

THE OIC GROUP

HKG GROUP 6

# Monthly Report

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January 2025

**AMGEN**

# OIC Research Group | Analyst Group Report

Director: Harry Yeung    Analysts: Scott Chan, Paul Fang, and Carmen Li

January 2025

## Amgen Inc. Executes a \$3.75 USD Billion Debt Offering

### Issuance Summary

Issuance Date	March 2, 2023
Issuance Size	5.150% \$3.75 USD bn
Issue Price	\$99.83
Maturity Date	March 2, 2028

### Bond Info/Structure

Data as of 26/1/2025	
5.150% 02/03/2028 Corp	
Yield-to-Maturity	4.82
G-Spread	49.0
Z-Spread	70.0
Modified Duration	2.709
Convexity	0.091
DV01	279
ASW	71.0
OAS	47.6
MMS	71.9

### Bond Comparable Analysis

Data as of 26/1/2025	
5.150% 02/03/2028 Corp	
Yield	4.82 vs 4.62 (Avg.)
Z-Spread	71 bps vs 83 bps (Avg.)

### Issuance Purposes

- The company needs to **maintain its biotechnology presence**. It is believed that the issuance of this bond will raise funds for the company's research and development, such as **advancing mid-stage pipeline opportunities** in obesity and cancer and enhancing its competitiveness in the biotechnology sector. Furthermore, the issuance of this bond not only aids in **sustaining the company's high-profit margin and robust cash flow** but also serves to facilitate its operational capabilities. By securing additional funding through this bond offering, the company can bolster its financial position, enabling strategic investments in research and development initiatives.

### Issuer

#### Amgen Inc



**Amgen Inc.**, a California-based multinational biopharmaceutical corporation, is an independent biotechnology firm specializing in the discovery, development, manufacturing, and distribution of pharmaceuticals for severe diseases. The company's exclusive focus lies in the realm of **human therapeutics**, dedicated to pioneering new medications rooted in advancements in **cellular and molecular biology**.

Founded Year	1980
HQ	California
Sector	Corporate Finance; Healthcare and Pharma
Market Cap	\$148.05 billion
FY24 Revenue	\$32,534 million
FY24 EBITDA	\$14,871 million

### Company Financials

Data as of 30 June 2024, in \$USD millions	
Revenue / Sales	30,934
Gross Profit	19,580
EBITDA	11,625
Interest Expense	3,212
Net Income	3,130
Cash & Cash Equivalent	9,301
Current Asset	27,206
Total Debt	62,645
Total Debt to EBITDA	5.39
Total Asset	90,907
Debt/Asset	0.69
Shareholders' Equity	5,925
FFO	7,861
CFO	6,446
FFO/Debt	0.125

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## Key Thesis/Catalyst

- **Strong Revenue Base (~\$31B LTM June 2024):** Amgen's diversified product portfolio, led by Prolia, Repatha, Evenity, and Horizon-acquired drugs (Tepezza, Krystexxa), ensures stable growth despite biosimilar risks. **Horizon adds ~\$3B annual revenue with cost synergies of \$500M expected by 2025**
- **Commitment to Deleveraging (\$10B by 2025):** Following the \$28B Horizon acquisition, Amgen plans to reduce gross debt from 4.4x Debt/EBITDA (June 2024) to ~3.5x by December 2025 through maturities, strong free cash flow (~\$3.5-\$4.5B annually), and disciplined capital allocation, including limiting share buybacks to prioritize debt repayment
- **Robust Liquidity (\$9.3B Cash, \$4B Revolver):** Amgen's strong liquidity position supports near-term debt obligations, including \$5.5B maturities due in 2025, and provides a solid buffer against macroeconomic or operational risks.
- **Pipeline Potential:** Late-stage candidates like MariTide (obesity) and Olpasiran (cardiovascular) offer significant growth opportunities to offset pressures from patent expirations (Prolia and Xgeva in 2025).
- **Stable Credit Profile (Baa1, Stable):** Moody's forecasts leverage improvement from 4.4x to 3.5x by 2025, supported by steady revenue growth (\$34B forecasted for 2025) and financial discipline, ensuring resilient credit metrics over the long term.

Amgen Credit Rating and Outlook			
Rating Agency	Foreign	Domestic	Outlook
Fitch	BBB 04-Apr-2024	--	Stable
Moody's	Baa1 22-Aug-2024	Baa1 22-Aug-2024	Stable
S&P	BBB+ 12-Dec-2024	BBB+ 12-Dec-2024	Stable

Instrument Rating (i.e. Rating of the Bond)	
Rating Agency	Rating
Fitch	BBB 11-Oct-2024
Moody's	Baa1 22-Aug-2024
S&P	BBB+ 13-Feb-2024

## Key Risks

### Credit Challenges



- **Elevated financial leverage and commercial execution risk resulting from the Horizon acquisition:** The 2023 acquisition of **Horizon Therapeutics** for \$28 bn resulted in a spike in financial leverage following several years of **Gross Debt / EBITDA sustained at ~3x**, its widely expected that Amgen will adhere to its publicly stated debt reduction target of \$10 bn through 2025
- **Increasing competition including biosimilar entrants will constrain growth:** Among other competitive threats, Amgen's \$2 bn Otezla franchise faces competition from **Bristol-Myers Squibb Company's Sotyktu**, approved in late-2022. Otezla previously enjoyed a strong position as an oral drug in a market dominated by injectable biotech drugs, hence Sotyktu's entrance as an alternative oral drug presents fierce competition
- **Unresolved IRS tax disputes:** Amgen faces unresolved tax disputes with the IRS, including those for years 2010-2012 and 2013-2015; for the 2010-2012 period, should the IRS's position prevail, Amgen's US taxable income would increase by an amount which indicates additional federal tax of approximately **\$3.6 bn plus interest**
- Industry-wide social risks related to changes in drug pricing policies including the **US Inflation Reduction Act**.

### Factors Leading to Potential Downgrade

- **Significant revenue erosion in core product franchises:** As Amgen specializes in biologic-based products treating serious health conditions, its portfolio is subject to lower volatility caused by generic erosion
- **Major pipeline setbacks:** Upon instances of patent expirations, the majority of Amgen's key products **will face biosimilar**, rather than traditional generic competition, potentially resulting in a more modest rate of revenue erosion
- **Unfavorable legal developments including those related to IRS tax disputes:** With US revenue at ~70% of total global revenue projected for the next few years, the high geographic concentration exposes Amgen to US legislative efforts and regulatory actions aimed at drug pricing, such as the US Inflation Reduction Act

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## Appendix: Comparable Company Analysis

Metric (in US Millions)	Amgen	AbbVie	Gilead Sciences Inc	Biogen	Average (for Multiples only)
Revenue	32,534	55,533	28,299	9,608	-
EBITDA	14,871	24,788	13,611	2,897	-
Total Debt	63,042	75,771	25,154	7,116	-
Cash + Marketable Securities	9,011	7,285	5,037	1,699	-
EBITDA Margin	45.7%	44.6%	48.1%	30.2%	<b>42.15%</b>
EBITDA/Intere st Expense	4.6x	9.1x	13.6x	9.3x	<b>9.15x</b>
Pharma Cash Conversion of Debt	14.3%	10.0%	20.0%	23.9%	<b>17.05</b>
Debt/EBITDA	4.2x	3.1x	1.8x	2.5x	<b>2.9x</b>
CFO/Debt	15.9%	22.7%	49.6%	33.7%	<b>30.48%</b>