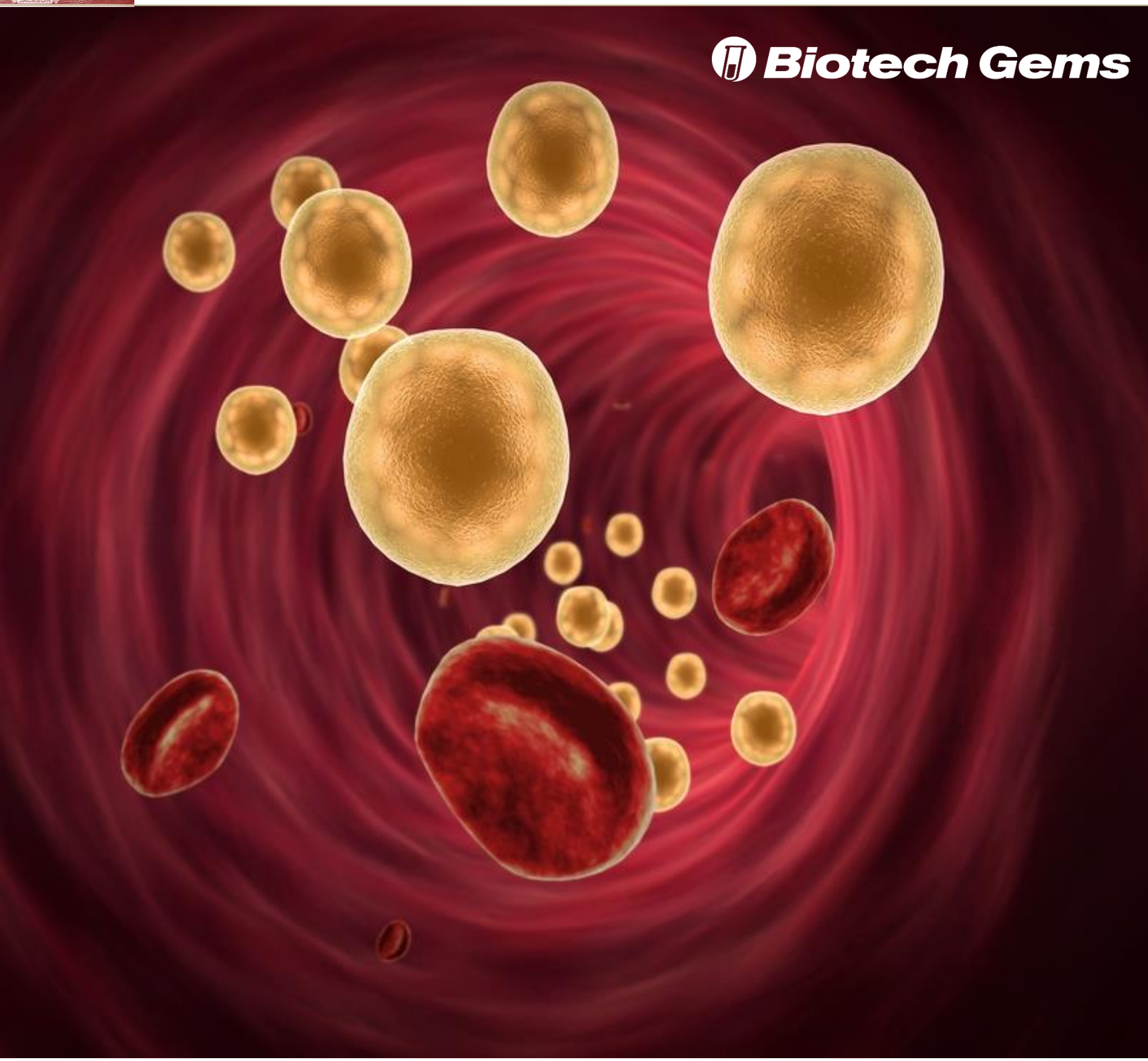


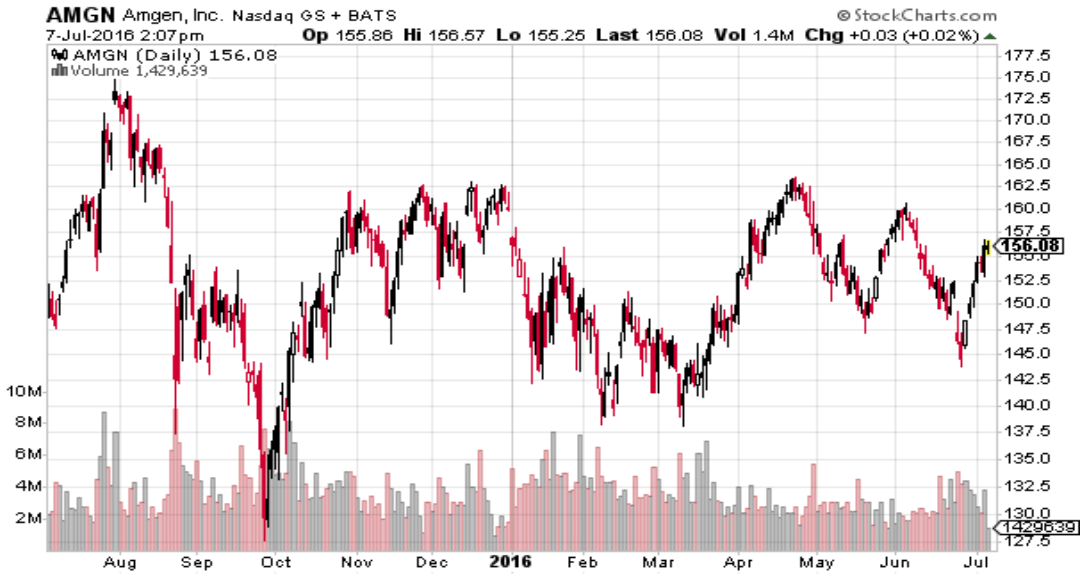
Forget Heart Disease: 1 Stock to Enjoy a Long, Healthy, Prosperous Retirement



Investors Alley

Amgen: Delivering the Next Blockbuster Drug that Will Cure Heart Disease

This California based biotech concern has been a public company for more than three decades and produces over $20 billion annually in top line revenue. It is one of the core positions in our portfolio as well. Given its consistent growth, attractive valuations, and solid dividend yield, Amgen is right at home in that group of stock. The case for owning Amgen as an investment is actually more attractive now than it was early in July when it became part of my Biotech Gems portfolio. The recent market rout has brought down the price despite recent quarterly results that easily beat top and bottom line expectations. Even as I'm writing this report it's still trading below it's 52 week high.



In addition, the FDA just approved its new class of cholesterol lowering drug Repatha which should produce some $2 billion in annual sales by 2020.

Amgen has established products, a deep pipeline, a strong balance sheet, and a reasonable valuation as well. Although no longer producing blockbuster growth, Amgen is still delivering solid mid-single digit sales increases translating into better earnings growth. It even pays well over a two percent dividend yield at 2.57% and I expect dividend payouts will continue to go up in line with earnings growth in the future. It's most recent dividend was increased by 27% to $1.00 per share.

The stock is offering a solid entry point after declining some $20 a share from a 52 week high in August of 2015 and currently goes for slightly more than $156.00 a share. Let's take a deeper look at this icon of the biotech industry.

Core Products:

Amgen's main products include Neupogen which stimulates neutrophil (white blood cells that defend against bacterial infection) production in cancer patients whose natural neutrophils were destroyed by chemotherapy. Combined with Neulasta, a long-acting white blood cell stimulant, this franchise produces almost $6 billion in annual global sales. Next up is Enbrel which is approved to treat rheumatoid arthritis (RA), psoriatic arthritis, and chronic plaque psoriasis. In late 2011, Enbrel was issued a new patent, which extends to 2028. Enbrel was acquired through the 2002 purchase of Immunex and has global sales approaching $5 billion annually.

Rounding out the company's core product portfolio is Epogen which is a genetically engineered version of human erythropoietin (EPO) which has annual sales of over $2 billion even if it has been hampered by Medicare pricing for dialysis patients. The company also owns Aranesp, a recombinant protein that stimulates the production of red blood cells in predialysis and dialysis patient and does just under $2 billion in global sales.

AMGN launched denosumab "Prolia" a few years ago for treatment of post-menopausal osteoporosis and for prostate cancer patients with bone loss due to hormone ablation in both the U.S. and Europe. This compound is already over $1 billion in annual sales and is growing over 30% year-over-year as of the last reported quarter. The company has several other drugs that do up to $1 billion a year in revenues as well constituting a very well balanced portfolio of products.

2016 PROJECTED PIPELINE MILESTONES

Clinical Program	Indication	2016 Milestone
Repatha®	Hyperlipidemia	Phase 3 coronary imaging data H2 Phase 3 CV outcomes data H2**
Kyprolis®	Relapsed multiple myeloma	ENDEAVOR EU regulatory review
Parsabiv™ (etelcalcetide)*	Secondary hyperparathyroidism	Global regulatory reviews
Romosozumab†	Postmenopausal osteoporosis	Phase 3 registrational data Q1
AMG 334‡	Migraine prophylaxis	Phase 2b chronic migraine data H2
XGEVA®	Prevention of SREs in multiple myeloma	Phase 3 data Q4**
ABP 215 biosimilar bevacizumab (Avastin®)	Oncology	Global regulatory submissions
ABP 501 biosimilar adalimumab (HUMIRA®)	Inflammatory diseases	Global regulatory reviews
ABP 980 biosimilar trastuzumab (Herceptin®)	Breast cancer	Phase 3 data H2

CV = cardiovascular; SRE = skeletal-related event; *Trade name provisionally approved by FDA; †Developed in collaboration with UCB globally, as well as Astellas in Japan ‡Developed in collaboration with Novartis; **Event-driven study |

Provided February 10, 2016, as part of an oral presentation and is qualified by such, contains forward-looking statements, actual results may vary materially; Amgen disclaims any duty to update.

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AMGEN

Pipeline:

Amgen has a robust pipeline with 12 compounds in Phase III trials that could accelerate growth and support a resilient, but largely mature, drug portfolio. There are some exciting milestones on the horizon. Amgen is one of the few companies that is almost ready to launch their PCSK9 inhibitor "Repatha" into this market, subject to regulatory approvals. PCSK9 inhibitors are a new more effective class of cholesterol drugs. This could easily be a niche that produces $10 billion to $15 billion in annual sales in a few years with several products competing for market share. Corlanor was approved in April to reduce the risk of hospitalization for worsening heart failure in patients with chronic heart failure. This is the first new heart failure medicine to the market in the U.S. in almost a decade. The company believes up to one million patients are candidates for this treatment.

Kyprolis recently delivered impressive results showing a doubling of progression free survival versus bortezomib in relapsed multiple myeloma patients. The compound is currently under accelerated review in both the United States and Europe for multiple myeloma patients who have relapsed. The drug is already approved for some conditions of multiple myeloma and showing strong growth.

Amgen received approval for BLINCYTO targeting acute lymphoblastic leukemia earlier this year and is rolling out the product. The launch of its new on-body injector for Neulasta is going very well with positive feedback from healthcare providers. These are some of the key products within the company's pipeline or just launched. The rest of 2015 has several key milestones upcoming for Amgen.

Could You Benefit from a PCSK9 Inhibitor Like Repatha?

As you've already learned, PCSK9 inhibitors like Repatha represent a major leap forward in cholesterol-lowering drug effectiveness--and overall heart disease treatment/prevention. While we are obviously not qualified to give you professional medical advice, you can learn [everything you need to know about Repatha by clicking here and getting this PDF.]



It was created by Amgen and outlines all the details surrounding usage, contraindications, testing and working with your doctor and/or pharmacist to get access to this drug when ready. One of the advantages Amgen has is that they will be the first drug available in this class, and their credibility will make them a safe and often recommended choice amongst doctors. I suggest you get the report using this link or the one above so that you have all the details you (or a loved one) needs to make a fully informed decision.

Biosimilars:

As can be seen from the chart below, Amgen has several late stage biosimilar products that will come to market over the next few years. Both the company and S&P believe this line of business can generate upwards of $3 billion annually in approximately five years. This would represent almost 15% of the company's current overall revenue and is an important and developing part of Amgen's growth story.

Amgen Biosimilars Have the Potential to Deliver $3B+ in Annual Revenue

	Status	Originator Worldwide 2014 Sales*
ABP 501	Phase 3 complete (RA and PsO)	HUMIRA® ~ $13B
ABP 980	Phase 3 breast cancer	Herceptin® ~ $7B
ABP 215	Phase 3 NSCLC	Avastin® ~ $7B
ABP 710	Phase 1	REMICADE® ~ $9B
ABP 798	Clinical ready	RITUXAN® ~ $8B
ABP 494	Process development	ERBITUX® ~ $2B
Molecules #7–#9	Process development	~ $7B
Total		~ $52B

Balance Sheet & Analyst Commentary:

The company has a solid balance sheet and recently added another $2 billion to its stock buyback authorization. Amgen also just increased its dividend payout by 27% earlier this year and I expect the company will continue to use its increasing cash flow to reward shareholder both by stock buybacks and increased dividends. Amgen is also in the middle of a significant restructuring to streamline operations and maintain/improve margins.

Analyst support has been quite positive of late. Three analysts have reiterated Buy ratings with price targets in the range of $190.00 and $195.00 a share. Most analysts cite Amgen's upcoming launches/approvals and pipeline as key factors in their buy ratings and price targets. The median price target by the 15 analysts that cover this biotech company is $187.00 a share, giving us easy 25% gains from the current share price.

Valuation & Conclusion:

As can be seen from the analysis above, Amgen is an established player in the biotech space with a healthy combination of established products, just launched compounds, a comprehensive pipeline and soon to be growing presence in biosimilars. Revenues should continue to increase in the low to middle single digits year-over-year for years to come.

The company earned $8.70 a share in FY2014 and posted $10.38 a share in profit in FY2015. The current consensus calls for $12.10 a share in the black in FY2016. At its current stock price of around $156.00 a share, AMGN sells for 13 times those forward earnings. This is a discount to the overall market multiple and one that is not warranted given the consistency of Amgen's growth, its pipeline, strong balance sheet, and over two percent dividend yield.

Recommendation: Buy AMGN up to $160.00 a share.

Position: Long AMGN

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