Small Talk
January 16, 2018

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About the Company

Cambrex is leading premium manufacturer of small molecule innovator and generic Active Pharmaceutical Ingredients (APIs)

Company Profile

Cambrex Corporation
Biotechnology
Cambrex Corporation is a life sciences company that provides products and services for small molecule active pharmaceutical ingredients (APIs). Cambrex has cGMP manufacturing facilities in the US, Europe... wikipedia.org

Cambrex.com
CEO: Steven M. Kloski
Headquarters: East Rutherford, New Jersey
Founded: 1981
Employees: 1,200
Cambrex (CBM) January 16, 2018

Comparison of Cumulative Five Year Total Return

- Cambrex Corporation
- S&P 500 Index
- Peer Group

Big growth in small molecule pipeline

- 5,300 small molecules in pipeline in 2016, 13.9% increase vs 2015
- Small molecules are 2/3 of drugs in pharmaceutical pipelines
- Cambrex focuses on late-stage molecules ~350 an increase of 20% over 2015
- Trends in market are very positive and likely to continue

Strong Revenue and Profit Growth

- Revenue grew at 15% CAGR and Adjusted EBITA grew at 28.5% CAGR between 2012 and 2018

Where does it operate?

- Six operating sites in USA and Europe
- Flexible manufacturing facilities allow efficient productions of > 65 different APIs
Innovator Market: Custom Development and Manufacturing
- Large, fragment, growing outsourcing market
- Goal: generate a broad pipeline of commercial products for custom manufacturing
- Large global small molecule clinical pipeline
- Produces 30-35 products under medium-to-long term supply contracts (3-5 years)
- Continue to develop partners in new markets (Russia, Mexico Asia)

Generics Market
- Worldwide trend of increasing generic penetration rates
- Generic drug marketers outsource most of API volume
- API volumes will continue to increase, partially offset by price erosion
- One of the world’s largest producers of generic APIs

Controlled Substances – Limited Competition, Strong Growth
- Heavily regulated market with restricted competition
- Participates in large and growing pain and ADHD markets
- Significant revenue growth in recent years
- One new Schedule II controlled substance in development
## SWOT Analysis - Strengths
- Strong pipeline of early and late-stage clinical projects
- Growing pipeline of new generic APIs in development
- Strong position within growing US controlled substances Active Pharmaceutical Ingredients (APIs) market
- Niche markets neglected by potential competitors

## SWOT Analysis - Weaknesses
- Expanding capital expenditures to replace declining sales from Gilead’s products
- Late-stage phase projects decline or outsourcing declines could slow growth
- Failure to obtain new customer contracts or renew existing contracts

## SWOT Analysis - Opportunities
- Worldwide growth in API volumes and increased outsourcing
- Limited API manufacturing capacity, especially in the US
- Preference for reliable, high quality suppliers
- Strong growth in clinical pipeline
- Increasing global use of generics

## SWOT Analysis - Threats
- High level of FDA violations related to quality or regulatory issues with plants in low cost locations
- New technologies, competition or reduction in demand could reduce sales
- Low cost competitors had impact of driving prices down
- Pricing for pharmaceutical products increasingly securitized by governments
Balchem Corp is a chemical manufacturer. It develops and sells chemical based ingredients for the food and pharmaceutical industries.

Prestige Brands Holdings Inc is a healthcare company. Its core business involves the distribution of healthcare and household cleaning products to supermarkets and drug stores.
New Tax Law Implications

- Be conservative
- Expenses associated with repatriation
- Analysis trying to figure impact
- Ticker Talk planning to discuss
- Look impact using Preferred Procedure

Research Resources Used

- Small Cap Informer
- Cambrex Website
- Cambrex Annual Report
- Cambrex Corporate Presentation
- Morningstar
- Manifest Investing

Poll – Have you Studied this stock?

- Yes
- No

Online Stock Study
**POLL - Sales Growth Rate Estimate**

- 5.2% Analysts Estimate 2 years
- 10% Cambrex (7-11%) company est.
- 9.8% Manifest Investing
- 12.0% SmallCap Informer
- 13.3% Most Recent Quarter

**POLL - Tax Rate**

- 35.0% Current Tax Rate
- 31.5% Avg. Last 5 years *(Preferred Procedure default)*
- 27.9% Avg. Last 3 Quarters
- 22.0% Conservative Guess
- 20.0% New Tax Rate (most Co’s rates are lower than the nominal tax rate)

**POLL - EPS Growth Rate Estimate**

- ??? Preferred Procedure
- 10.7% Manifest Investing
- 15.0% Analysts Estimate - Yahoo, Zacks, Finviz
- 19.6% Most Recent Quarter

**POLL - Average High P/E**

- 18.9 5 year average high P/E
- 21.9 1 outlier of lowest High P/E (6.9)
- 30.0 My Upper limit for P/E judgment
- 15.90 Current P/E
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POLL - Average Low P/E
- 9.1 5 year average low P/E
- 10.7 1 outlier of Lowest Low P/E (2.8)
- 11.5 2 outliers of Lowest Low P/E
- 15.9 Current P/E

POLL - Forecasted Low Price
- $_____ 4 B a (as calculated by Low P/E input)
- $16.50 Avg. Low Price Last 5 years
- $21.30 Recent Market Low
- $34.24 80% of Low This Year

POLL – What is your opinion of Cambrex
- Cambrex
  - Have no interest in this company
  - No interest in this industry/sectors stocks
  - Has interesting prospects - pricey now
  - Will research further for consideration