S&P 500 Industry Briefing: Biotechnology

Yardeni Research, Inc.

March 12, 2020

Dr. Ed Yardeni
516-972-7683
eyardeni@yardeni.com

Joe Abbott
732-497-5306
jabott@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com

thinking outside the box
Table Of Contents

S&P 500 Biotechnology
Stock Price Index 1
Forward Revenues & Earnings with Annual Squiggles 2
Annual Growth Squiggles 3
Margins & NERI 4
Forward Growth & Valuation 5
Figure 1.

S&P 500 BIOTECHNOLOGY STOCK PRICE INDEX*
(ABBV ALXN AMGN BIIB GILD INCY REGN VRTX)

---

200-day moving average.
Ratio scale.
Source: Standard & Poor’s and Haver Analytics.

Figure 2.

S&P 500 BIOTECHNOLOGY INDEX, FORWARD EARNINGS, & VALUATION

---

* Implied price index calculated using forward earnings times forward P/Es.
Source: Standard & Poor’s and I/B/E/S data by Refinitiv.
* Time-weighted average of consensus estimates for current year and next year. Monthly through December 2005, then weekly.
Source: I/B/E/S data by Refinitiv.

* Time-weighted average of consensus estimates for current year and next year. Monthly through December 2005, then weekly.
Source: I/B/E/S data by Refinitiv.
Figure 5.

S&P 500 BIOTECHNOLOGY ANNUAL REVENUE GROWTH FORECASTS*
(based on analysts' consensus estimates, percent, weekly)

Source: I/B/E/S data by Refinitiv.

Figure 6.

S&P 500 BIOTECHNOLOGY ANNUAL EARNINGS GROWTH FORECASTS*
(based on analysts' consensus estimates, percent, weekly)

Source: I/B/E/S data by Refinitiv.
**Margins & NERI**

**Figure 7.**

S&P 500 BIOTECHNOLOGY PROJECTED PROFIT MARGIN
(using analysts' average earnings and revenues forecasts)

Consensus Forecasts
- **Annual estimates**
- **Forward profit margin** (38.4)

* Time-weighted average of the consensus estimates for current year and next year. Monthly through December 2005, weekly thereafter.
Source: I/B/E/S data by Refinitiv.

**Figure 8.**

S&P 500 BIOTECHNOLOGY NET EARNINGS REVISIONS*

* Three-month moving average of the number of forward earnings estimates up less number of estimates down, expressed as a percentage of the total number of forward earnings estimates.
Source: I/B/E/S data by Refinitiv.
**Forward Growth & Valuation**

Figure 9.

---

**S&P 500 BIOTECHNOLOGY STRG, STEG, & LTEG (percent)**

- LTEG (8.4)
- STEG (5.6)
- STRG (5.9)

---

* STEG is year-ahead forward consensus expected short-term earnings growth. STRG is year-ahead forward consensus expected short-term revenue growth. LTEG is five-year consensus expected long-term earnings growth.

Monthly data through 2005, weekly thereafter.

Source: I/B/E/S data by Refinitiv.

---

Figure 10.

---

**S&P 500 BIOTECHNOLOGY VALUATION**

- Relative P/E and PEG capped at 3.0
- Forward P/E* (12.2)

---

* Price divided by 12-month forward consensus expected operating earnings per share.

** Sector or industry forward P/E relative to S&P 500 forward P/E.

*** Sector or industry forward P/E relative to sector or industry consensus 5-year LTEG forecast.

Source: I/B/E/S data by Refinitiv.