

The Valuation and Strategic Role of Amgen as an Anchor Stock in the Biopharmaceutical Industry Under Market Volatility

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Abstract. The research implements a scientific method for choosing anchor stocks and determining their value in the U.S. biopharmaceutical industry through a case study of Amgen. The research evaluates Amgen's intrinsic value by analyzing three financial metrics including NTM P/E ratio and PEG ratio and GP/A ratio and performs a peer analysis with Gilead Sciences, Biogen and Regeneron to assess competitive advantages and disadvantages. The analysis reveals that Amgen provides diversified therapeutic exposure and stable cash flows and consistent dividends which makes it a defensive growth investment that matches the Growth at a Reasonable Price (GARP) profile. The company faces three main challenges which include biosimilar competition, margin pressures and regulatory changes from the Inflation Reduction Act, and increased R&D expenses. The valuation analysis indicates possible moderate price appreciation which depends on successful late-stage pipeline development and margin improvement. The research establishes theoretical evidence for selecting anchor stocks during market volatility while offering practical methods to build investment portfolios that unite stability with growth potential in biopharmaceuticals.

Keywords: Anchor stock, valuation, NTM P/E, PEG ratio, GP/A.

1. Introduction

The current global economic conditions are characterized by extreme volatility and complexity, making stock investment decisions more difficult [1]. Selecting anchor stocks for portfolio construction affects the stability and performance of investment portfolios [2]. Investors face significant obstacles when identifying and valuing companies due to shifting policies and complex market dynamics [3].

Investors show increasing interest in the U.S. biopharmaceutical industry due to its strong innovation capabilities and promising growth prospects [4]. The innovative nature of Amgen and other pharmaceutical companies like Gilead, Biogen, and Regeneron leads to strong competitive positions in oncology and immunology, neuroscience, and rare diseases, respectively [5]. The companies operate with prolonged R&D periods and substantial technological risks and regulatory ambiguities [6]. The sector requires proper company evaluation for investors to make well-informed investment choices [7].

The research explores scientific anchor stock selection criteria along with valuation techniques through an analysis of Amgen as the focal case. The study addresses the following core research questions:

What financial indicators, such as NTM P/E and PEG ratio, and GP/A, reveal about Amgen's intrinsic value and long-term growth potential?

How do effective peer company analyses reveal both the strengths and weaknesses that Amgen possesses in the market?

By investigating these questions, this paper aims to create a comprehensive investment framework that investors can apply. The analytical framework helps investors understand Amgen's value, alongside risk factors, leading to specific investment recommendations and risk management strategies.

2. Anchor Stock Selection and Financial Indicator Analysis

2.1. Industry Context and Strategic Role of Anchor Stocks

The global healthcare sector leads as an innovation pioneer yet operates within an environment marked by volatile market conditions combined with long development periods and strict regulatory oversight [6, 7]. The business structure leads to significant uncertainties regarding earnings performance. Such a volatile business environment makes companies with scale economies and deep cash reserves and diverse product lines better suited to handle individual drug failures while preserving their financial stability [8]. A single-product firm experiences more than 20% revenue decrease when it ends a late-stage program but diversified large-cap peers face limited revenue reduction of 3–5% according to EvaluatePharma [9]. Large companies with financial strength possess optimal anchor stock potential because they can absorb market shocks that impact individual stocks [10, 11].

2.2. Amgen: Company Overview and Competitive Positioning

The California-based company Amgen started its operations in 1980 and evolved into the world's largest biotechnology firm with projected 2024 revenues of USD 30.5 billion [12]. Through its wide range of products including oncology, inflammation, cardiovascular disease, bone health and biosimilars the company generates both therapeutic and financial diversity in its business model. The diverse business model protects the company from single-market disruptions and boosts its ability to withstand competitive and regulatory pressures [13].

Amgen's three major competitors each have distinct therapeutic area focuses, which shape their market dynamics and risk profiles. Gilead Sciences derives the majority of its revenue from antiviral medications, rendering it highly susceptible to shifts in the HIV and hepatitis C markets [14]. Biogen, on the other hand, relies heavily on its neurology segment, with programs in multiple sclerosis and Alzheimer's disease being key revenue drivers [15]. Meanwhile, Regeneron faces significant market concentration risks, as its two major drugs, Eylea and Dupixent, account for over 60% of its annual income [16].

The company's wide business reach together with its consistent quarterly dividend payment of USD 2.25 per share at a 3.2% yield positions it as a solid anchor stock in the biopharmaceutical sector [17].

2.3. Financial Analysis of Key Performance Indicators

2.3.1 NTM P/E ratio

As of July 2025, Amgen traded at USD 297.03 per share, with a projected next-twelve-month EPS of USD 12.10, yielding an NTM P/E of 24.55 [18]. The stock valuation of USD 297.03 falls above the large-cap biotech median value of ~18 yet remains below Regeneron's price at ~28. Throughout the last five years Amgen's P/E has fluctuated between 13 and 27 and the current market value lies at the top quartile [19]. The market assigns a moderate growth premium rather than value discount to this investment, as the valuation reflects expectations for upcoming product launches and stable cash flow generation, without reaching speculative overvaluation levels.

2.3.2 EPS and ROE

The EPS of Amgen remained constant at USD 12.31 in 2021 before reaching an estimated USD 12.70 in 2024E with a forecasted USD 13.41 in 2025E [20]. The EPS growth rate shows a 1.7% annual compound rate during the last five years despite market-wide price adjustments. The company demonstrates capital efficiency through its return on equity rate that exceeds 70%, although part of this elevated ROE is attributable to financial leverage, with the net debt-to-EBITDA ratio approaching 2x [21].

2.3.3 Dividends and financial resilience

The large-cap biotech sector features Amgen as one of its leading dividend-paying companies with a yield of approximately 3.2% [17]. The combination of attractive income characteristics, a sustainable payout ratio of 55%, and annual free cash flow exceeding USD 8 billion makes this a preferred choice for income-focused investors [22]. Growth-oriented investors may view the high payout as a drawback because it could reduce research and development funding which might impede the company's long-term innovation leadership in therapeutic areas. The company maintains its net debt-to-EBITDA ratio below 2x which allows strategic adaptability to continue [23].

2.4. Valuation Outlook for Amgen as an Anchor Stock

The gross margin of Amgen decreased by 12.4 percentage points from 2019 to 2024 until it reached 69.0% from 81.4% in 2019 [24]. The Inflation Reduction Act drug price reforms together with biosimilar competition and emerging market manufacturing expenses contribute to the decline while pipeline expansion investments play a role [25]. The combined R&D and SG&A expense ratio increased to 46.8% in 2024 from 40.2% in 2019, with R&D alone rising by approximately USD 1.1 billion over the period. The six Phase III programs at Amgen focus on oncology and inflammation and obesity markets which EvaluatePharma estimates will reach more than USD 40 billion annually according to the Q2 2025 Earnings Call [9, 26, 27].

The target P/E range of 22–26 when applied to a 2025E EPS of USD 13.41 results in a fair value of USD 295 to USD 349 which represents 0–17% upside from current market prices [28]. The P/E needs to reach the top of this range for 2025E EPS growth of 5.6% to be sustainable unless Phase III results exceed expectations or margins recover to the 70% level [29]. Market re-rating will most likely stay within the lower half of the range without these catalysts.

The defensive characteristics of Amgen align with GARP (Growth at a Reasonable Price) criteria through its stable operations and dividend payments and targeted growth initiatives yet its five-year EPS CAGR stands at 1.7% which falls below the typical >10% threshold of GARP stocks [30]. The investment case depends mainly on enduring cash flow stability and the financial benefits of mature pipeline assets.

2.5. Peer Benchmarking and Strategic Comparison

Amgen vs. Gilead Sciences: The market generates EPS of USD 12.70 for Amgen in 2024E which exceeds Gilead's USD 6.02 while Amgen covers various therapeutic fields through its pipeline [14]. The high focus of Gilead on antivirals makes its business vulnerable to market dependency risks. The market perceives Amgen to have higher growth prospects so it receives a premium valuation in the market.

Amgen vs. Biogen: The company Biogen generates higher profit margins at 83.1% than Amgen does at 69.0% yet operates with a much smaller revenue base of USD 9.6 billion compared to Amgen's USD 30.5 billion in 2024E [15]. This makes it more susceptible to market fluctuations from individual products.

Amgen vs. Regeneron: The company maintains high gross margin at 85.8% while its dependence on two primary products remains high [16]. Amgen maintains lower margins at present due to reinvestment strategies but its diversified product line helps reduce concentration risks.

2.6. Margin Pressure Analysis: Causes and Implications

The decline of Amgen's gross margin from 81.4% in 2019 to 69.0% in 2024 stems from four main factors which together account for [9]. Firstly, the entry of biosimilars into key franchises such as Neulasta and Epogen resulted in a 45–50% margin reduction because these segments experienced price erosion exceeding 30% [31]. Secondly, the expansion into new markets combined with manufacturing facility scale-ups generated 20–25% of the margin decline mainly because of increased logistics and production costs [25]. Thirdly, the front-loaded R&D investment of ~USD 1.1 billion between 2019 and 2024 in high-cost therapeutic areas such as obesity and oncology resulted

in a 15–20% margin reduction [12]. Lastly, the U.S. Inflation Reduction Act and EU reference pricing policies led to a 10–15% decrease in margins through mandatory price reductions on key products [24].

Amgen managed to achieve a 2.5% revenue Compound Annual Growth Rate (CAGR) during the period from 2019 to 2024 [18]. The company has six Phase III programs in development across oncology (three programs) and inflammation (two programs) and obesity (one program) as of Q2 2025 [9]. The historical probability of approval for Phase III programs stands at 58% according to industry averages [30]. The six assets developed by Amgen have a risk-adjusted net present value (rNPV) range of USD 12–15 billion based on conservative peak sales estimates from EvaluatePharma which represents 40–50% of the company’s current annual revenue [9].

The company expects mid-single-digit EPS growth during the next three years based on the successful commercialization of two to three late-stage assets [28]. The company operates in a controlled growth stage which requires managing current margin constraints while expecting substantial future revenue growth through successful clinical and regulatory achievements [30].

2.7. Investment Thesis: Why Amgen Remains a Strategic Pick

The business model of Amgen combines defensive elements with growth opportunities [13]. The company’s diverse product range diminishes its dependence on specific therapeutic sectors and delivers regular income to shareholders who focus on dividends [17]. The company implements active reinvestment to drive long-term growth drivers in line with a GARP profile that provides both reasonable valuation and innovation-driven growth potential [30].

2.8. Quantitative Peer Snapshot (2024–2025)

Table 1. Peer Comparison of Key Financial and Strategic Metrics for Large-Cap Biopharmaceutical Companies (2024–2025)

Metric	Amgen	Gilead	Biogen	Regeneron
Gross Margin (2024E)	69.0%	77.8%	83.1%	85.8%
NTM P/E (2025)	24.6	~15–18	~21	~28
EPS (2024E, USD)	12.70	6.02	13.51	37.35
Pipeline Diversity	High	Low	Medium	Medium
Dividend Yield	~3.2%	~3.8%	Limited	Limited

As summarised in Table 1, Amgen’s 69.0% gross margin is materially lower than peers such as Biogen (83.1%) and Regeneron (85.8%), reflecting heavier exposure to price erosion from biosimilars and a broader manufacturing footprint in emerging markets [29]. In terms of valuation, Amgen’s NTM P/E ratio of 24.6 represents a moderate premium compared to Gilead (~15–18) but is lower than Regeneron (~28), reflecting the market’s perception of Amgen as a mid-growth large-cap biotech with less margin stability than top peers but superior diversification to Gilead [14].

Amgen’s projected 2024 EPS of USD 12.70 is nearly double that of Gilead’s (USD 6.02) and comparable to Biogen’s (USD 13.51), though it lags far behind Regeneron’s (USD 37.35), which is bolstered by blockbuster products like Eylea [16]. Amgen excels in pipeline diversity, covering a wide range of therapeutic areas including oncology, inflammation, cardiovascular diseases, and biosimilars, thereby reducing its reliance on any single revenue source [13].

This contrasts with Gilead’s lower diversification, which makes it more susceptible to setbacks in HIV therapeutics [14]. Regarding dividend yield, Amgen’s ~3.2% is slightly below Gilead’s (~3.8%) but positions it as one of the more shareholder-friendly large-cap biotechs, unlike Biogen and Regeneron, which prefer to retain earnings for reinvestment [15].

Overall, these peer comparisons depict Amgen as a well-diversified large-cap biotech with a moderate valuation, strong dividend support, and a broad late-stage pipeline, albeit facing near-term margin challenges that shape its risk–reward profile [30].

2.9. Final Thought: Long-Term Value Over Short-Term Performance

The current strategic reinvestment phase at Amgen creates short-term margin compression but is expected to strengthen long-term earnings potential. The company offers investors a balanced risk–reward profile by combining stability and income with exposure to innovative growth drivers. Based on management guidance, consensus analyst estimates, and a risk-adjusted probability of late-stage asset success, the five-year investment horizon could deliver a total return of 35–45%, assuming 5–6% annual EPS growth and a P/E re-rating toward the upper end of its historical range [27].

However, this projection rests on several untested assumptions. The valuation of Amgen’s six late-stage assets applies the industry-average Phase III success rate of 58% without adjusting for the company’s own historical performance or project-specific risks, which could lead to an overstatement of the pipeline’s intrinsic value. Similarly, the attribution of gross margin decline primarily to short-term reinvestment may overlook structural pressures from permanent pricing reforms under the Inflation Reduction Act and sustained biosimilar competition, both of which could constrain any margin recovery. While the company is positioned within a GARP (Growth at a Reasonable Price) framework due to its stable operations and targeted growth initiatives, its five-year EPS CAGR of just 1.7% falls well below the typical >10% threshold for such classification—making the GARP label heavily dependent on successful late-stage launches and significant margin improvement, neither of which has yet been confirmed by market results.

If gross margins were to fall below 65% for an extended period, the issue would likely reflect structural profitability challenges rather than temporary reinvestment effects. Revenue forecasts could also be severely impacted if regulatory approvals are delayed or if Phase III trials fail to meet their endpoints. In addition, any sector-wide P/E multiple contraction driven by macroeconomic tightening would limit the achievable upside. Under these circumstances, investors should consider reducing or exiting positions to protect capital.

3. Investment Recommendations and Risk Analysis

3.1. Investment Strategy Recommendations

The portfolio should contain 20–30% Amgen shares because of its strong financial position, diverse pipeline and industry leadership. According to Amgen’s 2024 Annual Report, the company generated USD 8.3 billion in free cash flow during 2024 while maintaining a dividend payout ratio of 55% to support shareholder returns and R&D funding. For stability-oriented investors who seek defensive growth, Amgen should serve as the foundation of the portfolio, as it provides both dividend payments and low volatility. The remaining portfolio allocation should focus on mid- and small-cap biotechnology companies or industry leaders with higher growth potential and volatility to achieve a balanced risk-return profile. The remaining portfolio allocation should focus on mid- and small-cap biotechnology companies or industry leaders with higher growth potential and volatility to achieve a balanced risk-return profile.

3.2. Key Risk Factors and Mitigation Strategies

3.2.1 Policy and pricing risk (structural)

The U.S. Inflation Reduction Act (IRA) requires price negotiations for 10 Medicare-covered drugs, and Amgen’s Repatha, Enbrel, and Otezla are included in the Centers for Medicare & Medicaid Services (CMS) 2025 negotiation list. The three drugs on the 2024 10-K generated USD 4.5 billion in annual revenue which accounted for 14.8% of Amgen’s total sales.

According to IQVIA 2024, the median price reduction for the first wave of negotiated drugs ranges from 23–28%. If the same price reductions apply to Amgen’s drugs, the potential revenue decline would be USD 1.03–1.26 billion, which would compress gross margins by about 1 percentage point. To mitigate this risk, the company should speed up its market entry into non-Medicare and international territories while obtaining new indication approvals to extend patent protection.

3.2.2 Biosimilar competition

The EvaluatePharma data indicate that Amgen's Neulasta and Epogen lost more than 30% of their market share following patent expiration while their combined annual revenue decreased from USD 4.7 billion in 2018 to less than USD 2 billion in 2024. The main cause of margin reduction stems from price reductions and decreased sales volume which leads to a 1.5–2 percentage point reduction in total gross margin. To compensate for the declining revenue from its legacy biologics, the company should enhance its investment in emerging high-value areas, including oncology immunotherapy and obesity treatments.

3.2.3 R&D and commercialization risk

During Q2 2025, Amgen operates six Phase III programs focusing on oncology, inflammation, and obesity markets, which are worth more than USD 40 billion. The historical Phase III asset success rate stands at 58% according to BIO [32]. Based on this probability rate, the risk-adjusted net present value (rNPV) of these programs is estimated to be USD 12–15 billion, representing 40–50% of Amgen's current annual revenue. The commercial failure of any essential programs could significantly impact the company's growth predictions over the next three to five years. To mitigate this risk, the company should maintain a diverse set of late-stage pipeline products to minimize its commercial dependence on any single product.

3.3. Investor Profile and Portfolio Allocation

The target investor for this portfolio strategy is a dividend who seeks dividend returns with a medium-to-long-term perspective, prioritizing stability but also willing to accept moderate growth potential. To align with these goals, the recommended portfolio allocation is to invest 20–30% in Amgen, leveraging its defensive stability and reliable dividend payments. The remaining funds should be allocated to mid- and small-cap biotech or cross-industry growth stocks that offer higher growth potential, thereby creating a balanced portfolio that combines defensive and growth profiles.

4. Conclusion

Amgen has a worldwide product portfolio that includes oncology, inflammation, cardiovascular, bone health, and biosimilars with 2024 revenue of USD 30.5 billion, a solid balance sheet, and a dividend yield of approximately 3.2%. The current NTM P/E ratio of 24.6 is higher than the large-cap biotech median of 18 but lower than Regeneron's 28, which indicates a moderate growth premium without excessive speculation. The stock stands out from its peers Gilead (high therapeutic concentration), Biogen (smaller revenue base but higher margins), and Regeneron (dependent on two blockbusters) because it provides superior diversification and cash flow stability which makes it an anchor stock.

The analysis uses a general Phase III success rate of 58% for Amgen's six late-stage assets but does not account for company-specific success rates or asset-specific risks, which could lead to an overestimation of pipeline value. Additionally, the margin recovery projections depend on management strategy while they do not show the complete effect of IRA pricing pressure and long-term biosimilar erosion.

Future researches should focus on several key directions to enhance the depth and accuracy of the analysis. First, conducting asset-level rNPV and sensitivity analysis under various market access scenarios will refine the valuation of Amgen's pipeline, providing a more nuanced understanding of its potential future cash flows. Second, it is crucial to track the implementation of pricing policies in the U.S. and EU to develop dynamic forecasts of margin and free cash flow. This will offer a more accurate assessment of the impact of regulatory changes on Amgen's financial performance. Finally, expanding the anchor stock framework to include defensive growth biotech companies will allow for a comparative evaluation of their performance across different industry cycles, potentially identifying additional investment opportunities that align with the goals of stability and moderate growth.

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