

ABBIE INC. NYSE-ABBV

RECENT PRICE **65.98** P/E RATIO **12.5** (Trailing: 13.7; Median: NMF) RELATIVE P/E RATIO **0.64** DIV'D YLD **3.9%** **VALUE LINE**

TIMELINESS 3 Raised 2/3/17	High: 54.8	70.8	71.6	68.1	66.8	Target Price Range
SAFETY 3 Lowered 4/8/16	Low: 33.3	45.5	45.4	50.7	59.3	2020 2021 2022
TECHNICAL 4 Lowered 3/24/17	<p>LEGENDS Relative Price Strength Options: Yes Shaded area indicates recession</p>					160
BETA 1.10 (1.00 = Market)						120

2020-22 PROJECTIONS						
Price	Gain	Ann'l Total				
High 135	(+105%)	22%				
Low 90	(+35%)	12%				
Insider Decisions						
M J J A S O N D J						
to Buy	0	0	0	0	0	0
Options	9	2	0	0	0	1
to Sell	4	2	0	0	1	0
Institutional Decisions						
2Q2016	3Q2016	4Q2016	Percent	21		
to Buy	699	721	shares	14		
to Sell	777	713	traded	7		
Hlds(000)	1125483	1092548	1069201			

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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CAPITAL STRUCTURE as of 12/31/16		2014	2015	12/31/16	2014	2015	12/31/16
Total Debt	\$36.4 bill.	8348	8399	6423	--	--	--
LT Debt	\$36.4 bill.	3735	4730	4758	--	--	--
Due in 5 Yrs \$13.1 bill.		1124	1719	1444	--	--	--
(89% of Capital)		2881	1466	3562	--	--	--
Leases, Uncapitalized Annual rentals \$131 mill.							
Pension Assets-12/16 \$4.6 bill. Oblig. \$5.8 bill.							
Common Stock 1,593,920,285 shares as of 1/31/17							
MARKET CAP: \$105 billion (Large Cap)							
CURRENT POSITION (\$MILL.)		2014	2015	12/31/16	2014	2015	12/31/16
Cash Assets		8348	8399	6423	18790	19960	22859
Receivables		3735	4730	4758	25638	28000	31000
Inventory (FIFO)		1124	1719	1444	38.4%	38.4%	45.5%
Other		2881	1466	3562	44.2%	44.5%	46.5%
Current Assets		16088	16314	16187	388.0	383.0	417.0
Accts Payable		6954	8463	9379	5066.0	5375.0	7060.0
Debt Due		4021	2025	25	22.2%	22.4%	21.9%
Other		425	406	377	27.0%	26.9%	30.9%
Current Liab.		11400	10894	9781	10969	4688.0	5420.0
					6406.0	7000	7500
					14292	10565	29240
					3945.0	4636.0	6000
					27.7%	45.3%	22.2%
					NMF	NMF	NMF
					55.9%	NMF	95.5%
					50%	50%	47%

BUSINESS: AbbVie Inc. engages in the discovery, development, manufacture, and sale of pharmaceutical products worldwide. Its products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including HCV and HIV; neurological disorders, such as Parkinson's disease; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; and other serious conditions. Off/dirs. own less than 1% of common stock; Cap. Research Global Investors, 10.7%; Vanguard, 6.7%; BlackRock, 5.7% (3/17 proxy). Chrmn/CEO: Richard A. Gonzalez. Inc. DE. Addr.: 1 North Waukegan Rd, North Chicago, IL. 60064. Tel.: 847-932-7900. Internet: www.abbvie.com.

We are maintaining our 2017 EPS target for AbbVie. The drugmaker reported fourth-quarter adjusted earnings of \$1.20 a share, in line with our estimate and up from \$1.13 in the comparable year-ago period. While sales of \$6.8 billion fell short of our \$6.96 billion estimate and the consensus \$6.91 billion, the impact to the bottom line was offset by better-than-expected cost control (including a 5% year-over-year decline in SG&A). With relatively few surprises during the quarter, we are leaving our 2017 adjusted earnings estimate unchanged at \$5.50 a share, implying annual growth of 14% (management's guidance calls for \$5.44-\$5.54). Our full-year sales target has been reduced slightly from \$28.2 billion, to \$28 billion. The company is scheduled to report first-quarter results later this month.

All eyes are on Humira. Humira is currently the highest grossing drug in the world (\$16.1 billion in '16) and the clear cornerstone of AbbVie's portfolio (63% of '16 sales). While other assets have shown promise, including oncology standout *Imbruvica* (sales +143% to \$1.83 billion last year), the company's growth outlook remains hinged on the strength of *Humira's* patents, several of which are currently being challenged in court. Management seems confident that its manufacturing experience with the drug will make it difficult for competition to enter the market and is hopeful to hang on through at least the end of the decade.

The stock's Timeliness rank has been raised a notch to 3 (Average). Despite the upgrade, shares of ABBV still do not stand out over the six- to 12-month window. While the current valuation is enticing (trading at roughly 12x forward earnings) and strong comp growth should continue over the next several quarters, competitive pressures related to *Humira* and broader industry scrutiny on Capitol Hill present a degree of uncertainty. The 3.9% dividend yield does provide some downside protection.

The shares seem better suited for the buy-and-hold investor. Assuming *Humira's* patents hold up, the five-year outlook is bright. Based on our current projections, the stock offers above-average returns to 2020-2022.

Michael Ratty April 7, 2017

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	4563	4926	5019	5452	19960
2015	5040	5475	5944	6400	22859
2016	5958	6452	6432	6796	25638
2017	6500	6900	7100	7500	28000
2018	7200	7600	7900	8300	31000
Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.71	.82	.89	.89	3.32
2015	.94	1.08	1.13	1.13	4.29
2016	1.15	1.26	1.21	1.20	4.82
2017	1.28	1.39	1.41	1.42	5.50
2018	1.50	1.60	1.65	1.65	6.40
Cal-endar	QUARTERLY DIVIDENDS PAID ^{B=C}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.40	.40	.40	.40	1.60
2014	.40	.42	.42	.42	1.66
2015	.49	.51	.51	.51	2.02
2016	.57	.57	.57	.57	2.28
2017	.64				

(A) Diluted earnings (adjusted). Excludes non-recurring items: '13, (.58¢); '14, (\$2.22); '15, (\$1.16); '16, (\$1.19). Next earnings report due late April. (B) Dividends historically paid in February, May, August, and November. (C) Dividend reinvestment plan available. (D) Includes intangibles. In '16: \$44.31 billion, \$27.83 a share. (E) In millions