

Emergent BioSolutions (EBS)

Business Summary:

Emergent BioSolutions, Inc., a specialty biopharmaceutical company, develops, manufactures, and sells specialized products to healthcare providers and governments in the United States and internationally. It develops vaccines and antibody therapeutics for infectious diseases, oncology and autoimmune disorders, and provides medical devices for biodefense purposes. Among the company's notable products is BioThrax (Anthrax Vaccine Adsorbed), the only anthrax vaccine licensed by the U.S. Food and Drug Administration (FDA). The company also manufactures pharmaceuticals for adults and children with acute blood disorders, people undergoing certain liver transplants, palliative care for chemo or radiation therapy patients, hemophilia B and a *varicella* (Chickenpox) vaccine for high risk patients.

Key Financials:

- NYSE: EBS
- Current Price: \$31.84
- 52 Week Range: \$26.12 - 44.38
- Market Cap: 1.26B
- Beta: 1.25
- EBITDA: 133.77M
- P/E Ratio: 15.67
- Diluted EPS: 1.4
- Dividend Yield: N/A
- Enterprise Multiple: 8.79

Industry Overview:

- *Market Size*
 - Biotechnology Market Size To Reach \$604.40 Billion By 2020
 - The application of biotechnology in the field of biopharmaceuticals generated the largest revenue in 2014.
- *Drivers*
 - Funding, strong research pipeline, demand for drugs, innovative drugs, big pharma deals
- *Industry Trends*
 - Patients and politicians criticize drug companies for high prices
 - Mature markets will push major pharmaceutical companies to seek more deals.
 - Public and private insurers demand better outcomes for new medicines.
 - Biotech and pharmaceutical companies pursue targeted and specialized therapies.
- *Competitive Landscape*
 - Revenue of Competitive Companies: Roche Holding (N/A), Novo Nordisk (13.35B), and Gilead Sciences (28.63B).
 - P/E Ratio of Competitive Companies: Roche Holding (23.2), Novo Nordisk (19.2), and Gilead Sciences (13.52).
 - Enterprise Multiple of Competitive Companies: Roche Holding (10.85), Novo Nordisk (13.21), and Gilead Sciences (5.26).

Company Overview

- *Management Team*
 - Founder, Exec. Chairman of Directors, Chairman of Strategic Operations Committee and Member of Pricing Committee: Mr. Fuad El-Hibri
 - Received an economics degree from Stanford and an MBA from Yale
- *Financial Analysis*
 - Shares up 21.89% to 52-week low.
 - 2015 results: Revenues for Emergent BioSolutions increased to 3.98B. Net income decreased to \$62.87M.
 - Positive cash flows of \$32.3M, total cash flows from investing activities were -\$45.46M on Dec 31, 2015.
 - ROIC of -6.91% in Q2 of 2016.
- *In the News*
 - 2016: "Emergent BioSolutions Provides Update on Status of BioThrax Procurement Contract and Discussions With CDC"
 - 2016: "Why Emergent Biosolutions Inc Surged Higher Today"

Recommendation

The company develops vaccines and are specifically known for their anthrax poisoning, which provides stable revenue as it searches for new oncology and immunology therapies. In 2012, Emergent signed a 5-year contract to supply 9 million doses a year. A 28% increase from its typical annual production. In 2011, the department of Health and Human Services issued a 369-page report from the Institute of Medicine that commended building a store of anthrax vaccine before any crisis hits. The company's balance sheet is fairly great, with debt accounting for just 8% total assets, and \$88 million in cash. Shares are up 21.89% to 52-week low showing steady growth. P/E is higher than average at 15.67 meaning suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. The Wall Street Recommendation is to buy (score of 5.0) as well as mine.

Sources: Yahoo Finance, Grand View Research, Market Realist, GuruFocus, WSJ, Morningstar