

VERTEX PHARM. INC. NDQ-VRTX

RECENT PRICE **214.96** P/E RATIO **20.3** (Trailing: 20.9 Median: NMF) RELATIVE P/E RATIO **0.95** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 3 Lowered 3/5/21	High: 44.2 58.9 66.1 90.0 124.4 143.5 125.0 167.9 194.9 225.7 306.1 243.0	Low: 31.3 26.5 32.0 42.7 59.8 97.4 71.5 73.3 144.1 161.0 197.5 204.6	Target Price Range 2024 2025 2026 ----- 640 ----- 480 ----- 400 ----- 320 ----- 240 ----- 200 ----- 160 ----- 120 ----- 80 ----- 60
SAFETY 3 Raised 9/11/15	LEGENDS Relative Price Strength Options: Yes Shaded area indicates recession		
TECHNICAL 5 Lowered 3/5/21			
BETA .80 (1.00 = Market)			
18-Month Target Price Range			
Low-High Midpoint (% to Mid)			
\$177-\$362 \$270 (25%)			
2024-26 PROJECTIONS			
Price Gain Ann'l Total Return			
High 515 (+140%) 24%			
Low 340 (+60%) 12%			
Institutional Decisions			
12/2020 2/2020 3/2020			
to Buy 446 556 487			
to Sell 357 326 402			
Hlds(000) 243091 241055 239773			
	Percent shares traded		% TOT. RETURN 1/21 THIS STOCK VL ARITH. INDEX 1 yr. 0.9 26.6 3 yr. 37.3 29.4 5 yr. 152.4 99.1

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26
1.49	1.72	1.50	1.16	.51	.70	6.74	7.03	5.18	2.40	4.19	6.86	9.83	11.94	16.07	23.87	26.25	28.25	Revenues per sh	35.85
d1.11	d1.49	d2.74	d2.83	d3.06	d3.56	.31	d.32	d1.70	d2.79	d2.01	d.20	1.28	2.38	4.96	10.85	11.75	12.55	"Cash Flow" per sh	15.45
d1.65	d1.89	d3.03	d3.27	d3.71	d3.77	.14	d.50	d1.98	d3.14	d2.31	d.46	1.04	2.06	4.51	10.29	11.20	12.00	Earnings per sh ^A	14.75
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.16	.26	.24	.21	.12	.19	.17	.33	.22	.21	.18	.23	.39	.37	.29	1.00	.40	.50	Cap'l Spending per sh	.70
2.21	4.01	2.04	1.58	5.48	2.48	3.76	4.60	5.80	4.45	3.82	4.66	8.01	17.38	23.50	33.41	44.85	56.85	Book Value per sh	98.10
108.15	126.12	132.88	151.25	199.96	203.52	209.30	217.29	233.79	241.76	246.31	248.30	253.25	255.17	258.99	260.00	261.00	262.00	Common Shs Outst'g ^B	265.00
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--	--	--	--	--	--	NMF	--	--	--	--	--	NMF	NMF	2.19	1.26			Relative P/E Ratio	1.60
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CAPITAL STRUCTURE as of 12/31/20				2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	© VALUE LINE PUB. LLC	24-26	
Total Debt None				1410.6	1527.0	1212.0	580.4	1032.3	1702.2	2488.7	3047.6	4162.8	6205.7	6850	7400	Revenues (\$mill)	9500							
Leases, Uncapitalized Annual rentals \$100.7 mill.				18.2%	2.8%	NMF	NMF	NMF	4.3%	18.3%	24.2%	31.4%	48.0%	49.0%	49.0%	Operating Margin	50.0%							
No Defined Benefit Pension Plan				35.0	38.2	48.4	63.3	62.3	61.4	61.4	72.4	106.9	109.5	115	120	Depreciation (\$mill)	150							
Pfd Stock None				29.6	d107.0	d445.0	d737.6	d556.3	d112.1	263.5	533.7	1176.8	2711.6	2950	3170	Net Profit (\$mill)	3950							
Common Stock 259,960,062 shs. as of 1/31/21				31.9%	--	--	--	--	--	--	--	12.7%	15.6%	13.0%	15.0%	15.0%	Income Tax Rate ^C	20.0%						
MARKET CAP: \$55.9 billion (Large Cap)				2.1%	NMF	NMF	NMF	NMF	NMF	NMF	10.6%	17.5%	28.3%	43.7%	43.1%	42.8%	Net Profit Margin	41.6%						
CURRENT POSITION 2018 2019 12/31/20 (\$MILL.)				938.9	1157.0	1190.8	1178.2	900.8	1039.0	1841.7	2722.8	3488.0	6255.9	8300	10500	Working Cap'l (\$mill)	18500							
Cash Assets				409.7	633.5	885.4																		
Receivables				124.4	167.5	280.8																		
Inventory				140.8	213.5	308.3																		
Other				3843.1	4822.8	8133.4																		
Current Assets				111.0	87.6	155.1																		
Accts Payable				9.8	--	--																		
Debt Due				999.5	1247.2	1722.4																		
Other				1120.3	1334.8	1877.5																		
Current Liab.				3.8%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	13.0%	12.0%	19.3%	31.2%	25.0%	21.5%	Return on Total Cap'l	15.0%					
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BUSINESS: Vertex Pharmaceuticals Inc. discovers, develops, and commercializes transformative medicines for serious diseases. Current treatments are primarily focused on cystic fibrosis (CF). It also has a pipeline of investigational small molecule drugs for other illnesses, beyond CF, such as pain and kidney disease, and has programs for cell and genetic therapies. Approved CF drugs incl.: *Kalydeco* (ivacaftor) (1/12); *Orkambi* (lumacaftor/ivacaftor) (7/15); *Symdeko* (tezacaftor/ivacaftor) (2/18); *Trikafta* (10/19). Has about 3,400 empl. Off./dirs. own less than 1% of comm. stock; T. Rowe Price, 9.5% (4/20 proxy). Chrmn.: Dr. Jeffrey M. Leiden. Pres. & CEO: Dr. Reshma Kewalramani. Inc.: MA. Addr.: 50 Northern Ave., Boston, MA 02210. Tel.: 617-341-6100. Internet: www.vrtx.com.

ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '24-'26
of change (per sh)				28.0%	21.0%	16.0%
Revenues				--	--	27.0%
"Cash Flow"				--	--	28.5%
Earnings				--	--	Nil
Dividends				18.5%	27.0%	29.0%
Book Value						

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2018	640.8	752.2	784.5	870.1	3047.6
2019	858.4	941.3	949.8	1413.3	4162.8
2020	1515.1	1524.5	1538.3	1627.8	6205.7
2021	1650	1700	1750	1750	6850
2022	1800	1850	1850	1900	7400

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2018	.81	.80	.50	d.05	2.06
2019	1.03	1.03	.22	2.23	4.51
2020	2.29	3.18	2.53	2.30	10.29
2021	2.70	2.80	2.80	2.90	11.20
2022	2.90	3.00	3.00	3.10	12.00

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2017					
2018	NO CASH DIVIDENDS BEING PAID				
2019					
2020					
2021					

Vertex Pharmaceuticals' results were exemplary last year, thanks to impressive sales of Trikafta. Full-year 2020 revenues surged by 49%, while EPS more than doubled from 2019, beating our respective calls by \$86 million and \$0.29. Much of the outperformance reflected a strong uptake of Vertex's newest drug, *Trikafta* (*Kaftrio* in the EU), a triple-drug mix of elexacaftor, tezacaftor, and ivacaftor that was FDA approved in 2019 for cystic fibrosis (CF) patients ages 12 and up. This offset weakness from its other CF drugs *Kalydeco*, *Orkambi*, and *Symdeko*.

Efforts to bolster the CF franchise continue. These mostly consist of label expansions and new reimbursements—all part of a strategy to reach a broader, younger patient population in the earlier stages of CF. In fact, in addition to label expansions approved in the past year for *Kalydeco* and *Symdeko*, the FDA recently expanded *Trikafta*'s label to include those 12 and older with certain mutations. The same drug is also under priority review for kids ages 6-11 with at least one type of mutation; a decision is due in June.

R&D opportunities are vast beyond

CF, too. Vertex has several early and mid-stage studies in the pipeline aimed at serious illnesses like protein deficiencies, sickle cell disease, beta thalassemia, kidney disease, and Type 1 diabetes. Data on some of these studies are due out later this year. A cash pile of \$6.7 billion should be plenty to support R&D activities.

Top- and bottom-line gains are likely to moderate from 2021 onward. Although management expects 2021 product sales of \$6.7 billion-\$6.9 billion, driven mostly by ongoing growth and label expansion of *Trikafta* (*Kaftrio*), the launch of medicines in the U.S. for rare mutations, and good reimbursement trends, we note that the CF drug's momentum will likely ease. Too, no major regulatory filings are on tap, for now. Profit growth in the years ahead will hinge on new drug approvals.

What about the stock? VRTX has remained under some pressure since re-treating months ago after a failed mid-stage study, and is no longer timely. It seems investors are holding out for more exciting R&D news here. That said, long-term upside potential is wide at this price.

J. Susan Ferrara
March 5, 2021

(A) Diluted earnings. Excl. non-recur. charges/gains: '05, (63c); '06, 6c; '18, \$6.03 (one-time tax benefit). Next egs. rpt. due early May.	(B) In millions. Note: share count in '13 reflects the conversion of convertible notes into 8.3 mill. shs.	carryforwards of about \$1.327 bill. and tax credits of \$428 million.	Company's Financial Strength	A+
(C) As of 12/31/20, had total net oper. loss			Stock's Price Stability	60
			Price Growth Persistence	95
			Earnings Predictability	25