

Summary of the financial reports for Amgen from 2003-2015

By David Belk MD

First, some definitions:

-Sales/revenue: Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

-Research includes research and development and purchased in-process research.

-Marketing is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

-Revisions: Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

Amgen makes several medications including hematopoietic growth factors, monoclonal antibodies and other biologic agents. By far, the majority of their revenue comes from

sales in the United States (Close to 80%). Some of this is due to the fact that other pharmaceutical companies market some of Amgen's products internationally.

There was a downward revision of Amgen's net income in the 2009 report for the 2005-2008 net incomes due to taxes paid on a financial transaction and a revision in several marketing budgets due to a ruling against Amgen for overly aggressive marketing of several of their products.

Here are the composite totals for Amgen from 2003-2015:

Total Revenue:	\$198 Billion
Total Profit:	\$53 Billion
Total Spent on Research:	\$40 Billion
Total Spent on Marketing:	\$50 Billion
Total Spent on Taxes:	\$10 Billion
US Revenue:	\$154 Billion
Revenue from All Other Countries:	\$41 Billion

Total Executive pay for Amgen was \$51.21 million in 2014 with \$13.96 million going to their CEO Robert A. Bradway.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=AMGN>

http://truecostofhealthcare.net/pharmaceutical_financial_index/

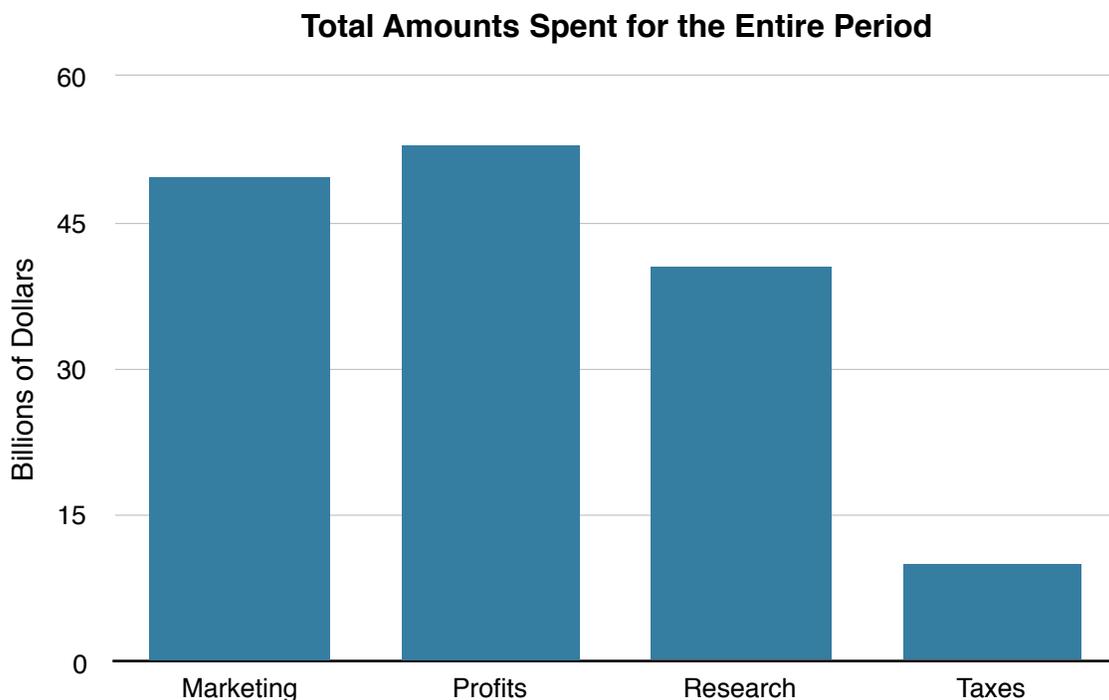


Figure 1: Total amount Amgen earned in profit (net income) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Amgen's total revenue that was allocated toward research, marketing, taxes and profits.

Proportional Allocation of Revenue 2003-2015

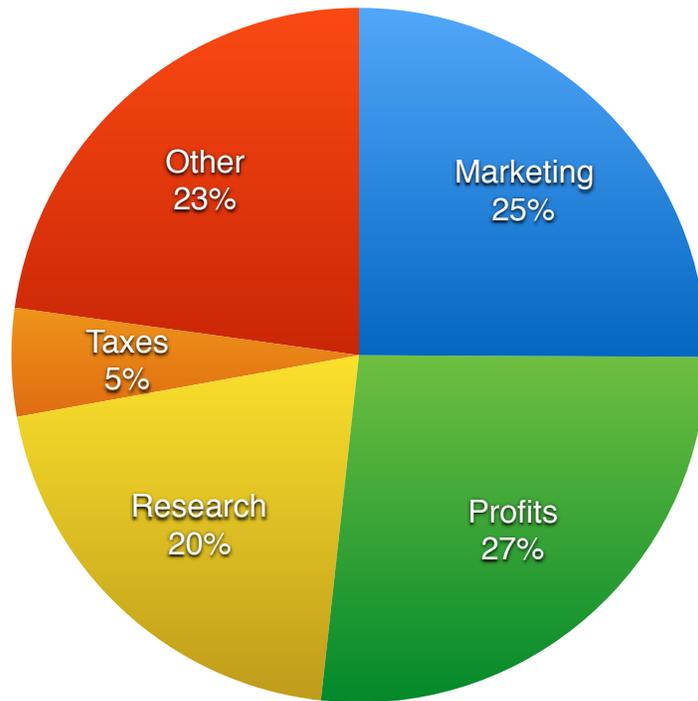


Figure 2

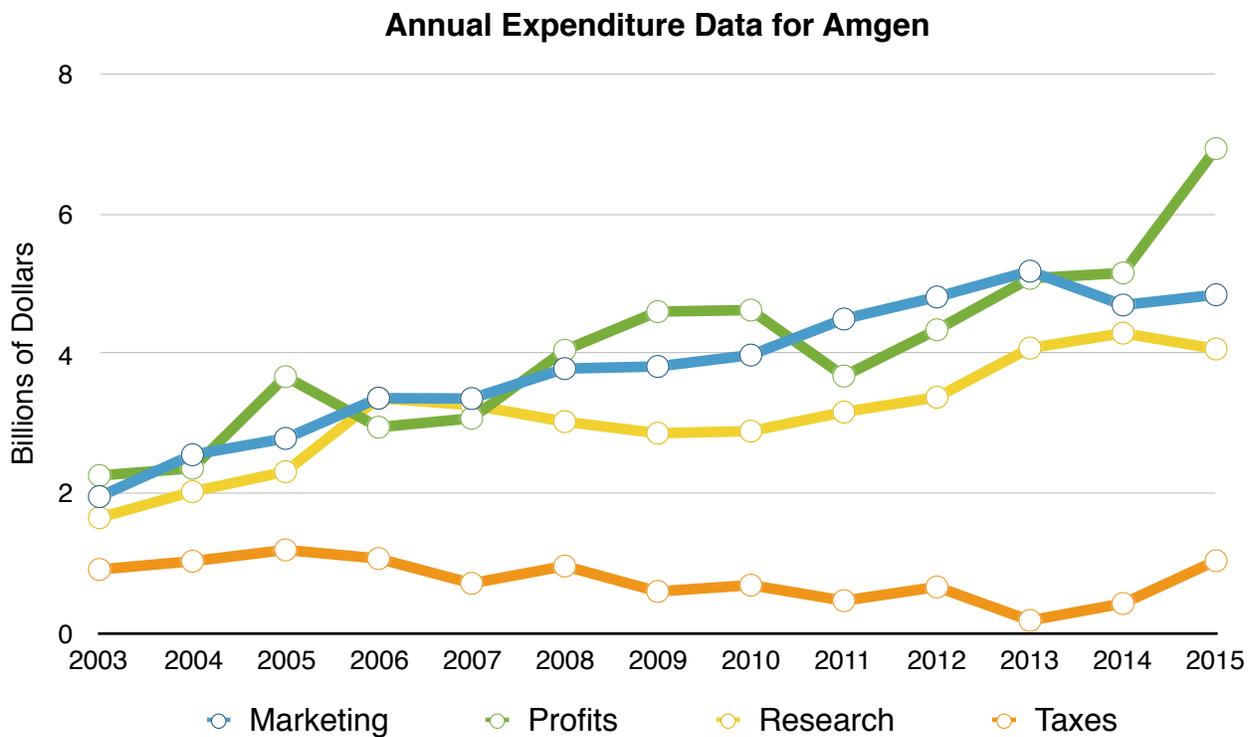


Figure 3: Amgen’s profit compared with amount spent on research, marketing and taxes each year from 2003-2015

Proportion of Revenue from US vs. All Other Countries

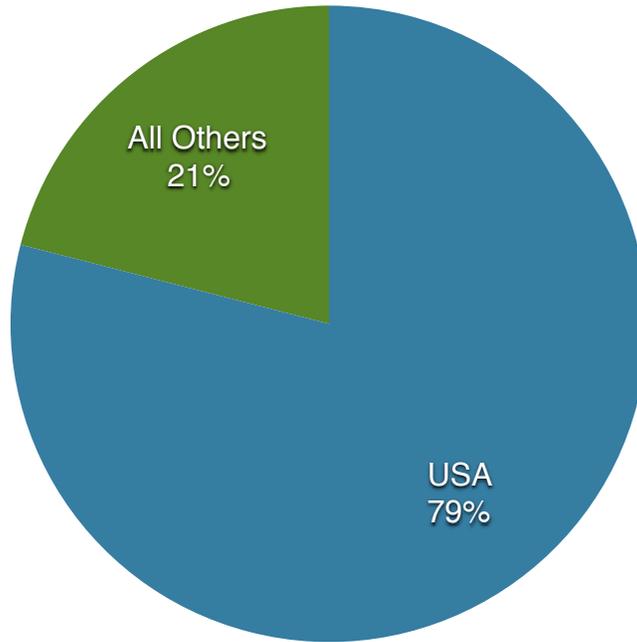


Figure 4: 79% of Amgen's revenue since 2003 has come from sales in the US.

Aranesp Sales

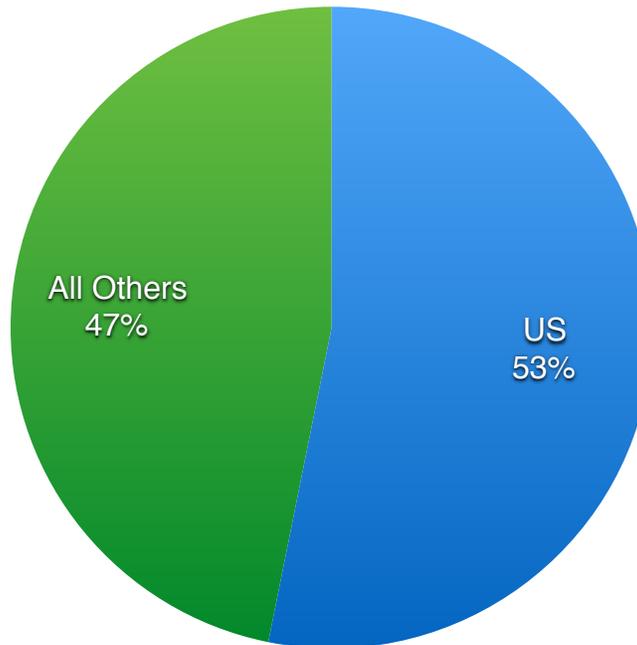


Figure 5 & 6: The vast majority of Aranesp and Neupogen revenues made by Amgen since 2003 were from sales of these products in the US.

Neupogen Sales

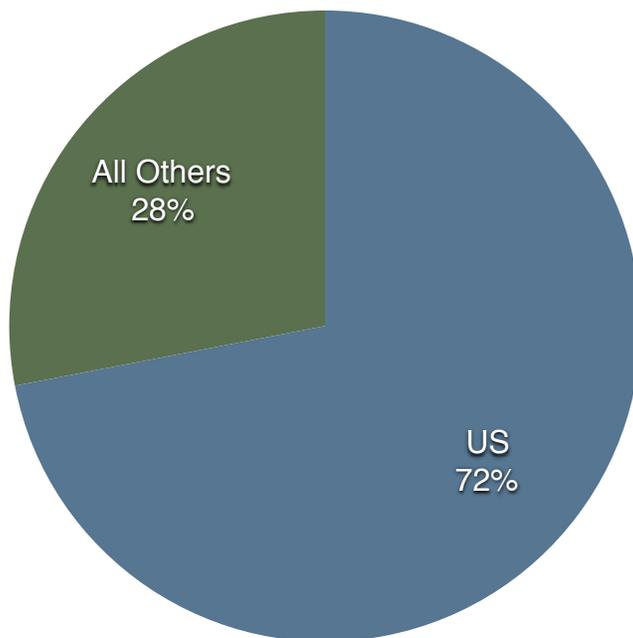


Figure 6

Total Annual Revenue for Amgen

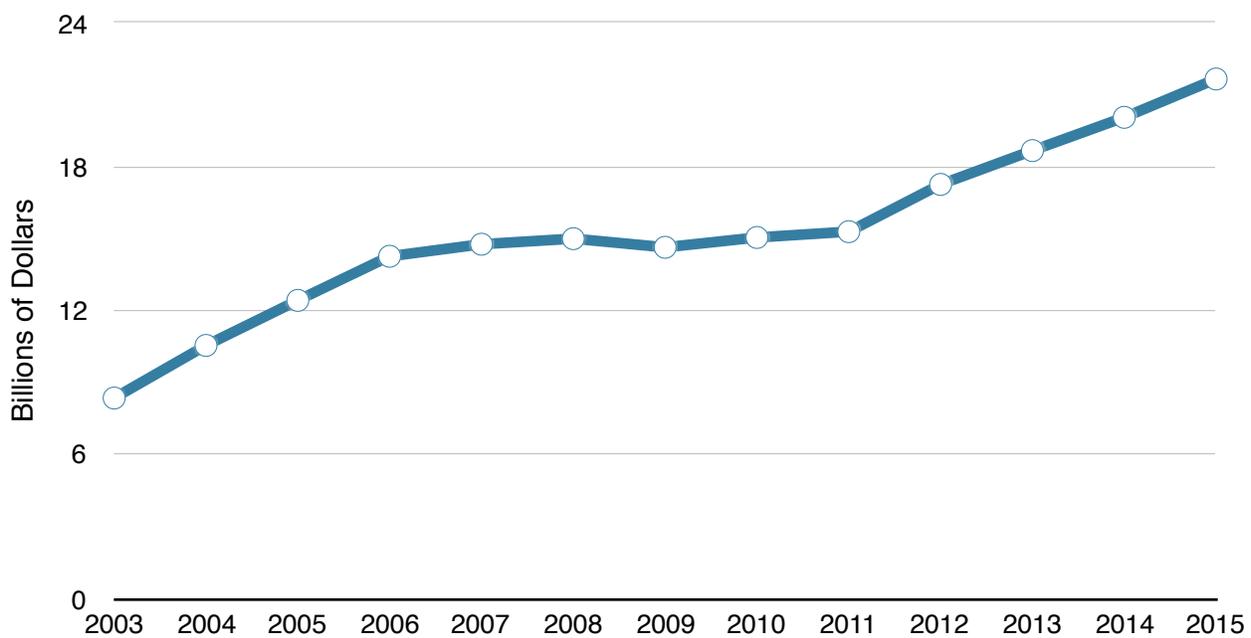


Figure 7 Annual total revenue