

Incyte Corporation (INCY)

Presented by Debie Monax
Rocky Mountain Chapter Model
Club



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Incyte Corporation (INCY)

INCY – How it makes money

Diseases with FDA approved drug therapy marketed by INCY

- Myelofibrosis
- Cholangiocarcinoma (Pemazyre)
- Non-Hodgkins Lymphoma
- Rheumatoid arthritis

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Revenues.

| | For the Three Months Ended, June 30, | | For the Six Months Ended, June 30, | |
|-----------------------------------|---|-----------------|---------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (in millions) | | (in millions) | |
| JAKAFI revenues, net | \$ 529.1 | \$ 473.7 | \$ 994.8 | \$ 933.2 |
| ICLUSIG revenues, net | 28.2 | 22.8 | 53.8 | 50.0 |
| PEMAZYRE revenues, net | 17.9 | 3.8 | 31.4 | 3.8 |
| Total product revenues, net | 575.2 | 500.3 | 1,080.0 | 987.0 |
| JAKAVI product royalty revenues | 82.0 | 66.2 | 147.6 | 122.6 |
| OLUMIANT product royalty revenues | 36.0 | 25.8 | 68.3 | 51.3 |
| TABRECTA product royalty revenues | 2.5 | 0.7 | 4.5 | 0.7 |
| Total product royalty revenues | 120.5 | 92.7 | 220.4 | 174.6 |
| Milestone and contract revenues | 10.0 | 95.0 | 10.0 | 95.0 |
| Total revenues | <u>\$ 705.7</u> | <u>\$ 688.0</u> | <u>\$ 1,310.4</u> | <u>\$ 1,256.6</u> |

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Q2 Conference Call
INCY Guidance

Revenue guidance tightened to \$2.125 - \$2.170
Projected growth rate 17%

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Seeking Alpha article 8/15/21:


Even if the FDA does not approve more products

FCF/Sales close to 9% in 2021
FCF/Sales projected to be 15% in 2025

2025 Sales will be forecast to \$5.9 billion.

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Incyte (INCY) Add Alert

| Company | Ticker | Sector Industry | Quality | PAR |
|---------|--------|----------------------------|---------|-------|
| Incyte | INCY | Healthcare Biotechnology | 29 | 23.2% |

Current Price (10/18) \$64.58

CAPS Rating (Rate this stock on CAPS) ★★★★★

Expected Income Statement

Current Sales 2,720.6

Sales Growth Forecast 14.9%

Net Profit Margin 31.0%

Projected Shares Outstanding 240.00

EPS - Five year Forecast \$7.05

Average P/E Ratio 26.0

Projected Average Price \$183.23

Price Appreciation (Annualized) 23.2%

Annual Dividend Yield 0.0%

Projected Annual Return 23.2%

Quality

Financial Strength 27 6.7

EPS Stability 25 6.3

Industry Sales Growth Rate 15.0% 12.4

Industry Net Profit Margin 30.0% 12.9

Quality Penalty -5.0

Calculated Quality Rating 33.4

MIPAR 7.6%

Sweet Spot 12.6% - 17.6%

Symbol or name ... Go

Top In Biotechnology


| Ticker | Quality | PAR |
|--------|---------|-------|
| JAZZ | 60 | 17.6% |
| REGN | 78 | 12.7% |
| ALKS | 50 | 15.8% |
| UTHR | 75 | 8.0% |
| CRSP | 53 | 12.0% |

Top In Healthcare

| Ticker | Quality | PAR |
|--------|---------|-------|
| ADUS | 86 | 19.3% |
| ENSG | 91 | 14.2% |
| LHCG | 91 | 10.8% |
| ALGN | 96 | 9.4% |
| LMAT | 80 | 13.1% |

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Myelofrosis competitors

Bristol's inebtric approved with strong efficacy but serious safety issues


Sierra's momelotinib is in testing, but as a second-line treatment

Other treatments are being tested in combination with Jakafi rather than aiming to replace it

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Strength

- Morningstar 5-star rating
- First approved treatment gives Jakafi pricing power.
- Strong balance sheet. As of June 30, 2021, cash and marketable securities are \$2 billion
- Company has strategy to extend life of Jakafi label as it is getting approval in new diseases
- Large Pipeline oncology and autoimmune programs.
- Drug approvals help defend Incyte's narrow moat

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Weaknesses

- Competition in myelofibrosis market
- Several competing myelofibrosis therapies are in development that could reach the market and eventually upend Incyte's monopoly on the myelofibrosis market.
- Olimiant (Rheumaoid arthritis) market partnered with Lilly
- Drug trial failures – melanoma and acute JvHD
- Ruxolitinib FDA results cancer warning could reduce use in mild cases

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Opportunities

- Patent Protection lengthening Strategies launching 2022
- Future success with paraclisib in Combination trials
- Strength of Jakafi in coming years
- Expected ROICs predicted by Morningstar are 20%
- Breadth and Depth of product Line
- Royalty streams from collaborators on additional Incyte-discovered drugs

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Threats

- From the 10-K, “Jakafi could face competition from generic products treating Myleofibrosis”
- Jakafi patent loss in 2028
- Erosion to Jakafi sales which are contributing to Morningstar’s high Uncertainty Rating
- Polivy is ahead of Monjuvi in Phase III clinical trials
- Drug developmental risk associated with biotech companies

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On to the INCY SSG

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