

CELGENE CORP. NDQ-CELG

RECENT PRICE **100.15** P/E RATIO **29.5** (Trailing: 51.6) (Median: 37.0) RELATIVE P/E RATIO **1.59** DIV'D YLD **Nil** **VALUE LINE**

TIMELINESS 3 Lowered 4/1/16	High: 16.3 30.1 37.7 38.7 29.2 32.9 34.1 41.4 86.9	Low: 6.2 15.8 20.6 22.7 18.5 24.0 24.5 29.3 39.9	119.8 140.7 119.6	Target Price Range 2019 2020 2021
SAFETY 3 Lowered 7/10/15	LEGENDS — 21.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 10/04 2-for-1 split 2/06 2-for-1 split 6/14 Options: Yes Shaded area indicates recession			200 160 100 80 60 50 40 30 20
TECHNICAL 3 Lowered 2/26/16	2019-21 PROJECTIONS			
BETA 1.10 (1.00 = Market)	Price Gain Ann'l Total	High 220 (+120%) 22%	Low 145 (+45%) 10%	
Insider Decisions				
Institutional Decisions				
Percent shares traded				
% TOT. RETURN 2/16				
1 yr. -17.0 -13.5				
3 yr. 95.3 22.6				
5 yr. 279.8 38.5				

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
.14	.19	.21	.42	.57	.78	1.20	1.74	2.44	2.93	3.83	5.50	6.58	7.93	9.59	11.77	14.05	16.55	Sales per sh	23.95
d.01	.00	d.01	.03	.09	.11	.13	.32	.71	.99	1.30	1.83	1.84	1.89	2.63	2.18	3.90	4.80	"Cash Flow" per sh	7.65
d.02	d.01	d.02	.02	.08	.09	.09	.27	.69	.93	1.24	1.65	1.65	1.69	2.39	1.94	3.70	4.55	Earnings per sh ^A	7.30
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.02	.01	.02	.02	.05	.05	.06	.08	.08	.10	.10	.15	.13	.15	.19	.36	.30	.35	Cap'l Spending per sh	.25
.50	.51	.43	.48	.72	.93	2.63	3.53	3.80	4.78	6.36	6.30	6.80	6.82	8.15	7.52	8.45	10.05	Book Value per sh ^C	14.85
592.00	604.60	641.41	641.41	660.27	684.34	752.07	806.25	918.26	918.58	940.78	874.98	837.49	819.40	800.20	786.60	770.00	755.00	Common Shs Outst'g ^B	710.00
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CAPITAL STRUCTURE as of 12/31/15		2013	2014	12/31/15	2013	2014	12/31/15	2013	2014	12/31/15	2013	2014	12/31/15	2013	2014	12/31/15	2013	2014	12/31/15	2013	2014	12/31/15	
Total Debt \$14,250.4 mill. Due in 5 Yrs \$1400 mill.		898.9	1405.8	2237.8	2689.9	3601.6	4815.4	5506.7	6493.9	7670.4	9256.0	10800	12500	10800	12500	10800	12500	10800	12500	10800	12500	10800	12500
LT Debt \$14,250.4 mill. LT Interest \$120 mill. (71% of Cap'l)		22.3%	32.5%	34.0%	37.0%	40.7%	40.5%	33.3%	29.3%	34.2%	25.6%	35.0%	36.0%	35.0%	36.0%	35.0%	36.0%	35.0%	36.0%	35.0%	36.0%	35.0%	36.0%
Leases, Uncapitalized: Annual rentals \$56.1 mill.		25.7	31.5	44.5	41.7	54.2	71.2	84.9	96.9	104.3	114.9	160	190	160	190	160	190	160	190	160	190	160	190
No Defined Benefit Pension Plan Pfd Stock None		69.0	226.4	606.8	863.1	1165.3	1527.2	1456.2	1449.9	1999.9	1602.0	2850	3440	2850	3440	2850	3440	2850	3440	2850	3440	2850	3440
Common Stock 781,664,535 shares as of 2/5/16		66.0%	56.2%	27.3%	20.8%	19.1%	18.9%	13.4%	12.9%	14.1%	20.8%	17.0%	17.0%	14.1%	20.8%	17.0%	17.0%	14.1%	20.8%	17.0%	17.0%	14.1%	20.8%
MARKET CAP: \$78 billion (Large Cap)		7.7%	16.1%	27.1%	32.1%	32.4%	31.7%	26.4%	22.3%	26.1%	17.3%	26.5%	27.5%	26.1%	17.3%	26.5%	27.5%	26.1%	17.3%	26.5%	27.5%	26.1%	17.3%
CURRENT POSITION (\$MILL.)		2071.3	2651.5	2314.1	3350.1	3272.8	2813.2	3843.5	5605.0	7600.4	7432.0	6910	6930	7600.4	7432.0	6910	6930	7600.4	7432.0	6910	6930	7600.4	7432.0
Cash Assets		422.5	--	--	--	1247.6	1275.6	2771.3	4196.5	6265.7	14250	13535	12860	6265.7	14250	13535	12860	6265.7	14250	13535	12860	6265.7	14250
Receivables		1976.2	2843.9	3491.3	4394.6	5984.0	5512.7	5694.5	5589.9	6524.8	5919.0	6500	7585	6524.8	5919.0	6500	7585	6524.8	5919.0	6500	7585	6524.8	5919.0
Inventory (FIFO)		3.1%	8.0%	17.4%	19.6%	16.2%	22.6%	17.6%	15.2%	16.2%	8.6%	15.0%	17.5%	16.2%	8.6%	15.0%	17.5%	16.2%	8.6%	15.0%	17.5%	16.2%	8.6%
Other		3.5%	8.0%	17.4%	19.6%	19.5%	27.7%	25.6%	25.9%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%
Current Assets		3.5%	8.0%	17.4%	19.6%	19.5%	27.7%	25.6%	25.9%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%	44.0%	45.0%	30.7%	27.1%
Accts Payable		--	--	--	--	--	--	--	--	--	--	Nil	Nil	--	--	Nil	Nil	--	--	Nil	Nil	--	--
Debt Due																							
Other																							
Current Liab.																							

BUSINESS: Celgene Corporation is engaged in the development and commercialization of therapies to treat cancer and immune-inflammatory related diseases. 2015 sales breakdown: *Revlimid* (63%), *Abraxane* (10%), *Pomalyst/Imnovid* (11%), *Vidaza* (6%), *Otezla* (5%), and royalties/other (5%). R&D pipeline includes immunomodulators, oral anti-inflammatory agents, kinase inhibitors, small cell lung cancer treatments, ABI compounds, and cellular therapies. Int'l sales: 41%. 2015 depr. rate: 17.6%; R&D: 31.7% of sales. Has 6,012 employees. Officers/directors own 1.0% of common stock; BlackRock, 6.4% (4/15 Proxy). Chairman & CEO: Robert J. Hugin. Incorporated: DE. Address: 86 Morris Ave., Summit, NJ 07901. Tel.: (908) 673-9000. Internet: www.celgene.com.

Celgene reported mixed fourth-quarter results. Revenues climbed to \$2,563.3 million, aided by continued sales expansion across the portfolio. *Revlimid* sales grew around 18% year on year, and *Pomalyst/Imnovid* sales were up significantly, aided by a large increase in international demand. Still, costs expanded for R&D, while interest expense was greater. This caused earnings per share to fall to \$0.69.

The medium-term outlook appears to be much brighter for Celgene. It should benefit from better volumes for *Revlimid*, which is expected to grow around 15% year on year. Too, *Abraxane* and *Pomalyst/Imnovid* ought to be able to achieve blockbuster status in 2016, with annual sales eclipsing the \$1 billion mark. Too, *Otezla* looks likely to achieve that status in 2017, and the company will continue to benefit from the diversification of revenues. Celgene expects data from 18 Phase III trials through mid-2018, which should allow for higher indications and potentially better sales rates across its current portfolio, and additional contributions from pipeline drugs. Top-line advan-

cement should allow for improved gross profits and the company looks poised to take advantage of economies of scale over the coming years. Still, it has a history of paying one-time milestones, and the cost structure has risen significantly over the past few years. We think the company will earn \$3.70 a share in 2016, and \$4.55 a share in 2017.

Shares of Celgene are attractive at the recent quotation. The stock maintains good appreciation potential, as long as the cost structure does not expand considerably. The balance sheet is improving, and debt has been paid down a bit. Celgene sometimes has quarterly hiccups due to milestone payments, and large increases in research and development could occur due to acquisitions or further product rollouts. Still, we have raised our long-term Target Price Range to \$145-\$220, as share repurchases have played a role in the potential share-net expansion. Some risk exists here owing to the high debt load, but those investors who can withstand some operational volatility should give these shares a second glance.

John E. Seibert III April 8, 2016

(A) Diluted earnings. Excludes nonrecurring gains (losses): '00, (5¢); '01, 1¢; '02, (57¢); '08, (\$2.42); '09, (10¢); '10, (30¢). May not sum due to rounding. Next earnings report due late April.	(B) In millions, adjusted for stock splits.	(C) Includes intangibles: 2015, \$15,737 million, \$20.01 per share.	Company's Financial Strength	A+
			Stock's Price Stability	55
			Price Growth Persistence	85
			Earnings Predictability	75