

Small Talk

January 16, 2018



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NATIONAL ASSOCIATION OF INVESTORS CORPORATION
The Leader In Investment Education


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About the Company

 Cambrex is leading premium manufacturer of small molecule innovator and generic Active Pharmaceutical Ingredients (APIs)



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Company Profile

Cambrex Corporation

Biotechnology

Cambrex Corporation is a life sciences company that provides products and services for small molecule active pharmaceutical ingredients (APIs). Cambrex has cGMP manufacturing facilities in the US, Europe.... wikipedia.org

 cambrex.com

CEO: Steven M. Klosk


Headquarters: East Rutherford, New Jersey

Founded: 1981

Employees: 1,200

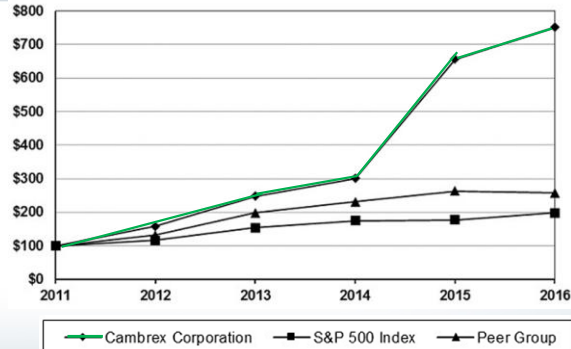
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Comparison of Cumulative Five Year Total Return

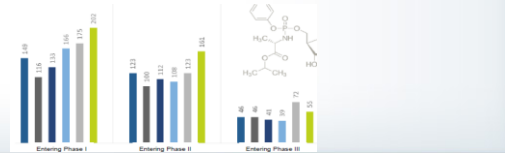


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Big growth in small molecule pipeline

- ▶ 5,300 small molecules in pipeline in 2016, 13.9% increase vs 2015
- ▶ Small molecules are 2/3 of drugs in pharmaceutical pipelines
- ▶ Cambrex focuses on late-stage molecules ~350 an increase of 20% over 2015
- ▶ Trends in market are very positive and likely to continue

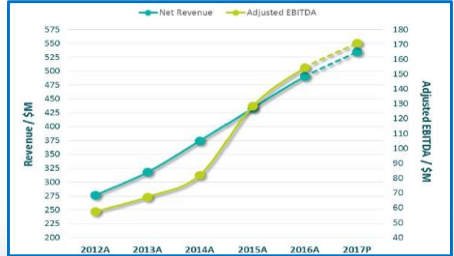


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Strong Revenue and Profit Growth

- ▶ Revenue grew at 15% CAGR and Adjusted EBITA grew at 28.5% CAGR between 2012 and 2018



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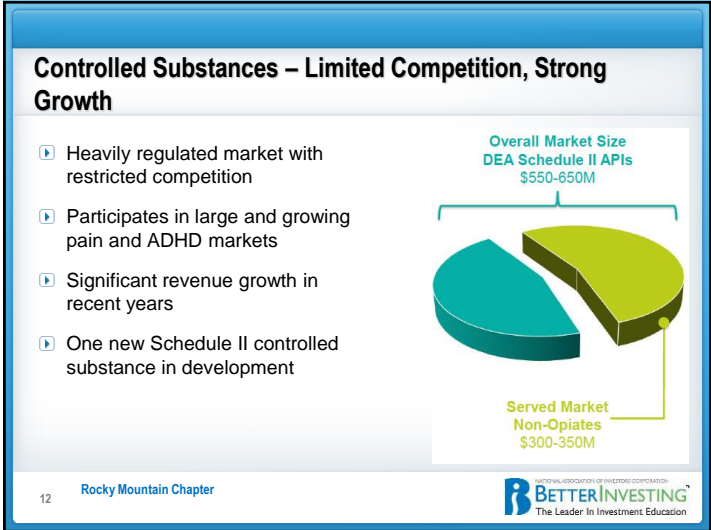
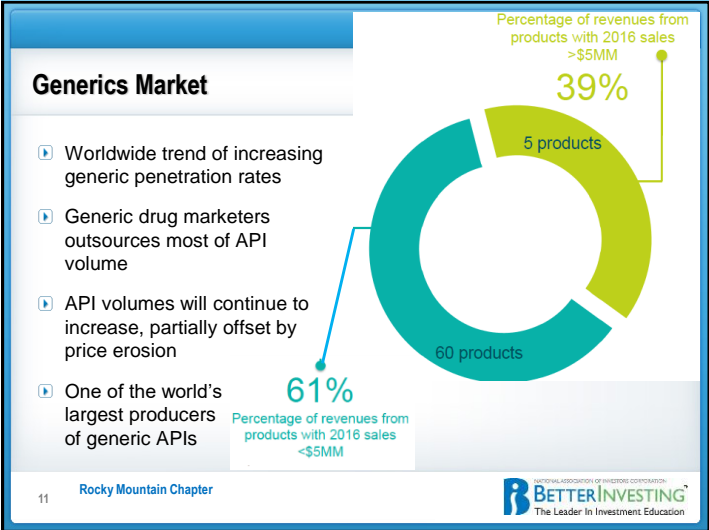
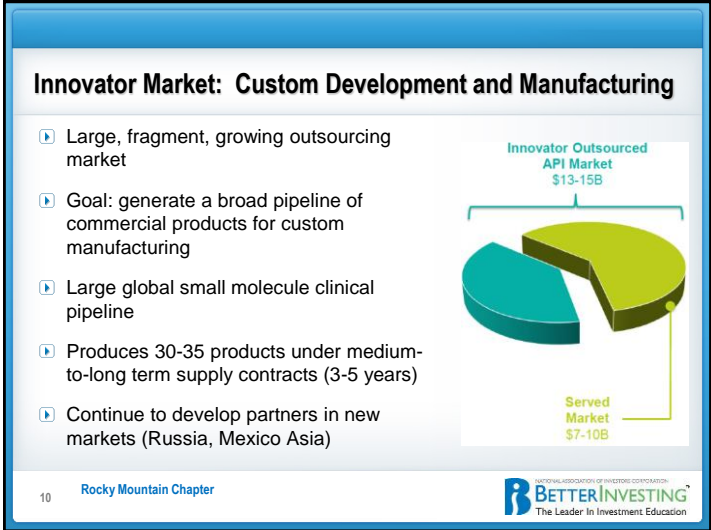
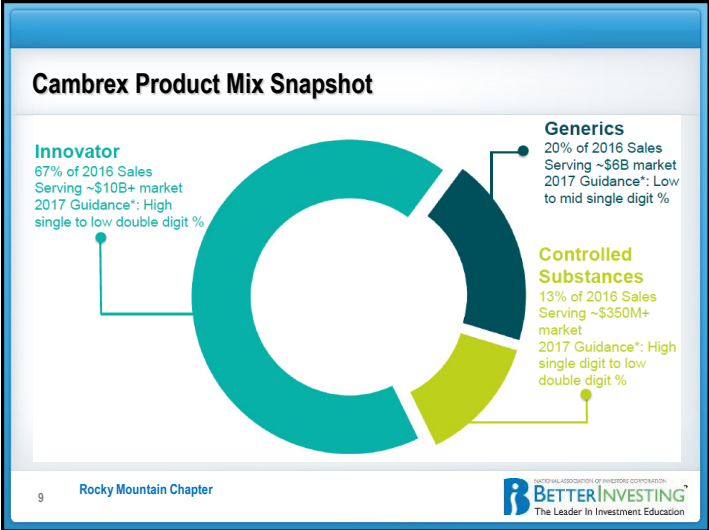
Where does it operate?

- ▶ Six operating sites in USA and Europe
- ▶ Flexible manufacturing facilities allow efficient productions of > 65 different APIs



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SWOT Analysis - Strengths

- ▶ Strong pipeline of early and late-stage clinical projects
- ▶ Growing pipeline of new generic APIs in development
- ▶ Strong position within growing US controlled substances Active Pharmaceutical Ingredients (APIs) market
- ▶ Niche markets neglected by potential competitors

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SWOT Analysis - Weaknesses

- ▶ Expanding capital expenditures to replace declining sales from Gilead's products
- ▶ Late-stage phase projects decline or outsourcing declines could slow growth
- ▶ Failure to obtain new customer contracts or renew existing contracts

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SWOT Analysis - Opportunities

- ▶ Worldwide growth in API volumes and increased outsourcing
- ▶ Limited API manufacturing capacity, especially in the US
- ▶ Preference for reliable, high quality suppliers
- ▶ Strong growth in clinical pipeline
- ▶ Increasing global use of generics

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SWOT Analysis - Threats

- ▶ High level of FDA violations related to quality or regulatory issues with plants in low cost locations
- ▶ New technologies, competition or reduction in demand could reduce sales
- ▶ Low cost competitors had impact of driving prices down
- ▶ Pricing for pharmaceutical products increasingly securitized by governments

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Morningstar

Key Stats CBM				More...
	Stock	Ind Avg	Relative to Industry	
Price/Earnings TTM	15.7	68.2	<div></div>	
Price/Book	3.2	6.4	<div></div>	
Price/Sales TTM	3.0	6.7	<div></div>	
Rev Growth (3 Yr Avg)	15.5	19.4	<div></div>	
Net Income Growth (3 Yr Avg)	46.6	11.6	<div></div>	
Operating Margin % TTM	27.1	24.0	<div></div>	
Net Margin % TTM	18.8	14.4	<div></div>	
ROA TTM	15.9	3.7	<div></div>	
ROE TTM	23.0	8.3	<div></div>	
Debt/Equity	—	0.9	<div></div>	
			Avg	+

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Publicly Traded Life-Sciences Companies

Company	Ticker	Quality	PAR
Aceto	SCET	46	17.1
Akorn	AKRX	48	2.5
Balchen	BCPC	92	6.0
DepoMed	DEPO	4	11.4
Demergen BioSolutions	EBS	43	0.3
Genomic Health	GHDX	28	1.3
Lannett	LCI	34	8.5
Luminex	LMNX	22	7.5
Omincell	OMCL	40	10.3
Prestige Brands	PBH	88	14.2

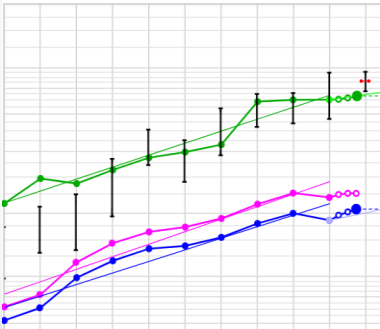
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Balchem

Company: Balchem (BCPC)



Quality 92

PAR 6.0

Balchem Corp is a chemical manufacturer. It develops and sells chemical based ingredients for the food and pharmaceutical industries.

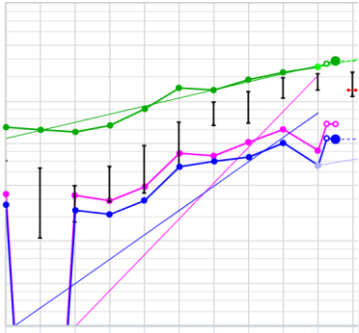
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Prestige Brands

Company: Prestige Brands Hold (PBH)



Quality 88

PAR 14.2

Prestige Brands Holdings Inc is a healthcare company. Its core business involves the distribution of healthcare and household cleaning products to supermarkets and drug stores

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New Tax Law Implications

- ▶ Be conservative
- ▶ Expenses associated with repatriation
- ▶ Analysis trying to figure impact
- ▶ Ticker Talk planning to discuss
- ▶ Look impact using Preferred Procedure

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Research Resources Used

- ▶ Small Cap Informer
- ▶ Cambrex Website
- ▶ Cambrex Annual Report
- ▶ Cambrex Corporate Presentation
- ▶ Morningstar
- ▶ Manifest Investing

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Online Stock Study

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Poll – Have you Studied this stock?

- ▶ Yes
- ▶ No

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POLL - Sales Growth Rate Estimate

- ▶ 5.2% Analysts Estimate 2 years
- ▶ 10% Cambrex (7-11%) company est.
- ▶ 9.8% Manifest Investing
- ▶ 12.0% SmallCap Informer
- ▶ 13.3% Most Recent Quarter

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POLL – Tax Rate

- ▶ 35.0% Current Tax Rate
- ▶ 31.5% Avg. Last 5 years (Preferred Procedure default)
- ▶ 27.9% Avg. Last 3 Quarters
- ▶ 22.0% Conservative Guess
- ▶ 20.0% New Tax Rate (most Co's rates are lower than the nominal tax rate)

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POLL - EPS Growth Rate Estimate

- ▶ ??? Preferred Procedure
- ▶ 10.7% Manifest Investing
- ▶ 15.0% Analysts Estimate - Yahoo, Zacks, Finviz
- ▶ 19.6% Most Recent Quarter

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POLL - Average High P/E

- ▶ 18.9 5 year average high P/E
- ▶ 21.9 1 outlier of lowest High P/E (6.9)
- ▶ 30.0 My Upper limit for P/E judgment
- ▶ 15.90 Current P/E

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POLL - Average Low P/E

- ▶ 9.1 5 year average low P/E
- ▶ 10.7 1 outlier of Lowest Low P/E (2.8)
- ▶ 11.5 2 outliers of Lowest Low P/E
- ▶ 15.9 Current P/E

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POLL - Forecasted Low Price

- ▶ \$_____ **4 B a** (as calculated by Low P/E input)
- ▶ \$16.50 Avg. Low Price Last 5 years
- ▶ \$21.30 Recent Market Low
- ▶ \$34.24 80% of Low This Year

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POLL – What is your opinion of Cambrex

- ▶ **Cambrex**
 - Have no interest in this company
 - No interest in this industry/sectors stocks
 - Has interesting prospects - pricey now
 - Will research further for consideration

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