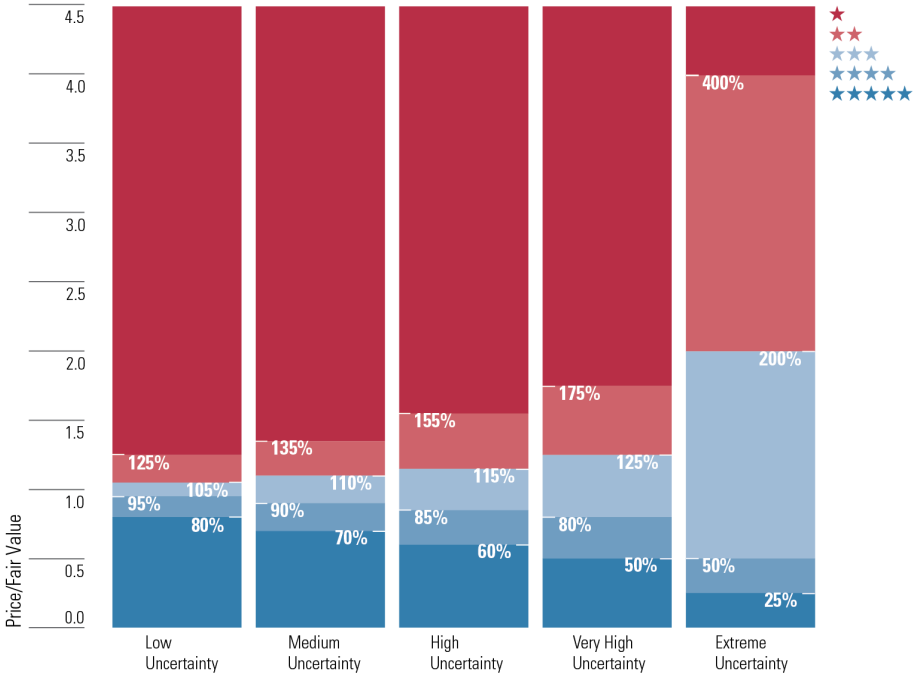
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

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and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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