OptionsHawk

Amgen Bulls Expect More Upside in 2020

Ticker/Price: AMGN ($239.75)

Analysis:

Amgen (AMGN) shares forming a tight bull flag under new highs and a name that saw January $242.50 calls hot on 12/30 with 5000 currently in open interest while on 12/23 the June $250 calls opened 6000X for over $6.5M in a stock replacement and on 12/26 the July $255 calls opened 800X for $800K. AMGN shares have been on a strong run since October and its next Fibonacci extension target is near $257. The $144B Biotech trades 15X Earnings, 6.2X Sales and 25.4X FCF with a 2.65% yield and plenty of cash that may be put to work in M&A. AMGN forecasts are calling for strong 8.6% revenue growth in 2020 and 8.3% EPS growth. It was recently profiled by the WSJ as it seeks to find new blockbusters with many of its key drug sales in decline, encouraging results targeting KRAS genetic mutations one area of focus. AMGN also scored with an acquisition of Otezla from Celgene as part of its Bristol Myers deal. Amgen is also a leader in Biosimilar programs. Analysts have an average target of $233 and short interest subdued at the middle of its five year range at 1.5% of the float. Raymond James started coverage at Perform on 12/24 seeing valuation fair but sees new potential growth areas like AMG-510 offsetting legacy drug pressures. Cowen raised its target to $277 on 12/20 after AMGN raised guidance. MSCO resumed coverage at Overweight on 12/17 and a $280 target on a valuable pipeline and greater visibility to its oncology portfolio. Goldman raised to Conviction Buy on 12/16 with a $270 target seeing Enbrel litigation behind the company and the addition of Otezla key with a number of key readouts in 2020 including Tezepelumab and AMG510. AMGN also expanded its presence in China recently with a strategic partnership with BeiGene (BGNE). Hedge Fund ownership fell 8.9% in Q3 filings, Capital Research Global adding to a large position.

Hawk Vision:

Hawk's Perspective: AMGN

Confidence Ranking: $$$