

Mylan N.V.

NASDAQGS: MYL

Analyst: Brian Johnke

Sector: Healthcare

BUY

Price Target: \$90

Key Statistics as of 4/28/2015

Market Price:	\$72.56
Industry:	Pharmaceuticals
Market Cap:	\$35.5 B
52-Week Range:	\$44.80-76.68
Beta:	1.26

Thesis Points:

- Strong Portfolio of Products
- Growth through Acquisitions
- Takeover Target

Company Description:

Mylan N.V., through its subsidiaries, develops, licenses, manufactures, markets, and distributes generic, branded generic, and specialty pharmaceuticals worldwide. The company provides generic or branded generic pharmaceutical products in tablet, capsule, injectable, or transdermal patch forms, as well as active pharmaceutical ingredients (APIs). It is also involved in the development of APIs with non-infringing processes for internal use and to partner with manufacturers; and the manufacture and sale of injectable products in antineoplastics, anti-infectives, anesthesia/pain management, and cardiovascular therapeutic areas. In addition, the company produces finished dosage form (FDF) products for the antiretroviral (ARV) market and non-ARV FDF products that are marketed to third parties. It offers generic pharmaceutical products to proprietary and ethical pharmaceutical wholesalers and distributors, group purchasing organizations, drug store chains, independent pharmacies, drug manufacturers, institutions, and public and governmental agencies. Further, the company manufactures and sells branded specialty injectable and nebulized products comprising EpiPen Auto-Injector to treat severe allergic reactions; Perforomist Inhalation Solution, a formoterol fumarate inhalation solution for the maintenance treatment of bronchoconstriction in chronic obstructive pulmonary disorder patients; and ULTIVA, an analgesic agent used during the induction and maintenance of general anesthesia for inpatient and outpatient procedures. It sells specialty pharmaceuticals to pharmaceutical wholesalers and distributors, pharmacies, and healthcare institutions. Mylan N.V. was founded in 1961 and is headquartered in Potters Bar, Hertfordshire. (CIQ)



Thesis

As a leader in the field of generic pharmaceuticals, Mylan is a BUY with a target price of \$90/share. The bullish recommendation is a result of not only Mylan's diverse and expanding portfolio and pipeline of generic pharmaceuticals, but also its position as a sought after acquisition target, and even a recent offer of \$82/share from Teva. If Mylan chooses not to be acquired there are opportunities to grow both organically and through acquisitions.

Diverse Portfolio

Portfolio

Mylan distributes and sells a diverse portfolio of injectable products across several key therapeutic areas, including antineoplastics, anti-infectives, anesthesia/pain management and cardiovascular. Their product offerings include a diverse portfolio of approximately 125 injectable products (branded and generic) in a total of approximately 175 dosage strengths. As of December 31, 2014, approximately 120 injectable products have been filed and are pending ANDA approval for the U.S. market. Mylan's injectable manufacturing capabilities include vials, pre-filled syringes, ampoules and lyophilization with a focus on antineoplastics, penems, penicillins, ophthalmics and peptides.

Mylan's unit dose business focuses on providing one of the largest product portfolios along with innovative packaging and barcoding that supports bedside verification throughout the U.S. and Canada for hospitals, group purchasing organizations, long term care facilities, wholesalers, surgical services, home infusion service providers, correctional facilities, specialty pharmacies and retail outlets. The vast array of quality products from Mylan helps them to successfully meet their customer's needs and to better compete in the generic industry over the long term. In recent years, Mylan has successfully introduced numerous generic products that are difficult to formulate or manufacture and continue to be meaningful contributors to their business years after the initial launch.

Mylan Specialty

Mylan Specialty, Mylan's specialty pharmaceuticals business, competes primarily in the severe allergy and

respiratory markets. The top products included in Mylan Specialty are the EpiPen Auto-Injector and Perforomist Inhalation Solution. The EpiPen, which is used in the treatment of severe allergic reactions, is an epinephrine auto-injector that has been sold in the U.S. and internationally since the mid-1980s and in 2014 became Mylan's first product to reach \$1 billion in annual net sales. Perforomist Inhalation Solution, Mylan Specialty's Formoterol Fumarate Inhalation Solution, was launched in October 2007. Mylan feels it can continue to drive the long-term growth of its Specialty segment by successfully managing our existing product portfolio and bringing to market additional products.

Growth through Acquisition

On April 8, 2015, Mylan announced its proposal to acquire Perrigo for \$205/share in cash and stock. Perrigo is a leading worldwide healthcare supplier that develops, manufactures and distributes over-the-counter and prescription pharmaceuticals, as well as an array of other healthcare related products. On April 21, Perrigo rejected Mylan's offer. Days later, Mylan submitted a revised offer of approximately \$244/share in cash and stock. Mylan feels that by combining the two companies will generate significant value for customers, patients, employees, and shareholders by creating a one-of-a-kind global healthcare company with a broad and diverse portfolio with immense reach across distribution channels worldwide.

Takeover Target

On April 21, 2015, Mylan received an acquisition proposal from Teva for \$82/share in cash and stock. Teva is an Israeli based global pharmaceutical company and is currently the world's largest generic medicines producer. The offer values Mylan at just over \$40 billion. Less than a week later, the Mylan board of directors unanimously announced that it would be rejecting the offer from Teva. Although the offer was rejected, it is a good sign for Mylan and its shareholders that there is interest in the company and that someone is willing to pay a premium to own the company. Do not expect Teva to go away, many analysts believe that Teva is currently drafting up a revised offer for Mylan that many expect to be north of \$90/share.

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Mylan N.V.	MYL	Analyst Brian Johnke	Current Price \$72.56	Intrinsic Value \$83.15	Target Value \$90.03	Dividend Yield 0%	Target Return 1-y Return: 24.08%	NEUTRAL		
General Info		Peers		Market Cap.		Management				
Sector	Healthcare	Actavis plc	\$112,013.79	Professional		Title		Comp. FY2012	Comp. FY2013	Comp. FY2014
Industry	Pharmaceuticals	Perrigo Company Public Limited C	\$27,677.16	Coury, Robert	Executive Chairman and Chair	\$28,032,770	\$15,410,000	\$0		
Last Guidance	Mar-02-2015	Valeant Pharmaceuticals Internatic	\$81,905.47	Bresch, Heather	Chief Executive Officer, Execo	\$9,960,245	\$9,047,160	\$0		
Next earnings date	5/5/2015	Shire plc	\$31,127.68	Malik, Rajiv	President, Executive Director	\$9,746,890	\$8,196,601	\$0		
Market Data		Teva Pharmaceutical Industries Ltd	\$52,500.86	Sheehan, John	Chief Financial Officer and Ex	\$4,278,228	\$3,770,283	\$0		
Enterprise value	\$43,424.02	Endo International plc	\$15,634.40	King, Kris	Vice President of Global Inve	\$0	\$0	\$0		
Market Capitalization	\$35,100.22	Hospira Inc.	\$15,065.39	Roman, Brian	Chief Compliance Officer anc	\$0	\$0	\$0		
Daily volume	7.76	Astellas Pharma, Inc.	\$4,129,812.25	Historical Median Performance						
Shares outstanding	489.41	Bristol-Myers Squibb Company	\$108,600.15	MYL		Peers		Industry		All U.S. firms
Diluted shares outstanding	398.00	Merck KGaA	\$44,412.56	Growth	16.2%	9.6%	10.9%	7.4%		
% shares held by institutions	32.69%	Current Capital Structure		ROC	9.8%	8.7%	8.3%	11.8%		
% shares held by insiders	0.58%	Total debt/market cap	24.47%	NOPLAT Margin	17.2%	19.8%	13.2%	10.4%		
Short interest	5.41%	Cost of Borrowing	3.19%	Revenue/Total Capital	0.57	0.44	0.62	1.13		
Days to cover short interest	3.21	Interest Coverage	2.1x	Excess Cash/Rev.	8.1%	25.0%	13.5%	12.9%		
52 week high	\$76.69	Altman Z	2.13	Total Cash /Rev.	8.1%	25.0%	12.3%	15.2%		
52-week low	\$44.80	Debt Rating	B	Unlevered Beta	0.47	0.49	0.91	0.95		
5y Beta	1.22	Levered Beta	0.56	TEV/REV	2.5x	2.9x	4.0x	2.5x		
6-month volatility	40.19%	WACC (based on market value we	5.04%	TEV/EBITA	9.0x	15.4x	12.1x	13.1x		
Past Earning Surprises				PE (normalized and diluted EF	14.3x	18.8x	24.3x	23.5x		
				P/BV	2.0x	1.7x	1.9x	2.2x		
				Non-GAAP Adjustments in estimates computations						
				Operating Leases Capitalizati	100%	Straightline		10 years		
				R&D Exp. Capitalization	100%	Straightline		10 years		
				Expl./Drilling Exp. Capitalizatio	0%	N/A		N/A		
				SG&A Capitalization	0%	N/A		N/A		
Proforma Assumptions				Forecast						
				Period	Rev. Growth	Adj. Op. Cost/Rev	Capital	NOPLAT Margin	ROC	WACC
Money market rate as of today		0.60%		LTM	11.7%	72.1%	\$15,134.40	18%	9.4%	5.0%
Annual increase (decrease) in interest		0.1%		NTM	28.0%	73.3%	\$17,057.88	18%	11.9%	5.1%
Yield Spread acceleration		1.2		NTM+1	4.9%	74.4%	\$18,351.66	17%	10.6%	5.2%
Marginal Tax Rate		37.5%		NTM+2	4.3%	75.5%	\$19,581.33	17%	9.8%	5.3%
Risk-Free rate		2.6%		NTM+3	2.3%	76.6%	\$20,732.29	16%	9.0%	5.4%
Tobin's Q		0.80		NTM+4	3.5%	77.8%	\$21,843.17	15%	8.4%	5.5%
Op. Cash/Rev.		7%		NTM+5	1.2%	78.9%	\$22,873.80	14%	7.7%	5.6%
Growth in PPE		NPPE Growth follows Revenue Growth		NTM+6	-7.1%	80.0%	\$23,733.87	14%	6.5%	5.7%
Long term Growth		4.0%		NTM+7	1.0%	81.1%	\$24,587.78	13%	6.0%	5.8%
Base Year Unlevered Beta		is equal to 0.49		NTM+8	1.0%	82.3%	\$25,395.09	12%	5.6%	5.9%
Long term Unlevered Beta		0.49		Continuing Period	1.0%	83.4%	\$20,990.18	17%	10.0%	6.0%
				Valuation						
				Period	Capital z (ROC-WACC)	Total Debt	Senior non-interest bearing clai	Shares Outstanding	Pricing Model	
				LTM	\$0.00	\$8,587.80	\$1,188.75	489.41	DCF (Weight = 100%)	Relative (Weight = Distress (Weight : Weighted Average Price P
				NTM	\$1,031.83	\$8,587.80	\$1,210.81	489.41	\$84.11	\$36.68
				NTM+1	\$919.07	\$8,587.80	\$1,214.36	489.41	\$90.78	\$51.73
				NTM+2	\$828.56	\$8,587.80	\$1,216.06	489.41	\$94.92	\$54.07
				NTM+3	\$704.17	\$8,587.80	\$1,209.78	489.41	\$99.58	\$55.88
				NTM+4	\$598.26	\$8,587.80	\$617.47	489.41	\$104.90	\$56.38
				NTM+5	\$453.22	\$8,587.80	\$624.54	489.41	\$111.32	\$58.47
				NTM+6	\$184.32	\$8,587.80	\$581.38	489.41	\$116.60	\$59.02
				NTM+7	\$50.88	\$8,587.80	\$586.99	489.41	\$122.68	\$55.63
				NTM+8	-\$83.06	\$8,587.80	\$592.66	489.41	\$129.49	\$56.14
				Continuing Value	\$47,517.15				\$134.37	\$57.27