

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	18.8%
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	95	9.4%
LMAT	80	13.1%

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Myelofrosis competitors

Bristol's inebritic 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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