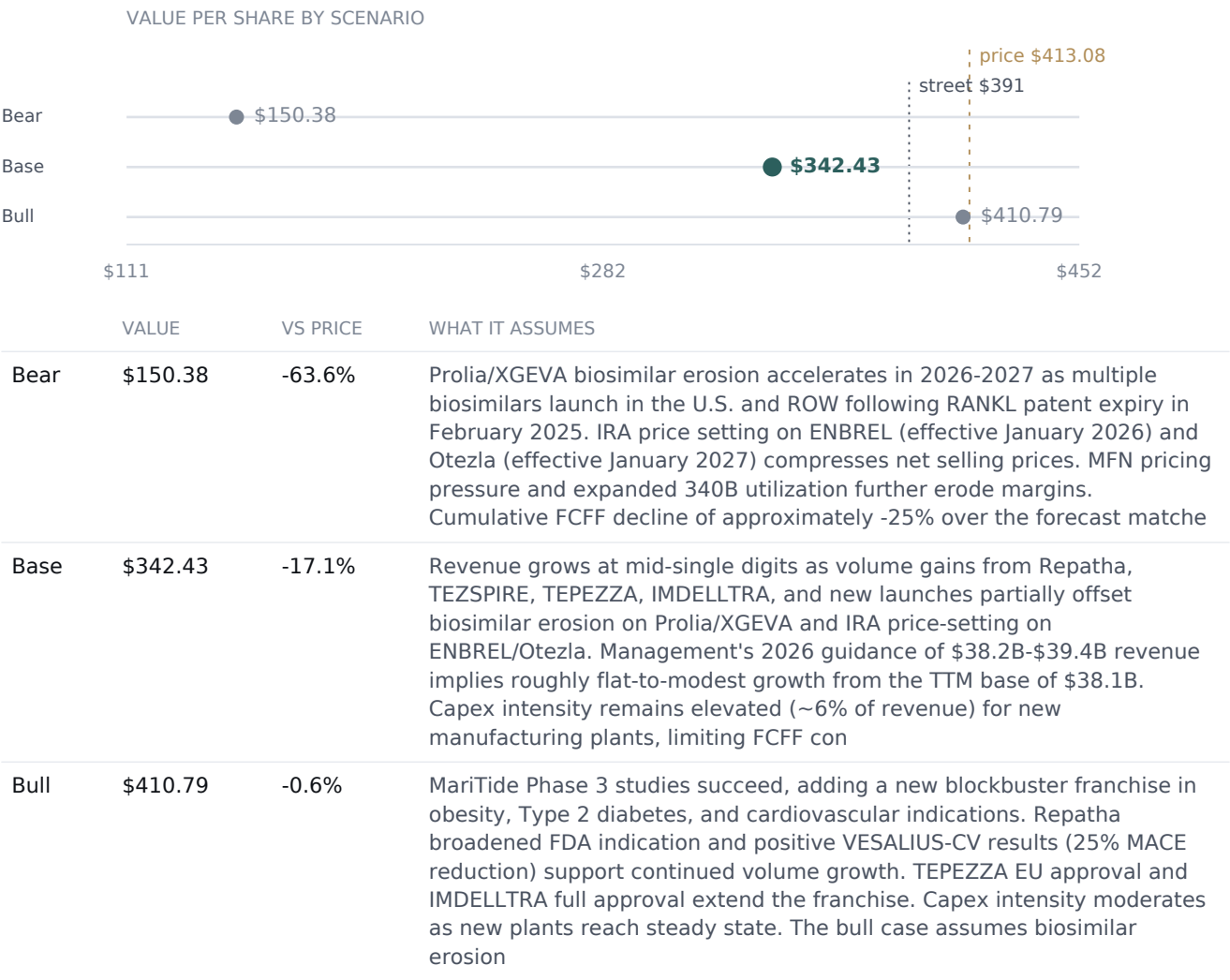


EQUITY RESEARCH / AMGN

Amgen Inc

SHORT CANDIDATE · historical study through 2026-10-07 · horizon 540 days · DCF + P/E

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$413.08	\$342.43	-17.1%	\$298.49	\$223.32B	25.7x



STREET CHECK

Street target **\$391** (-5.2% vs price) · 12 buy / 17 hold / 5 sell · forward P/E 16.7x · EPS estimates \$23.05 this year, \$24.47 next

Our base case is **0.87x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

Amgen trades at \$413.08 against a base-case DCF value of \$342.43 and a probability-weighted value of \$298.49, a gap of 17.1% and 27.7% respectively. The market prices in the bull case: the bull DCF of \$410.79 is essentially at the price, meaning the stock is valued as if MariTide Phase 3 succeeds and biosimilar erosion is manageable. The filing itself warns of accelerated sales erosion on Prolia and XGEVA following RANKL patent expiry, IRA-mandated Medicare price setting on ENBREL (22% lower net selling price in Q2 2026) and Otezla (effective January 2027), and MFN pricing pressure. The market-implied 5-year FCFF growth of 9.35% exceeds my base case of 5.6% average, and the trailing P/E of 25.66x sits above the five-year median of 23.0x. Net debt of \$43,315M at 2.69x EBITDA and elevated capex intensity of 6.05% of revenue constrain cash conversion. The short thesis rests on the filing's own explicit warnings being underweighted by the market, which prices in best-case pipeline outcomes while ignoring structural pricing compression.

What the market may be missing

The market prices AMGN at 25.66x trailing P/E, above the five-year median of 23.0x, implying continued mid-single-digit growth. The filing's own management outlook states that volume growth from certain brands will be partially offset by net selling price declines, and that Prolia/XGEVA face accelerated sales erosion from biosimilars. The market-implied FCFF growth of 9.35% at the anchor WACC of 8.42% is well above my base-case average of 5.6%. The bull case at \$410.79 is essentially at the price, so the market is pricing in the bull case. The evidence for the gap is the filing's explicit warnings about biosimilar erosion, IRA price setting, and MFN pricing, combined with the fact that the base multiple of 23x (the five-year median) yields a target of \$388.82, still below the price. The market appears to assume seamless MariTide commercialization and manageable biosimilar erosion, while the filing describes six Phase 3 studies underway but not yet approved.

Why the opportunity exists

A narrative overshoot. The market prices AMGN at 25.66x trailing P/E, above the five-year median of 23.0x, and the market-implied FCFF growth of 9.35% exceeds the base case of 5.6%. The bull DCF of \$410.79 is essentially at the price, meaning the market is pricing in the best-case pipeline outcome (MariTide success) while underweighting the structural pricing pressures the filing itself explicitly warns about. The filing's own management outlook states that volume growth will be partially offset by net selling price declines, and that Prolia/XGEVA face accelerated sales erosion. The market appears to assume these warnings are manageable or already priced in, but the base case and probability-weighted value suggest the market is not fully discounting the cumulative impact of biosimilar erosion, IRA price setting, and MFN pricing on the ~\$35B product base. The narrative overshoot is that the market prices in pipeline optionality as if it were certain, while the filing describes six Phase 3 studies as 'underway' without approval. Evidence: Market-implied FCFF growth of 9.35% at the anchor WACC of 8.42% versus base-case average FCFF growth of 5.6%. Trailing P/E of 25.66x above five-year median of 23.0x. The filing's management outlook: 'volume growth from certain brands to be partially offset by net selling price declines' and 'accelerated sales erosion driven by increased competition' from biosimilars. ENBREL 22% lower net selling price in Q2 2026 from IRA price setting. Bull DCF of \$410.79 essentially at the price of \$413.08.

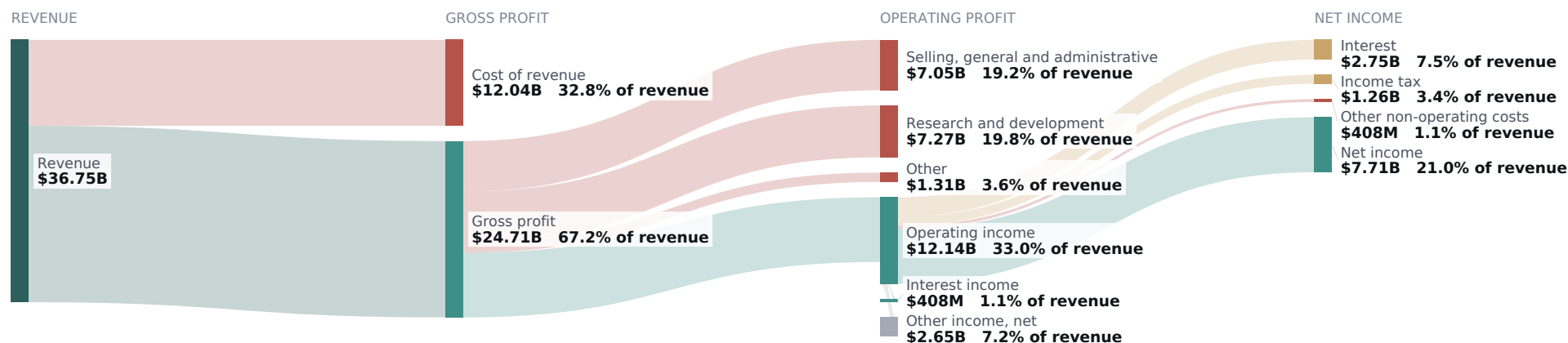
Since our last note

Thesis weakened against our note of 2026-10-03 (investigate short). The shares have moved +2.5% since. Guidance versus delivery: Capital expenditure estimate below. The prior memo's base case was \$292.02; my base case is \$342.43, narrowing the short margin from \$111 to \$71. The SINCE THEN guidance-vs-delivery comparison shows capex guided at \$2.6B for 2026 with 'delivered' of \$1,858M, but this compares FY 2025 actual to 2026 forward guidance, not a true delivery check. YTD capex of \$1.2B for H1 2026 is consistent with the \$2.6B full-year estimate, so management's capex guidance appears on track. The 2026 revenue guidance of \$38.2B-\$39.4B against TTM revenue of \$38.1B implies roughly flat-to-modest growth, consistent with the filing's warning that volume growth will be partially offset by net selling price declines. Management has not provided specific forward EPS or margin targets beyond the 2026 guidance. The effective tax rate rose from 11.3% (2024) to 14.1% (2025) and 14.2% (Q2 2026), primarily due to earnings mix changes including lower amortization from acquisition-related assets. No share repurchases occurred in H1 2026 despite a \$6.8B authorization, suggesting capital allocation discipline but also a lack of conviction in the stock's value. Management credibility is neutral: guidance is consistent with the filing's own warnings, but the forward-looking nature of the capex comparison limits the delivery assessment.

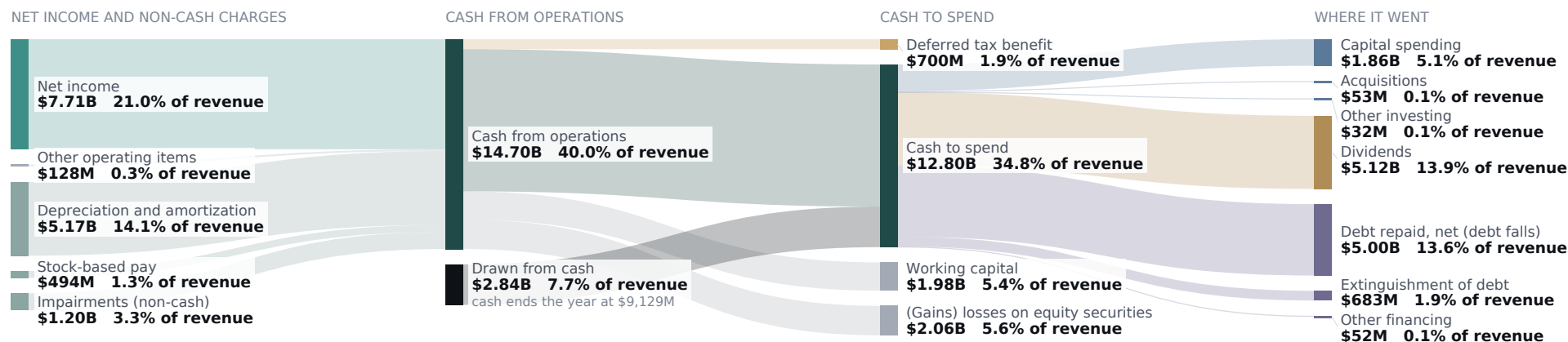
Follow the money: fiscal 2025

Of every \$100 of revenue, \$33 went to cost of revenue, \$42 to operating costs and \$11 to interest and tax, and \$21 became net income. Operations turned that into \$27 of cash; \$5.1 went to capital spending and \$14 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT SHOWN 2.0 TIMES LARGER THAN PANEL 1



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0000318154-26-000010. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

Amgen is a single-segment (human therapeutics) biotechnology company selling biologics and small-molecule drugs in ~100 countries, with 73% of 2025 product sales in the U.S. and 27% rest-of-world, facing accelerating biosimilar/generic competition as key patents expire.

What it sells

Human therapeutics (biologics and small-molecule drugs) across multiple therapeutic areas. Principal marketed products include: Prolia (osteoporosis, RANKL antibody), Repatha (PCSK9 inhibitor for cardiovascular risk/LDL-C), Otezla (PDE4 inhibitor for psoriasis/psoriatic arthritis/Behçet's), ENBREL (TNF blocker for RA/psoriasis/psoriatic arthritis), EVENITY (osteoporosis, romosozumab), XGEVA (bone metastases/multiple myeloma, same active ingredient as Prolia), TEPEZZA (IGF-1R antibody for thyroid eye disease, first and only approved), BLINCYTO (CD19-positive B-ALL), Nplate (ITP), TEZSPIRE (severe asthma/CRSwNP, first-in-class airway epithelium antibody), KYPROLIS (relapsed/refractory multiple myeloma), Aranesp (CKD anemia), KRYSTEXXA (chronic refractory gout, first and only FDA-approved), Vectibix (mCRC), UPLIZNA (IgG4-RD, first and only approved; also gMG), IMDELLTRA/IMDYLLTRA (ES-SCLC), TAVNEOS (AAV vasculitis), LUMAKRAS/LUMYKRAS (KRAS G12C mCRC), Aimovig (CGRP migraine), Parsabiv, Neulasta, MVASI, PAVBLU, WEZLANA, BKEMV, PROCYSBI, RAVICTI, and others. Pipeline includes MariTide (GLP-1/GIPR antibody-peptide conjugate for chronic weight management, Type 2 diabetes, cardiovascular, heart failure, sleep apnea - six Phase 3 studies underway). Amgen also sells its own biosimilars (eight launched since 2018, including WEZLANA and BKEMV in 2025). Amgen discovers, develops, manufactures and delivers innovative medicines for high unmet medical need. Principal products: Prolia (\$4,414M), Repatha (\$3,016M), Otezla (\$2,265M), ENBREL (\$2,226M), EVENITY (\$2,100M), XGEVA (\$2,084M), TEPEZZA (\$1,903M), BLINCYTO (\$1,559M), Nplate (\$1,524M), TEZSPIRE (\$1,478M), KYPROLIS (\$1,412M), Aranesp (\$1,389M), KRYSTEXXA (\$1,340M), Vectibix (\$1,175M). Other products include MVASI, PAVBLU, UPLIZNA, IMDELLTRA/IMDYLLTRA, AMJEVITA/AMGEVITA, TAVNEOS, Neulasta, LUMAKRAS/LUMYKRAS, RAVICTI, Parsabiv, Aimovig, WEZLANA/WEZENLA, PROCYSBI. TEZSPIRE is marketed by collaborator AstraZeneca outside the US. TEPEZZA, KRYSTEXXA, UPLIZNA, RAVICTI, PROCYSBI acquired from Horizon (Oct 2023). Amgen sells branded biologic and biosimilar medicines to healthcare providers, dialysis centers, hospitals and pharmacies. Principal products include Repatha, Prolia, EVENITY, TEPEZZA, Otezla, ENBREL, BLINCYTO, Nplate, TEZSPIRE, XGEVA, Aranesp, KRYSTEXXA, KYPROLIS, Vectibix, UPLIZNA and IMDELLTRA/IMDYLLTRA. Additional marketed products include PAVBLU, Neulasta, AMJEVITA/AMGEVITA, MVASI, TAVNEOS, LUMAKRAS/LUMYKRAS, Parsabiv, Aimovig, PROCYSBI and WEZLANA/WEZENLA. TEZSPIRE is marketed by collaborator AstraZeneca outside the United States. Seventeen products are annualizing at more than \$1 billion based on Q2 2026 sales.

Customers and channels

End customers are healthcare providers: physicians/clinics, dialysis centers, hospitals, and pharmacies. In the U.S., substantially all sales go through pharmaceutical wholesale distributors (the principal distribution channel). Outside the U.S., sales go to healthcare providers and/or wholesale distributors depending on local practice. Amgen also uses direct-to-patient channels (AmgenNow, print/TV/online media) for select products. In Asia Pacific, Amgen sells in partnership with Astellas, BeOne, Mitsubishi Tanabe, Takeda, and Kyowa Kirin. Customer concentration is extreme: McKesson, Cencora, and Cardinal Health each individually exceeded 10% of total revenues in 2025, 2024, and 2023; combined they accounted for 77% of worldwide gross revenues in 2025 (77% in 2024, 79% in 2023). The top six integrated health plans and PBMs controlled about 89% of all U.S. pharmacy prescriptions. In the US, wholesalers are the principal distribution channel to healthcare providers (physicians, clinics, dialysis centers, hospitals, pharmacies). In Europe, products are distributed principally to hospitals and/or wholesalers depending on country. Wholesaler inventories are generally maintained at two to three weeks given end-user demand. Direct-to-patient program expanded in December 2025. U.S. government orders for Nplate were \$90 million in 2025 and \$128 million in 2024. Volume growth refers to purchases by healthcare providers (physicians or clinics), dialysis centers, hospitals and pharmacies. Inventory changes refer to wholesaler customers and, in certain circumstances, end users such as pharmacies. Sales depend on coverage and reimbursement from government healthcare programs (Medicare Parts B and D, Medicaid) and commercial insurance plans. The 340B Program and expanded 340B discounts affect pricing. Direct-to-patient program expansion was announced in December 2025 as part of MFN pricing actions. A U.S. government order of \$60 million for Nplate was recorded in the six months ended June 30, 2026.

Unit economics and costs

No explicit unit economics (per-unit cost, gross margin, contribution margin) are disclosed in the excerpt. The text notes that Amgen invests 'billions of dollars annually in R&D.' Manufacturing is described as a competitive advantage, with state-of-the-art facilities (North Carolina, Ohio) built at 'lower cost and with greater speed' than traditional facilities, incorporating automation, smaller footprints, and reduced water/energy consumption. Amgen uses third-party contract manufacturers to supplement internal capacity. Distribution centers operate in Puerto Rico, Kentucky, California, and the Netherlands. Pricing is subject to significant downward pressure: PBMs require incremental rebates for formulary position; government programs (Medicare, Medicaid, 340B) mandate rebates/discounts; IRA mandates price setting for certain drugs starting 2026. The 340B program expansion has had a 'negative impact on the Company's financial performance.' Co-pay accumulator/maximization programs and stricter utilization management (prior authorization, step therapy) limit product usage and sales. Cost of sales: 34.2% of product sales in 2025 (down from 40.1% in 2024), driven by lower amortization from Horizon acquisition-related assets (fair value step-up of inventory) and lower manufacturing costs, partially offset by higher profit share expense and sales mix changes. R&D: 20.7% of product sales (2025), up from 18.6% (2024), driven by Later-Stage Clinical Programs (\$4,281M, +51% YoY) including MariTide. SG&A: 20.1% of product sales (2025), down from 22.2% (2024), driven by lower Horizon acquisition-related expenses. Total sales deductions were 54% of gross product sales in 2025 (52% in 2024, 53% in 2023). Operating income \$9,080M (+25%). Effective tax rate 14.1% (2025) vs 11.3% (2024). Q2 2026 GAAP: Cost of sales \$2,811M (29.5% of product sales, down 4.8 pts from 34.3%), driven by lower amortization from acquisition-related assets, partially offset by higher profit share expense, higher manufacturing costs and sales mix changes. R&D \$1,868M (19.6% of product sales), up 7% driven by Later-Stage Clinical Programs (primarily MariTide) and Marketed Product Support. SG&A \$1,745M (18.3% of product sales), up 3%. Other \$116M (litigation expenses). Total operating expenses \$6,540M (flat YoY). GAAP operating margin 36.8% (+6.5 pts). Non-GAAP operating margin 48.4% (-0.5 pts). Non-GAAP cost of sales as % of product sales rose 1.9 pts to 19.6%. Effective tax rate 14.2% (+5.5 pts). Interest expense net \$673M. YTD capex \$1.2B; full-year 2026 capex estimated at approximately \$2.6B. Free cash flow Q2 \$3.5B vs \$1.9B prior year.

Segments

- **Human Therapeutics** - Single operating segment. Amgen discovers, develops, manufactures, and delivers innovative medicines across multiple therapeutic areas including cardiovascular, bone health, immunology, oncology, rare disease, and metabolic disease. Results discussed on consolidated basis. US product sales \$25,656M (+10%), ROW \$9,492M (+9%). Other revenues \$1,603M (+15%, driven by higher royalty income). Total revenues \$36,751M (+10%). Amgen operates in one operating segment: human therapeutics. Results are discussed on a consolidated basis. Product sales are broken down by geography (U.S. and ROW) and by product/therapeutic area (General Medicine, Rare Disease, Inflammation, Oncology, Established Products).

Revenue drivers

- Product sales by geography: U.S. \$25,656M (73%) and ROW \$9,492M (27%) in 2025; total \$35,148M

- U.S. product sales grew from \$19,272M (2023) to \$23,301M (2024) to \$25,656M (2025)
- ROW product sales grew from \$7,638M (2023) to \$8,725M (2024) to \$9,492M (2025)
- Repatha broadened FDA indication (August 2025) and positive Phase 3 VESALIUS-CV results (25% MACE reduction, 36% heart attack reduction)
- UPLIZNA FDA approvals for IgG4-RD (April 2025) and gMG (December 2025)
- IMDELLTRA full FDA approval for ES-SCLC (November 2025), converting accelerated approval
- TEZSPIRE approval for CRSwNP (October 2025); approved in 70+ countries for severe asthma
- TEPEZZA EU marketing authorization (June 2025); first and only approved TED treatment

Competitive position

Amgen operates in a 'highly competitive environment.' Key competitive dynamics: (1) Biosimilar/generic competition is accelerating - Prolia/XGEVA RANKL patents expired Feb 2025 (U.S.) and Nov 2025 (select Europe), with multiple biosimilars already launched in U.S. and ROW, causing 'accelerated sales erosion.' EPOGEN, NEUPOGEN, Neulasta, and ENBREL (Canada) biosimilars have launched; U.S. ENBREL biosimilars approved but not launched. (2) Amgen itself competes via its own biosimilars (8 launched since 2018). (3) Small-molecule products (Otezla, KYPROLIS, LUMAKRAS) face generic competition at much lower prices; Sensipar lost 'a significant share of the market and corresponding revenues in a very short period' after patent loss. (4) TEPEZZA and KRYSTEXXA currently face no direct competitors in U.S., Europe, or Japan. (5) Repatha competes with LEQVIO (Novartis) and PRALUENT (Regeneron/Sanofi). Otezla competes with Skyrizi, Taltz, Tremfya, HUMIRA, Cosentyx, SOTYKTU. ENBREL competes with HUMIRA, RINVOQ, ORENCIA, Xeljanz, Cosentyx. TEZSPIRE competes with DUPIXENT, FASENRA, NUCALA, XOLAIR. KYPROLIS competes with DARZALEX, POMALYST, REVLIMID, VELCADE, CARVYKTI. Amgen believes patients, providers, and payers 'will continue to place high value on the reputation, supply reliability and safety' of its products. Amgen faces increasing pressure from biosimilars and generics. RANKL antibody patents for Prolia and XGEVA expired in Feb 2025 (US) and Nov 2025 (select EU countries); multiple biosimilars have launched in US and ROW, with accelerated sales erosion expected in 2026. ENBREL faces 340B Program mix and Medicare Part D redesign pressures. Otezla selected by CMS for Medicare price setting beginning 2027. KYPROLIS declined 6% due to increased competition. Amgen's strategy focuses on areas of high unmet medical need with a robust pipeline of potential first-in-class medicines. Section 232 tariff relief received in December 2025 for approximately three years in recognition of US manufacturing capital investments. Prolia and XGEVA face accelerated sales erosion from multiple biosimilars launched in the U.S. and ROW; RANKL antibody patents expired February 2025 in the U.S. and November 2025 in select European countries. Otezla faces generic competition following loss of exclusivity in certain European countries in Q1 2026, and CMS Medicare price setting effective January 2027. ENBREL faces U.S. Medicare Part D price setting effective January 1, 2026. PAVBLU benefits from being the only commercially available biosimilar to EYLEA in the U.S. during Q2. Amgen's pipeline includes potentially first-in-class medicines at all stages of development, including MariTide, Olpasiran, IMDELLTRA, Xaluritamid, Dazodalibep, Daxdilimab, and Sunakiment.

Industry direction

Pricing and reimbursement pressures are intensifying globally. In the U.S., the top six PBMs/health plans control ~89% of prescriptions, giving them significant negotiating leverage. The Inflation Reduction Act (IRA) mandates government price setting for certain drugs starting January 1, 2026 (10 drugs), expanding to ~100 drugs by 2031. CMS has already set Medicare Part D prices for ENBREL (effective Jan 2026) and Otezla (effective Jan 2027) at 'significantly lower prices.' The Most-Favored-Nations (MFN) Executive Order and July MFN Letter push for international price benchmarking, expanded to Medicaid, and direct-to-patient models. Amgen announced actions satisfying MFN components in December 2025, including expanding AmgenNow to Aimovig and AMJEVITA, expected to be available through TrumpRx. State-level PDABs in eight states can set upper payment limits. Outside the U.S., governments use mandatory price controls, international reference pricing, therapeutic-reference pricing, higher rebates, and incentives for generics/biosimilars. HTA bodies increasingly evaluate added benefit. Potential EU pharmaceutical legislation may influence pricing frameworks. Amgen expects governments to 'continue taking aggressive steps to reduce spending on drugs and biologics.' Industry subject to cost containment measures and significant pricing pressures resulting in net price declines. IRA provisions and expanded 340B Program utilization negatively affect business. MFN pricing Executive Order and July MFN Letter create pricing uncertainty. Uncertain macroeconomic conditions including inflation, fluctuating interest rates, financial system instability, rising healthcare costs. Tariffs and trade protection measures (April 2025 universal 10% tariff with pharmaceutical exceptions) increase uncertainty. OECD global minimum tax agreement enacted in select countries starting 2024; Singapore effective 2025; January 2026 OECD guidance exempts US companies from extra-territorial minimum taxes. OB3 enacted July 2025 with provisions effective 2026 and beyond. Healthcare industry faces cost containment measures and significant pricing pressures resulting in net price declines. IRA enables government price setting for certain drugs in Medicare (10 drugs effective Jan 2026, 15 in 2027-2028, 20 in 2029, ~100 by 2031). MFN Executive Order and July MFN Letter push U.S. drug prices toward international benchmarks. 340B Program utilization expanding. OB3 enacted July 4, 2025, projected to reduce federal Medicaid spending and increase uninsured population. Section 232 tariffs on patented pharmaceuticals imposed April 2026, though Amgen received relief for approximately three years from December 2025. Geopolitical conflict (Middle East) increases energy/transportation volatility and disrupts supply chains. OECD global minimum tax agreement enacted in select countries; U.S. companies exempted from extra-territorial minimum taxes effective January 1, 2026.

Recent developments

- IMDYLLTRA received European Commission marketing authorization in June 2026 as monotherapy for adults with extensive-stage small cell lung cancer (ES-SCLC) following progression on first-line platinum-based chemotherapy, based on DeLLphi-304 Phase 3 results.
- ENBREL U.S. Medicare Part D price setting effective January 1, 2026 under the IRA, causing 22% lower net selling price in Q2 2026.
- Otezla selected by CMS for Medicare price setting effective January 2027; \$800 million intangible asset impairment charge recorded in Q1 2025.

- Amgen announced actions satisfying the July MFN Letter in December 2025, including MFN pricing requests and expansion of direct-to-patient program; CMS announced the GENEROUS Model for supplemental Medicaid rebates.
- Section 232 tariffs on certain patented pharmaceuticals imposed April 2026; Amgen received relief for approximately three years from December 2025 in recognition of U.S. manufacturing capital investments.
- TAVNEOS: FDA's CDER requested voluntary withdrawal from U.S. market; Amgen requested a hearing on June 1, 2026 and submitted supporting materials on July 23, 2026.
- AMG 513 (obesity) development discontinued; Phase 1 study continues for enrolled participants.
- IRS NOPA received April 2026 for years 2016-2018 (similar to 2010-2015 Puerto Rico allocation disputes); IRS audit for 2019-2022 began Q2 2026. Tax Court decision on 2010-2015 cases expected no earlier than late 2026 or early 2027.

Management outlook

For the remainder of 2026, management expects volume growth from certain brands to be partially offset by net selling price declines. Prolia and XGEVA are expected to continue accelerated sales erosion driven by increased biosimilar competition in the U.S. and ROW. Otezla is expected to see further net selling price declines driven by Medicare price setting beginning in 2027. Uncertain macroeconomic conditions, geopolitical conflict, potential government policy actions (MFN pricing, tariffs), IRA provisions, expanded 340B utilization, reductions in federal Medicaid spending, and increases in uninsured population introduce variability into product sales. Full-year 2026 guidance: total revenues \$38.2B-\$39.4B; GAAP EPS \$15.80-\$17.08; GAAP tax rate 14.5%-16.0%; non-GAAP EPS \$22.30-\$23.50; non-GAAP tax rate 15.0%-16.5%; capex approximately \$2.6B; share repurchases not to exceed \$3.0B. For 2026, management expects volume growth from certain brands to be partially offset by net selling price declines. Q1 historically lowest sales quarter due to plan changes, insurance reverifications, higher co-pay expenses (ENBREL, Otezla, KRYSTEXXA, TEZSPIRE, Repatha). Prolia and XGEVA face accelerated sales erosion from biosimilars in 2026. Repatha net selling price expected to decline approximately mid-single digits in 2026. Otezla further net selling price declines expected from Medicare price setting beginning 2027. Management expects to continue growing R&D spend on Later-Stage Clinical Programs. Capital allocation remains strategic and disciplined: investing in business while returning capital via dividends and stock repurchases. 2026 capex estimated at approximately \$2.6 billion, majority for new plants and manufacturing capacity expansion. Management states it remains 'focused on pricing our products responsibly and delivering breakthrough treatments for unmet medical needs.' It expects 'accelerated sales erosion driven by increased competition' from biosimilars on Prolia/XGEVA. It expects governments to 'continue taking aggressive steps to reduce spending on drugs and biologics.' It plans to 'continue pursuing innovation efforts to strengthen our competitive position.' No specific forward financial guidance (revenue, EPS, margin targets) is provided in the excerpt.

Accounting flags

- Otezla intangible asset impairment charge of \$800 million recorded in Q1 2025 following CMS selection for price setting under the IRA (Note 8)

- No material changes to critical accounting policies and estimates during six months ended June 30, 2026
- Recently issued accounting standards discussed in Note 1
- Effective tax rate rose to 14.2% in Q2 2026 (from 8.7% prior year) primarily due to change in earnings mix including lower amortization from acquisition-related assets
- OB3 enacted July 4, 2025 with most provisions effective January 1, 2026; OECD guidance effective January 1, 2026 exempts U.S. companies from extra-territorial minimum taxes
- Accumulated deficit as of June 30, 2026 resulting from stock repurchases and dividend payments; not anticipated to affect future operations, repurchases, dividends or debt repayment

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$38.09B	\$36.75B	+10.0% y/y
Operating income	\$11.43B	\$9.08B	30.0% margin
Net income	\$8.74B	\$7.71B	
Diluted EPS	\$16.10	\$14.23	25.7x trailing P/E
Operating cash flow	\$12.48B	\$9.96B	-13.3% y/y
Capital spending	\$2.30B	\$1.86B	6.0% of revenue
Unlevered FCFF	\$12.28B		5.5% yield
Cash and short-term investments	\$13.99B	\$9.13B	
Net debt	\$43.31B		2.7x EBITDA
Market capitalisation	\$223.32B		23.3x EV/EBIT

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-08-05). No matching year-to-date fact, so these stay on fiscal-year figures: buybacks. Balance-sheet items are as of 2026-06-30 from the quarterly report. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. Current debt of \$5,445.0M (Current portion of long-term debt) falls due within twelve months of 2026-06-30; the price date is 99 days later, so check in the filing whether any of it matured or was refinanced bef

The counter-case

The base case at \$342.43 is only 17.1% below the price, and the bull case at \$410.79 is essentially at the price, meaning the market is not dramatically mispricing the stock. Amgen's operating margin of 29.99% and FCFF margin of 32.24% remain strong for a biotech. The company has 17 products annualizing above \$1 billion, a diversified product base, and a pipeline that could offset biosimilar erosion. Management's 2026 guidance of \$38.2B-\$39.4B revenue implies roughly flat-to-modest growth from the TTM base of \$38.1B, not a collapse. The effective tax rate of 14.1% (2025) and 14.2% (Q2 2026) is below the statutory 21%, providing some earnings cushion. The dividend yield of 2.37% and \$6.8 billion buyback authorization provide shareholder-return support. If MariTide succeeds, the bull case is already priced in, limiting downside. The 540-day horizon means the thesis must play out over multiple quarters, during which pipeline catalysts could re-rate the stock upward. MariTide Phase 3 studies succeed across obesity, Type 2 diabetes, cardiovascular, heart failure, and sleep apnea, adding a new blockbuster franchise. Repatha's broadened FDA indication and positive VESALIUS-CV results (25% MACE reduction, 36% heart attack reduction) support continued volume growth. TEPEZZA EU approval, IMDELLTRA full approval, and TEZSPIRE CRSwNP approval extend the franchise. Capex intensity moderates as new plants reach steady state, boosting FCFF conversion. The bull DCF of \$410.79 is essentially at the price, so a long thesis requires the market to already be pricing in the bull case, leaving limited upside unless MariTide exceeds expectations or biosimilar erosion proves slower than the filing warns.

Valuation

AMGN generates positive, reasonably predictable unlevered free cash flow (\$12,282.7M TTM, 32.2% margin) from a single-segment biotech business with established products and a pipeline. FCFF is positive and the DCF bridge is available. Diluted EPS is positive (\$16.10 TTM) and the trailing P/E of 25.66x sits within the company's own five-year range (21.69-34.48). Both methods are informative: the DCF captures the cash-flow trajectory distorted by elevated capex and pipeline spending, while the P/E reflects the market's pricing of earnings quality and growth. Neither method alone suffices because the capex spike and intangible impairments distort earnings, while the P/E does not capture the pipeline optionality.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear	FCFF growth -10%, -8%, -5%, -3%, +0%; WACC 8.4%; terminal growth 1.0%	\$150.38	-63.6%
Base	FCFF growth +6%, +7%, +6%, +5%, +4%; WACC 8.4%; terminal growth 2.0%	\$342.43	-17.1%
Bull	FCFF growth +8%, +9%, +8%, +7%, +6%; WACC 8.4%; terminal growth 2.5%	\$410.79	-0.6%
Bear (P/E)	18.0x forward EPS \$16.91 (reported diluted, growth +5.0%)	\$304.29	-26.3%
Base (P/E)	23.0x forward EPS \$16.91 (reported diluted, growth +5.0%)	\$388.82	-5.9%
Bull (P/E)	28.0x forward EPS \$16.91 (reported diluted, growth +5.0%)	\$473.34	+14.6%

- Discount rate: the model used 8.4% against an anchor of 8.4% (risk-free 5.27%, beta 0.80, equity risk premium 5.0%, cost of equity 9.3%, after-tax cost of debt 5.1% on a synthetic A-rating from interest coverage, debt 20% of capital).
- The price implies constant five-year FCFF growth of +9.3% at the base-case WACC and terminal growth.
- Anchors from the company's own history: base-case growth band -13.3% to +11.8% a year; worst revenue decline -2% (2018-2019); own trailing P/E 21.69-34.48x (median 23.0x) over the last five fiscal year ends.
- Sensitivity to discount rate: 6.4% gives \$536, 7.4% gives \$422, 8.4% gives \$342, 9.4% gives \$285, 10.4% gives \$241.
- Sensitivity to terminal growth: 1.0% gives \$297, 1.5% gives \$318, 2.0% gives \$342, 2.5% gives \$371, 3.0% gives \$404.
- Per-share values use 540,632,005 shares as of 2026-07-30; the fiscal-year diluted average differs by +0.3%.
- Probability-weighted value \$298.49 (-27.7% vs price) at 30%/50%/20% weights.

Bear case (\$150.38, -63.6%): Prolia and XGEVA biosimilar erosion accelerates in 2026-2027 as multiple biosimilars launch following RANKL patent expiry. IRA price setting on ENBREL (22% lower net selling price already observed in Q2 2026) and Otezla (effective January 2027) compresses net selling prices. MFN pricing and expanded 340B utilization further erode margins. Cumulative FCFF decline of approximately -25% over the forecast matches the worst historical OCF drawdown. Capex remains elevated at approximately \$2.6B for new plants. Terminal growth of 1.0% reflects a shrinking established-product base with limited pipeline replacement. Base case (\$342.43, -17.1%): Revenue grows at mid-single digits as volume gains from Repatha, TEZSPIRE, TEPEZZA, IMDELLTRA, and new launches partially offset biosimilar erosion and IRA price setting. Management's 2026 guidance of \$38.2B-\$39.4B implies roughly flat-to-modest growth from the TTM base of \$38.1B. Capex intensity remains elevated at approximately 6% of revenue. Average FCFF growth of 5.6% sits inside the growth band. Terminal growth of 2.0% reflects a mature biotech with a pipeline but facing structural pricing pressure. Bull case (\$410.79, -0.6%): MariTide Phase 3 studies succeed, adding a new blockbuster franchise in obesity, Type 2 diabetes, and cardiovascular indications. Repatha broadened FDA indication and positive VESALIUS-CV results support continued volume growth. TEPEZZA EU approval and IMDELLTRA full approval extend the franchise. Capex intensity moderates as new plants reach steady state. Terminal growth at the 2.5% cap reflects a pipeline-driven business with pricing resilience. The bull case is essentially at the price, meaning the market already prices in this outcome.

What breaks the case

SHOCK TO THE BASE CASE	VALUE	VS PRICE
Base case as planned	\$342.43	-17.1%
WACC 100bp higher	\$284.70	-31.1%
Pre-tax cost of debt 200bp higher	\$321.95	-22.1%
Every year's FCFF growth 5 points lower	\$260.43	-37.0%
Every year's FCFF growth 5 points higher	\$440.47	+6.6%
Starting FCFF 10% lower	\$300.18	-27.3%
Starting FCFF 10% higher	\$384.69	-6.9%

The base case equals the price at a 7.5% WACC or if every annual FCFF growth rate were +3.7% points different. These are thresholds, not forecasts.

No listed peer was judged comparable. No frozen peer tree is available for this quarter, so no peer comparison can be made. The company's own trailing P/E of 25.66x sits above its five-year median of 23.0x and within its five-year range of 21.69-34.48x. Revenue growth of 9.95% (last year) and FCFF margin of 32.24% are strong for a biotech, but the OCF decline of -13.33% in 2025 and the capex spike to 6.05% of revenue signal elevated investment intensity. Without peer data, the multiple is justified solely against the company's own history and the filing's warnings about biosimilar erosion and government price setting.

What would change the view

Key debates

- Biosimilar erosion on Prolia/XGEVA: Prolia (\$4,414M) and XGEVA (\$2,084M) are the two largest products. RANKL patents expired in February 2025 (U.S.) and November 2025 (select Europe), with multiple biosimilars already launched. Management expects 'accelerated sales erosion' in 2026. This single variable determines whether the base case grows or the bear case materialises. (Business read: 'Prolia and XGEVA face accelerated sales erosion from multiple biosimilars launched in the U.S. and ROW; RANKL antibody patents expired February 2025 in the U.S. and November 2025 in select European countries.' Management outlook confirms continued erosion.)
- IRA and MFN price-setting impact on net selling prices: ENBREL faces 22% lower net selling price in Q2 2026 from IRA Medicare Part D price setting effective January 2026. Otezla faces CMS price setting effective January 2027. MFN Executive Order pushes toward international benchmarks. Each percentage point of net price decline on the ~\$35B product base materially affects FCFF and EPS. (Business read: 'ENBREL U.S. Medicare Part D price setting effective January 1, 2026 under the IRA, causing 22% lower net selling price in Q2 2026.' 'Otezla selected by CMS for Medicare price setting effective January 2027.' Management expects 'net selling price declines' for 2026.)
- MariTide Phase 3 outcomes: Six Phase 3 studies underway for obesity, Type 2 diabetes, cardiovascular, heart failure, and sleep apnea. Success would add a new blockbuster franchise and justify the bull case. Failure or delay removes the primary growth engine beyond established products. (Business read: 'Pipeline includes MariTide (GLP-1/GIPR antibody-peptide conjugate for chronic weight management, Type 2 diabetes, cardiovascular, heart failure, sleep apnea - six Phase 3 studies underway).' R&D spend on Later-Stage Clinical Programs rose 51% YoY, driven primarily by MariTide.)

Sensitivities the company discloses

- Interest rates on fixed-rate debt: 100 basis point decrease gives Increase of \$4.4 billion in aggregate fair value of outstanding debt as of Dec 31, 2025
- Interest rates on interest rate swap contracts: 100 basis point increase gives Reduction in fair values of approximately \$240 million on interest rate swap contracts as of Dec 31, 2025
- Foreign currency exchange rates on euro- and pound-sterling-denominated debt: 20% adverse movement vs U.S. dollar gives Increase in fair value of debt of approximately \$490 million and reduction in income in ensuing year of approximately \$490 million as of Dec 31, 2025
- Foreign currency exchange rates on cross-currency swap contracts: 20% adverse movement vs U.S. dollar gives Reduction in fair values of approximately \$500 million as of Dec 31, 2025
- Foreign currency exchange rates on foreign currency forward contracts: 20% adverse movement vs U.S. dollar gives Reduction in fair value of approximately \$1.5 billion and reduction in income in ensuing year of approximately \$800 million as of Dec 31, 2025
- Equity investment portfolio value: 20% decrease in aggregate value gives Losses in fair value of approximately \$1.4 billion as of Dec 31, 2025

Catalysts

- MariTide Phase 3 data readouts across obesity, Type 2 diabetes, cardiovascular, heart failure, and sleep apnea - success or failure determines whether the bull case materialises
- Q3/Q4 2026 earnings reports showing whether Prolia/XGEVA biosimilar erosion accelerates or stabilises, and whether IRA price setting on ENBREL and Otezla compresses net selling prices as guided
- TAVNEOS FDA hearing outcome (Amgen requested hearing June 1, 2026; materials submitted July 23, 2026) - withdrawal or reversal affects rare-disease franchise
- IRS Tax Court decision on 2010-2015 Puerto Rico allocation disputes expected no earlier than late 2026 or early 2027, plus 2019-2022 audit begun Q2 2026
- Share repurchase resumption (guided up to \$3.0B for 2026, \$6.8B authorization remaining, no repurchases in H1 2026) - could provide price support
- MFN pricing implementation and GENEROUS Model for supplemental Medicaid rebates - potential further net price compression

Invalidation

- MariTide Phase 3 studies deliver strong efficacy and tolerability data with clear commercial traction, validating the bull case and re-rating the stock above the base case
- Prolia/XGEVA biosimilar uptake proves slower than the filing's 'accelerated sales erosion' warning, stabilising the two largest products
- IRA and MFN price-setting impacts prove less severe than the 22% ENBREL net price decline observed in Q2 2026, or formulary positioning offsets price compression
- Capex intensity falls materially below 6.05% of revenue without margin impact, boosting FCFF conversion and narrowing the valuation gap
- The market-implied FCFF growth of 9.35% proves sustainable, meaning the base case of 5.6% average growth is too conservative
- TAVNEOS withdrawal is reversed or resolved favourably, removing a regulatory overhang

Risks

- Biosimilar erosion on Prolia and XGEVA accelerates faster than the filing's own warning, compressing the two largest product franchises
- IRA price setting expands from 10 drugs in 2026 to approximately 100 by 2031, structurally compressing net selling prices across the portfolio
- MFN Executive Order and July MFN Letter push U.S. drug prices toward international benchmarks, creating pricing uncertainty
- Extreme customer concentration: three wholesalers combined 77% of worldwide gross revenues; top six PBMs/health plans control ~89% of U.S. prescriptions
- Net debt of \$43,315M at 2.69x EBITDA with interest coverage of 4.28x limits financial flexibility if earnings compress
- Pipeline risk: six MariTide Phase 3 studies underway but not yet approved; high failure rates in drug development (10-15 year cycles)
- TAVNEOS FDA withdrawal request creates regulatory uncertainty in rare-disease franchise
- Section 232 tariff relief is time-limited (approximately three years from December 2025); expiry or trade policy shifts could affect global supply chains

Short side

AMGN is a large-cap biotech with high liquidity and broad institutional ownership, so borrow availability should not be a constraint. Squeeze risk is moderate: the stock is not heavily shorted relative to its market cap, and the 540-day horizon means the thesis plays out over multiple quarters rather than a single event. The main squeeze risk is a MariTide Phase 3 success, which would re-rate the stock toward the bull case of \$410.79 (essentially the current price) or above. Timing: the filing's own warnings about biosimilar erosion and IRA price setting are already visible in Q2 2026 results (22% lower ENBREX net selling price), so the thesis is not purely forward-looking. Unbounded loss: if MariTide succeeds spectacularly and biosimilar erosion proves manageable, the stock could re-rate well above the bull case, making the short unbounded. The probability-weighted value of \$298.49 provides a 27.7% margin, but the bull case at \$410.79 is essentially at the price, so the short is effectively a bet against the market pricing in the bull case. The 17.1% base-case gap is a clear margin but not extreme; the short is more a valuation convergence trade than a deep-value short.

Open questions

What is the actual biosimilar uptake rate on Prolia and XGEVA in Q2 2026, and does it match or exceed the filing's 'accelerated sales erosion' warning? (forecast uncertainty)

The filing warns of accelerated erosion but does not quantify the Q2 2026 sales decline for Prolia/XGEVA specifically. The base case assumes biosimilar erosion is partially offset by volume growth from other brands. If Q3/Q4 2026 shows erosion exceeding the base case, the bear case becomes more probable. Watch: Q3 2026 earnings report showing Prolia/XGEVA product sales trajectory versus prior-year comparison

Will MariTide Phase 3 studies deliver data within the 540-day horizon, and what is the probability of success across six studies? (forecast uncertainty)

The filing describes six Phase 3 studies underway but provides no timeline or probability estimates. The bull case depends entirely on MariTide success. Without a specific data-readout date, the timing of the catalyst is uncertain. Watch: Any MariTide Phase 3 data readout or regulatory submission announcement

What is the after-tax impact of the \$1.2 billion Otezla intangible impairment recorded in 2025, and does it affect normalized EPS? (missing fact)

The fact sheet lists asset_impairment as a data gap. The \$1.2 billion charge is a non-cash item that does not affect FCFF, but its after-tax amount is not stated, so EPS normalization cannot be performed. This does not block the conclusion because the impairment is already reflected in reported EPS of \$14.23 (FY 2025) and \$16.10 (TTM). Watch: Not applicable; the impairment is a historical fact already reflected in reported figures

Has any of the \$5,445M current portion of long-term debt matured or been refinanced between June 30, 2026 and October 7, 2026? (missing fact)

The fact sheet notes 99 days between the balance-sheet date and the price date. The \$4.0 billion of debt issued in H1 2026 and the \$833M euro Notes repayment suggest active refinancing. This does not materially change the net debt of \$43,315M or the valuation, but it affects near-term liquidity. Watch: Q3 2026 balance sheet or debt maturity schedule disclosure

Limitations

The base-case DCF value of \$342.43 is 17.1% below the price, and the probability-weighted value of \$298.49 is 27.7% below. However, the bull case at \$410.79 is essentially at the price, meaning the market is pricing in the bull case. The base case assumes 5.6% average FCFF growth, well below the market-implied 9.35%. The starting FCFF margin of 32.24% sits below the five-year range minimum of 34.16%, flagged by the software; the reason is the 2025 capex spike and OCF decline, which are structural rather than one-off. The earnings multiple base target of \$388.82 is only 5.9% below the price, a narrower gap than the DCF. The bear multiple of 18x falls below the company's own five-year minimum of 21.69x, justified by the filing's explicit warnings but representing a discount to the historical range. No peer comparables are available, so the multiple is justified solely against the company's own history. The \$1.2 billion Otezla impairment cannot be normalized because the after-tax amount is not disclosed. The prior memo's base case was \$292.02; my base case of \$342.43 is higher, narrowing the short margin. The capex guidance-vs-delivery comparison in SINCE THEN compares FY 2025 actual (\$1,858M) to 2026 guidance (\$2,600M), which is not a true delivery check since the guidance is forward-looking; YTD capex of \$1.2B for H1 2026 is consistent with the full-year estimate. Terminal value is 77% of enterprise value in at least one scenario, so the result is dominated by the terminal assumptions. Software checks raised during valuation: the starting FCFF margin 32.2% sits outside the company's own 34.2% to 42.8% over the 5 prior fiscal years; the stated reason: The TTM FCFF margin of 32.24% is below the five-year range minimum of 34.16% by approximately 2 points. The trailing period includes the 2025 capex spike (\$1,858M, 6.05% of revenue, up 69.5% YoY) driven by construction of new plants in North Carolina and Ohio, and the OCF decline of -13.33% in 2025. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: exposure quote unverified:customer concentration; exposure quote unverified:regulation; exposure quote unverified:tariffs trade; starting fcff outside history.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-13 (accession 0000318154-26-000010).

10-Q for the quarter ended 2026-06-30, filed 2026-08-05 (accession 0000318154-26-000126).

8-K for the earnings release dated 2026-08-04, filed 2026-08-04 (accession 0000318154-26-000124).

- Price: historical close of \$413.08 on 2026-10-07.
- 8 cited claims and 16 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: qwen3.8-flash-next-iq2_xs · run discovery-20260911 · job 583 · memo SHA-256 07f5521bc0be20c8... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.