ALEXION PHARM. NDQ-ALXN

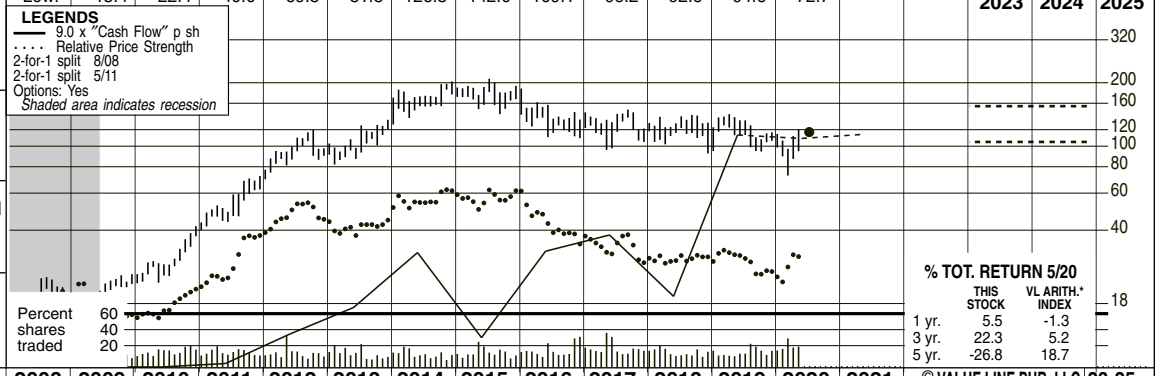
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
116.92	11.8	(Trailing: 11.0 Median: 64.0)	0.59	Nil	1612

TIMELINESS 3 Lowered 5/29/20
SAFETY 3 New 10/15/10
TECHNICAL 3 Raised 6/19/20
BETA .90 (1.00 = Market)

High:	24.8	41.8	72.3	119.5	133.8	203.3	208.9	187.6	149.3	140.8	141.9	121.5
Low:	15.4	22.4	40.0	69.8	81.8	126.8	142.0	109.1	96.2	92.6	94.6	72.7

Target Price Range
2023 | 2024 | 2025

LEGENDS
— 9.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 8/08
2-for-1 split 5/11
Options: Yes
Shaded area indicates recession



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$79-$179	$129 (10%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	155	(+35%)	8%
Low	105	(-10%)	-2%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	341	335	341
to Sell	299	302	320
Hld's(000)	208433	205968	196728

% TOT. RETURN 5/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	5.5	-1.3
3 yr.	22.3	5.2
5 yr.	-26.8	18.7

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
.04	.01	.01	.48	1.59	2.17	2.95	4.22	5.83	7.88	11.05	11.54	13.71	15.97	18.48	22.55	*24.20*	*25.40*	Sales per sh	*28.25*
d.64	d.93	d.90	d.58	.25	.52	.62	1.04	1.43	1.92	3.48	1.38	3.53	4.23	2.16	12.57	*11.50*	*12.65*	"Cash Flow" per sh	*14.30*
d.86	d.98	d1.04	d.64	.20	.44	.52	.91	1.28	1.74	3.26	.67	1.76	1.97	.35	10.70	*9.90*	*11.00*	Earnings per sh A	*12.50*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
.03	.03	.22	.46	.24	.20	.07	.12	.11	.15	.68	1.27	1.48	1.61	.95	.70	*.80*	*1.00*	Cap'l Spending per sh	*2.30*
1.57	.60	.88	.67	1.52	3.87	4.69	6.11	10.12	12.09	16.33	36.60	38.65	40.01	41.01	50.93	*56.90*	*62.55*	Book Value per sh B	*68.60*
110.08	112.76	142.04	151.26	162.95	178.00	183.18	185.62	194.69	196.96	202.15	225.65	224.92	222.30	223.50	221.30	*220.00*	*220.00*	Common Shs Outst'g C	*220.00*
--	--	--	--	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	11.1	*Bold figures are*		Avg Ann'l P/E Ratio	*10.5*
--	--	--	--	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	.60	*Value Line*		Relative P/E Ratio	*.60*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $2470.0 mill. **Due in 5 Yrs** $126.7 mill.
LT Debt $2343.3 mill. **LT Interest** $78.6 mill.
(Total interest coverage: 2.8x)
(19% of Cap'l)
Pension Assets-12/19 $27.6 million
Oblig. $33.9 million
Pfd Stock None

Common Stock 220,827,431 shares
as of 5/4/20
MARKET CAP: $25.8 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
541.0	783.4	1134.1	1551.3	2233.7	2604.0	3084.0	3551.1	4131.2	4991.1	*5320*	*5590*	Sales ($mill)	*6220*
30.8%	31.7%	42.1%	38.4%	40.9%	37.1%	36.2%	31.7%	17.5%	49.1%	*53.0%*	*59.0%*	Operating Margin	*58.0%*
15.8	17.6	23.9	28.7	46.9	166.6	396.0	496.7	405.3	376.8	*350*	*365*	Depreciation ($mill)	*395*
97.0	175.3	254.8	348.7	656.9	144.4	399.0	443.3	77.6	2404.3	*2180*	*2420*	Net Profit ($mill)	*2750*
34.9%	23.7%	35.9%	51.9%	24.7%	71.0%	30.7%	19.1%	68.0%	NMF	*22.0%*	*24.0%*	Income Tax Rate	*26.0%*
17.9%	22.4%	22.5%	22.5%	29.4%	5.5%	12.9%	12.5%	1.9%	48.2%	*40.9%*	*43.3%*	Net Profit Margin	*44.2%*
508.1	711.1	1135.5	1604.5	2189.3	1707.1	1755.0	2001.4	2211.0	3882.1	*3840*	*3800*	Working Cap'l ($mill)	*4175*
4.5	--	101.0	65.0	9.5	3432.6	2888.0	3063.6	2862.7	2375.0	*2340*	*2340*	Long-Term Debt ($mill)	*3150*
859.7	1134.5	1970.9	2382.1	3302.0	8258.6	8694.0	8893.1	9165.3	11272	*12515*	*13760*	Shr. Equity ($mill)	*15090*
11.3%	15.5%	12.5%	14.3%	19.9%	1.4%	3.9%	4.2%	1.1%	17.9%	*14.0%*	*14.5%*	Return on Total Cap'l	*15.0%*
11.3%	15.5%	12.9%	14.6%	19.9%	1.7%	4.6%	5.0%	.8%	21.3%	*17.5%*	*17.5%*	Return on Shr. Equity	*18.0%*
11.3%	15.5%	12.9%	14.6%	19.9%	1.7%	4.6%	5.0%	.8%	21.3%	*17.5%*	*17.5%*	Retained to Com Eq	*18.0%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

CURRENT POSITION ($MILL.)	2018	2019	3/31/20
Cash Assets	1563.8	2749.5	2362.8
Receivables	922.3	1243.2	1345.2
Inventory (FIFO)	472.5	627.6	586.8
Other	426.4	456.1	575.4
Current Assets	2955.0	5076.4	4870.2
Accts Payable	698.2	966.7	862.8
Debt Due	441.4	126.7	126.7
Other	34.4	100.9	130.4
Current Liab.	1173.7	1194.3	1119.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Sales	29.5%	18.0%	*7.0%*
"Cash Flow"	58.5%	22.5%	*14.5%*
Earnings	--	15.5%	*19.5%*
Dividends	--	--	*Nil*
Book Value	36.0%	28.0%	*7.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	701.0	753.1	799.1	830.8	3084.0
2017	870.0	912.0	859.0	910.1	3551.1
2018	930.9	1045.0	1026.5	1128.8	4131.2
2019	1140.4	1203.3	1263.1	1384.3	4991.1
2020	1444.8	*1280*	*1300*	*1295.2*	*5320*
2021	*1350*	*1390*	*1400*	*1450*	*5590*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.41	.51	.42	.42	1.76
2017	.75	.73	.36	.13	1.97
2018	1.13	d2.05	1.47	d.20	.35
2019	2.61	2.01	2.08	4.00	10.70
2020	2.50	*2.40*	*2.5¢*	*2.50*	*9.90*
2021	*2.80*	*2.70*	*2.70*	*2.80*	*11.00*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	NO CASH DIVIDENDS BEING PAID				
2017					
2018					
2019					
2020					

BUSINESS: Alexion Pharmaceuticals, Inc. is a biopharmaceutical company focused on the development and commercialization of drug therapies for patients with rare, life-threatening medical conditions. The company markets *Soliris* (Eculizumab) for the treatment of patients with paroxysmal nocturnal hemoglobinuria (PNH), and atypical hemolytic uremic syndrome (aHUS). Also markets *Strensiq*, *kanuma*, and *WTX-101*, and is evaluating *Ultomiris* to replace *Soliris*. Off. & dir. own 4.0% of common stock; FMR LLC, 6.7%; T. Rowe Price, 5.4%; BlackRock, 7.2%; Vanguard, 7.6%; State St., 5.1% (4/20 proxy). Has about 2,850 employees. CEO: Ludwig Hantson. Chrmn.: David R. Brennan. Addr.: 121 Seaport Blvd., Boston, MA 02210. Tel.: 475-230-2596. Internet: www.alxn.com.

Alexion stock still looks undervalued. On March 23rd, when the stock price was close to a 10-year low of $72.70, it was chronically undervalued. Much of this, however, was related to the huge downdraft that all stocks experienced due to the fallout from the coronavirus lockdown. Now, though, with decent first-quarter results in its pocket, Alexion stock has picked up a bit. However, compared to its profit-posting peers, the equity is a laggard. The issue is only trading at 11.8 times our 2020 share-net estimate of $9.90. This is much lower than the drug industry average, and much lower than our median P/E ratio of 19.9. And given that Alexion has a low long-term debt-to-total capital ratio, strong cash flow-generating ability, and $2.3 billion of cash on the books, the stock's discount to its peer group is even more pronounced.

Why is this? We think it's because the company has no pipeline hopefuls that are generating any excitement. Moreover, sales growth of its flagship drug, *Soliris*, used for paroxysmal nocturnal hemogloburia (PNH), a rare blood disease, is stagnating. *Soliris* (70% of sales) is currently being experimented with as a treatment for COVID-19. In addition, investors haven't been overly enamored by Alexion's recent acquisition of Achillion for another PNH drug called *ACH-5228*, and *Danicopan*, a possible remedy for C3 glomeruopathy, another rare blood disease. The recent announcement that AlXN will buy Portola for $1.41 billion also hasn't met with a great deal of enthusiam.

Despite the stock trading at a relative discount, we wouldn't be in any hurry to buy it for the long term. Alexion has great expertise in the rare blood-disease sphere, and seems to want to continue in that vein. This, however, doesn't appear to be sitting too well with investors who see this market as small. Furthermore, there is growing pressure on many fronts to reduce the selling price of these drugs (*Soliris*, *Ultomiris*, *ACH 5228*, and *Danicopan*). Amgen has shown some interest in acquiring Alexion. Should this become more of a reality, we may see the stock pop. Otherwise, we see no catalyst that would meaningfully advance the equity's price.

Jeremy J. Butler *July 3, 2020*

(A) GAAP diluted earnings. Excludes nonrecurring loss: 2013, 48¢. Next earnings report due late July.
(B) Includes intangibles in 2019: $8,712.2 mill., $38.86/sh.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	50
Price Growth Persistence	40
Earnings Predictability	15

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