

Investor Fear Makes Stock Repurchase A Deal for Amgen (Nasdaq: AMGN)



On November 7, 2011 Amgen, a publicly traded pharmaceuticals company, initiated a dutch auction seeking to repurchase \$5 Billion worth of its shares. The auction required investors to submit reverse bids of between \$50-60/share.

After the announcement, our internal analysis of the range of effects of the repurchase structure on the Company's Cash Flow, Cost of Capital, and Growth, suggested that even after paying \$60/share for \$5B worth of stock, the low-range fair value of the shares was \$64.10.

On December 8, 2011 Amgen announced that it would be repurchasing over 80MM shares at \$60/share. Since then, the stock has risen to over \$64, closing at \$64.74 on December 29, 2011.

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