CELGENE CORP. NQD-CELG

Recent Price 100.15 P/E Ratio 29.5 Trailing (5/16) Relative P/E Ratio 1.59 Dividend Yield Nil

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Target Price Range 2019 2020 2021
1 yr. 17.0 13.5 10.5
3 yr. 41.5 30.6 22.6
5 yr. 279.8 234.3 186.5

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Company’s Financial Strength A+
Stock’s Price Stability 55
Price Growth Persistence 85
Earnings Predictability 75

Celanese reported mixed fourth-quarter results. Revenues climbed to $2.563 million, aided by continued expansion across the portfolio. Revlimg 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 more brighter for Celgene. It should benefit from better volumes for Revlimg, 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 like achieving that status in 2017, and the company will continue to benefit from the diversification of revenues. Celgene expects data from its 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 advancing small cell lung cancer treatments, ABI compounds, and cellular therapies. In-licenses agreements, led sales 4%. 2015 dep rate: 17.6%. R&D 31.7% of sales. Has 6,012 employees. Officers/directors own 1.0% of common stock; BlackRock, 6.4% (415 Prox). Chairman & CEO: Robert J. Huber. Incorporated: DE. Address: 86 Mons Ave., Summit, NJ 07901. Tel.: (908) 673-8000. Internet: www.celgene.com.

BUSINESS: Celgene Corporation is engaged in the research and development and commercialization of therapies to treat cancer and immune-inflammatory related diseases. 2015 sales breakdown: Revlimg (63%), Abraxane (10%), Pomalyst/Imnovid (11%), Vidaza (5%), Otezla (6%), and royalties/other (5%). R&D pipeline includes immunotherapies, non-small cell lung cancer treatments, ABI compounds, and cellular therapies. In-licenses agreements.

 Celgene 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. Sebert III
April 8, 2016

(1) Dividends. Excludes nonrecurring gains (losses): '00, (55); '01, 1c; '02, (57); '06, (22); '09, (10); '10, (30). May not sum due to rounding. Next earnings report due late April.

(2) In millions, adjusted for stock splits. Includes intangibles: 2015, $15.73 million, $20.01 per share.

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