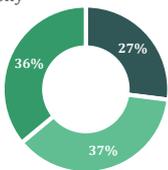


Company Overview

Figure 1. Mylan's 2018 Net Sales by Geography



Rest of World Europe North America

Figure 2. Horizontal Analysis of Mylan's Revenue by Geography

(in millions)	Year Ended 31 Dec		
	2018	2017	Percent Change
Total Revenues	11,433.90	11,907.70	-4%
North America Net Sales	4,995.60	4,969.60	-19%
Europe Net Sales	4,157.30	3,958.30	5%
Rest of World Net Sales	3,015.80	2,832.10	7%
Other Revenues	165.2	147.7	12%

Mylan is the second-largest generic and specialty pharmaceutical company globally. It has a growing portfolio of more than 7,500 products, including generic (Gx), branded generic (Bx), brand-name (Rx) and biosimilar drugs, as well as over-the-counter (OTC) remedies. It is fairly exposed to the US generics market, although it is slowly moving towards the Chinese market & branded drugs.

(\$ M)	FY18A	FY19E	FY20E	FY21E
Revenue	11,433.9	11,631.6	19,873.2	25,548.2
Gr Rate (%)	(4.0)	1.8	70.8	28.6
EBITDA	3,640.0	3,480.1	7,746.3	10,583.8
Margin (%)	31.8	29.9	39.0	41.4
Net Income	932.7	2,202.9	4,426.5	6,350.3
Margin (%)	8.2	18.9	22.3	24.9
ROE	0.03	0.18	0.16	0.22
P/E Ratio	15.19	14.26	4.18	4.15
P/B Ratio	1.16	0.78	0.74	0.76
D/E Ratio	1.11	1.08	0.86	0.87

Investment Thesis

Figure 5. Mylan's expanded product portfolio post-merger with Upjohn

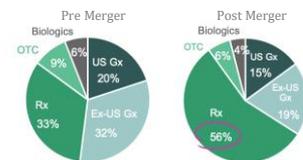


Figure 6. Mylan's revenue breakdown by geography



- Product mix improving profit margins.** The merger with Upjohn by the end of 2020 spells potential for top-line growth with a new product mix. This more than offsets their shrinking US commodity generic portfolio. The merger is also a growth strategy against the generics landscape fraught with challenges in terms of competition and stringent regulatory scrutiny, where Mylan is moving towards the more profitable branded drugs, thereby increasing margins.
- Diversified exposure by geography.** Mylan is currently diversified into non-US markets and is continuing to reduce its exposure. This puts the company at an advantage relative to its peers who are more dependent on the US pharmaceutical markets.
- Consolidated portfolio to break into China.** Mylan discontinued several drugs throughout 2018, optimising and consolidating its portfolio. Mylan reaps economies of scale in production, reducing its drug prices and helping it beat out competitors in securing tenders in the vast Chinese market. Despite the pressures on margin from price wars, Mylan is able to achieve market dominance in China as other competitors are eventually shut out of the market, thereby achieving major revenue growth.

12M Industry Outlook

Figure 3. Increase in total value of branded drugs

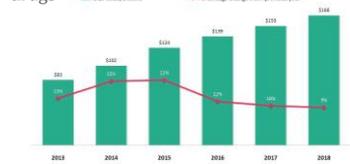


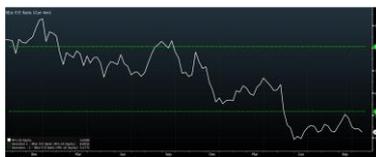
Figure 4. Reduced prices of US generics



- Increase in price of branded drugs.** Despite incessant drum-beating about branded drug pricing in both the healthcare industry and political scene, the price of branded drugs continues to increase, albeit at a lower rate. Relative price movements against generics indicate that branded drugs remain a strong growth market.
- Reduced pricing of US generics.** US generics industry is facing headwinds in the form of pricing pressures due to higher drug approval rates. 2018 saw a record number of 781 drug approvals. With many applications in the pipeline, increased competition from new drug approvals poses downward pricing pressures on the US generics market.
- China's bulk-buy programme.** China's drug buying plan has forced many generics companies to slash prices drastically. Many foreign pharmaceutical companies have been undercut by Chinese companies in the race to supply the 25 drugs that the Chinese government is buying, in order to avoid being shut out by the Chinese market.

Valuations

Figure 7. Blended 12m forward P/E Ratio Relative Valuation



Name	P/E
MYLAN NV	4.18
TEVA PHARMACEUTICAL	3.19
ENDO INTERNATIONAL	1.97
PERRIGO CO PLC	12.59
HIKMA PHARMACEUTICALS	16.79
TARO PHARMACEUTICALS	9.23
MAYNE PHARMA GROUP	24.43
AVERAGE	10.34

Mylan is relatively under-valued based on latest data in 2018. It has a 12m forward P/E ratio of 4.18 compared to the industry average of 10.34. We see a jump in revenue growth rate and margin increase from the Upjohn Merger.

P/E Ratio Valuation

When using the industry average of 16.58, Mylan's intrinsic share price can be found with P/E Ratio * EPS = 10.34 * 2.33 to give an intrinsic share price of USD 24.09.

Price Target

The 12M blended price target stands at \$24.09 using P/E ratio for relative valuation. Implied upside of +33.4% based on last closing price of \$18.06 as at valuation date.

Buy Rating Proposed

Current Price: USD 18.06
 Target Price: USD 24.09 (+33.4%)