



ANALYST QUICK NOTES

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Amgen Inc. (NGS: AMGN: BUY)

Target Price: \$195

Katelyn Bayone

3/17/2017

- New data came out this morning showing that Amgen's new cholesterol drug Repatha reduced the risk of heart attacks, stroke and death by 16% for the first year and 25% thereafter.
 - AMGN shares fell 7% on fears that the benefit may not be enough to persuade payers to ease restrictions on the drug, which has an annual list price of \$14,500.
 - Pharmacy benefit managers and insurers have put coverage restrictions on the drug's use citing lack of data quantifying their effects on cardiovascular risks. According to Symphony Health, data showed that commercial insurers rejected 75% of Repatha requests last year and Medicare denied coverage 61% of the time.
 - Now that outcomes data is available and shows significant and progressive improvement over traditional statin treatment, we expect restrictions on the drug to ease.
 - Amgen estimates that there are approximately 11 million Americans eligible to take the drug. The use of Repatha as a substitute for statins in low-risk patients is not likely. However, the study helps the case for Repatha in treating patients for whom statin use has not helped, or those afflicted with genetic conditions such as familial hypercholesterolemia.
 - Additionally, patients on Repatha did not display many of the side effects that occur with other lipid therapies, such as muscular issues and liver health issues.
 - The outcomes data may bring the possibility of more value-based deals, such as the deal in place with Cigna. These types of deals require the net price paid for the drug to be stipulated on whether or not the drug provides pre-defined benefits to patients. Essentially payers will pay more or less depending upon how well the drug reduces risks of these cholesterol-related events.
 - Our outlook on Amgen remains positive. Given the significant improvement in risk reduction from two years over one year, it is possible that additional long-term data may show greater benefits.
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