BUSINESS: United Therapeutics Corp. is engaged in the development and commercialization of therapies for cardiovascular disorders, cancer, and infectious diseases. The drug division sells Remodulin, a prostacyclin analog that is slowly infused to treat pulmonary arterial hypertension, Adcirca, and Tyvaso, accounted for 57% of sales in 2015. Adcirca is prescribed to treat both PAH and ED. Tyvaso is used to treat neuroblastoma in children. Unituxin, a medi-cal antibody used to treat neuroblastoma in children, accounted for 18% of sales. The Drug division is expected to accounting for 72% of sales in 2016. Tyvaso and Adcirca accounted for 91% of sales in 2015.

United Therapeutics reported solid 2014 fourth-quarter results. During the December quarter, sales increased 17% year over year, and earnings advanced 36%. The company’s stronghold in the pulmonary arterial hypertension (PAH) market is evident as product sales accounted for 99% of total revenues in 2015. The company’s prospects over the next two years appear bright. We anticipate sales increases of around 15% and 10% in 2016 and 2017, respectively. Our optimism stems from the likelihood that patient adoption for United Therapeutics’ PAH drugs will continue to rise. It has increased 10% over the past six months, and has fallen 25.4% during the broader market averages. The stock price has under-performed the market over the past three, five, and ten years.

The company intends to expand its addressable markets, though. This was noted with the commercialization of Unituxin. There are other promising drug candidates in the pipeline focused on different ailments, including some in the oncology and vascular medical fields. Despite solid business prospects, the price for UTHR shares has been somewhat erratic. The stock price has under-performed the broader market averages over the past six months, and has fallen around 20% since our December report. Investors are likely cautious about the threat of generic competition for Remodulin and the possibility of government regulations on drug pricing. We favor these timely shares for the 2019-2021 haul also. Our upbeat 3- to 5-year earnings projections assume that the company’s stronghold in the PAH market will be prolonged due to its well-diversified portfolio.

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