

ABBIE INC. NYSE-ABBV

RECENT PRICE **80.76** P/E RATIO **9.7** (Trailing: 10.2 Median: NMF) RELATIVE P/E RATIO **0.57** DIV'D YLD **5.3%** VALUE LINE **1608**

| | | | | | | | | | | | | | | |
|---|--|------|------|------|------|-------|------|--------------------|-------|-------|-------|-------|-------|-------|
| TIMELINESS 3 Lowered 11/9/18 | High: 54.8 | 70.8 | 71.6 | 68.1 | 99.1 | 125.9 | 92.3 | Target Price Range | 2022 | 2023 | 2024 | | | |
| SAFETY 3 Lowered 4/8/16 | Low: 33.3 | 45.5 | 45.4 | 50.7 | 59.3 | 77.5 | 75.8 | ----- | ----- | ----- | ----- | | | |
| TECHNICAL 4 Lowered 3/29/19 | LEGENDS Relative Price Strength Options: Yes Shaded area indicates recession | | | | | | | | | | ----- | ----- | ----- | |
| BETA 1.15 (1.00 = Market) | | | | | | | | | | | ----- | ----- | ----- | |
| 2022-24 PROJECTIONS Price Gain Ann'l Total High 175 (+115%) 24% Low 115 (+40%) 13% | | | | | | | | | | | | ----- | ----- | ----- |
| Insider Decisions M J J A S O N D J to Buy 0 2 0 0 0 0 0 0 0 Options 10 0 0 0 0 0 0 2 1 to Sell 0 1 0 1 0 0 1 3 1 | | | | | | | | | | | | ----- | ----- | ----- |
| Institutional Decisions 2Q2018 3Q2018 4Q2018 to Buy 869 791 848 to Sell 897 952 977 Hld's(000) 1055294 1053849 1029932 | | | | | | | | | | | | ----- | ----- | ----- |
| Percent shares traded 21 14 7 | | | | | | | | | | | | ----- | ----- | ----- |
| % TOT. RETURN 2/19 THIS STOCK VL ARITH. INDEX 1 yr. -28.6 3.9 3 yr. 62.7 49.2 5 yr. 86.8 39.6 | | | | | | | | | | | | ----- | ----- | ----- |

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | © VALUE LINE PUB. LLC 22-24 | |
|------|------|------|------|------|------|------|------|------|------|--------|--------|--------|--------|--------|--------|--|---------------|-----------------------------------|---------------|
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 11.84 | 12.54 | 14.20 | 16.10 | 17.72 | 22.15 | 22.45 | 23.95 | Sales per sh | 28.55 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3.44 | 3.62 | 4.64 | 5.23 | 5.93 | 8.62 | 9.05 | 9.80 | "Cash Flow" per sh | 11.60 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3.14 | 3.32 | 4.29 | 4.82 | 5.60 | 7.91 | 8.70 | 9.45 | Earnings per sh ^A | 11.20 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1.60 | 1.66 | 2.02 | 2.28 | 2.56 | 3.59 | 4.28 | 4.40 | Div'ds Decl'd per sh ^B | 4.76 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | .56 | .78 | .33 | .30 | .33 | .43 | .50 | .50 | Cap'l Spending per sh | 5.50 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2.83 | 1.09 | 2.45 | 2.91 | 3.20 | d5.71 | d3.40 | d.70 | Book Value per sh ^C | 9.30 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1587.4 | 1591.4 | 1609.9 | 1592.5 | 1592.1 | 1478.8 | 1460.0 | 1440.0 | Common Shs Outst'g ^D | 1400.0 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 13.9 | 16.7 | 14.4 | 12.6 | 13.4 | 12.3 | Bold figures are Value Line estimates | | Avg Ann'l P/E Ratio | 13.0 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | .78 | .88 | .73 | .66 | .67 | .66 | | | Relative P/E Ratio | .70 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3.7% | 3.0% | 3.3% | 3.8% | 3.4% | 3.7% | | | Avg Ann'l Div'd Yield | 3.3% |

| CAPITAL STRUCTURE as of 12/31/18 | | 2016 | 2017 | 12/31/18 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Sales (\$mill) | | 2024 | | | | | | |
|---|--------------|-------|-------|----------|------|------|------|------|------|------|----------------|--------|--------|--------|--------|---------|--------------|--------------|--------------|
| Total Debt | \$36.6 bill. | | | | | | | | | | 18790 | 19960 | 22859 | 25638 | 28216 | 32753 | 32800 | 34500 | 40000 |
| LT Debt | \$35.0 bill. | | | | | | | | | | 38.4% | 38.4% | 45.5% | 44.2% | 44.1% | 45.5% | 46.5% | 47.0% | 47.0% |
| Due in 5 Yrs \$14.8 bill. | | | | | | | | | | | 388.0 | 383.0 | 417.0 | 425.0 | 425.0 | 471.0 | 500 | 520 | 550 |
| LT Interest \$1.1 bill. | | | | | | | | | | | 5066.0 | 5375.0 | 7060.0 | 7904.0 | 9011.0 | 12282 | 12700 | 13600 | 15700 |
| (100% of Capital) | | | | | | | | | | | 22.2% | 22.4% | 21.9% | 20.2% | 18.9% | 8.7% | 10.0% | 10.0% | 13.0% |
| Leases, Uncapitalized Annual rentals \$116 mill. | | | | | | | | | | | 27.0% | 26.9% | 30.9% | 30.8% | 31.9% | 37.5% | 38.7% | 39.4% | 39.3% |
| Pension Assets-12/18 \$5.6 bill. Oblig. \$6.6 bill. | | | | | | | | | | | 10969 | 4688.0 | 5420.0 | 6406.0 | 4582.0 | d294.0 | 2000 | 3000 | 5000 |
| Common Stock 1,475,083,514 shares as of 2/8/19 | | | | | | | | | | | 14292 | 10565 | 29240 | 36440 | 30953 | 35002 | 34000 | 33000 | 28000 |
| MARKET CAP: \$119 billion (Large Cap) | | | | | | | | | | | 4492.0 | 1742.0 | 3945.0 | 4636.0 | 5097.0 | d8446.0 | d5000 | d1000 | 13000 |
| CURRENT POSITION (\$MILL.) | | 2016 | 2017 | 12/31/18 | | | | | | | 55.9% | NMF | 95.5% | 90.3% | 96.2% | NMF | NMF | NMF | 69.5% |
| Cash Assets | 6423 | 9789 | 8061 | | | | | | | | 50% | 50% | 47% | 47% | 46% | 43% | 49% | 47% | 42% |
| Receivables | 4758 | 5088 | 5384 | | | | | | | | | | | | | | | | |
| Inventory (FIFO) | 1444 | 1605 | 1605 | | | | | | | | | | | | | | | | |
| Other | 3562 | 4741 | 1895 | | | | | | | | | | | | | | | | |
| Current Assets | 16187 | 21223 | 16945 | | | | | | | | | | | | | | | | |
| Accts Payable | 9379 | 10226 | 11931 | | | | | | | | | | | | | | | | |
| Debt Due | 25 | 6015 | 1609 | | | | | | | | | | | | | | | | |
| Other | 377 | 400 | 3699 | | | | | | | | | | | | | | | | |
| Current Liab. | 9781 | 16641 | 17239 | | | | | | | | | | | | | | | | |

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, 11.5%; Vanguard, 8.0%; BlackRock, 6.4% (3/19 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.

AbbVie's stock has underperformed in recent months. The drugmaker's fourth-quarter results fell short of consensus expectations, hurt by a significant deceleration in its cornerstone *Humira* franchise. While management had previously warned that biosimilar competition overseas would likely result in some erosion, the impact was greater than we had anticipated in Q4 (international sales -14.8% year over year). Given that *Humira* accounts for roughly 60% of AbbVie's top line, it's no surprise that investors have taken on a more cautious stance in early 2019. Despite a strong recovery in equity markets during the first quarter, shares of ABBV are down about 12% in price year to date.

Humira is not going anywhere anytime soon. The rheumatoid arthritis treatment is currently the top-selling drug in the world, pulling in just a hair under \$20 billion in sales last year. While the patent loss in certain international markets hurts, uptake trends remain solid in the U.S. (Q4 sales +9.1% year over year) where it's expected to maintain exclusivity through 2022. All told, AbbVie is guiding for a 26%-27% decline in *Humira's* international sales in 2019, which would equate to a loss of roughly \$3 billion. Assuming domestic growth holds steady in the upper single digits, we are talking about a net loss of about \$1 billion.

We are encouraged with management's diversification efforts. AbbVie has become less dependent on *Humira* in recent years thanks to gains in several newer products, including lead oncology asset *Imbruvica* and HCV drug *Mavyret*. The two experienced rapid growth in 2018 and now combine for roughly 21% of total sales. Continued development in these areas should help to better offset potential *Humira* losses in 2019 and 2020.

The stock is ranked 3 (Average) for Timeliness. Based on our system, shares of ABBV are pegged to mirror the broader market in the year ahead. That said, near-term investment appeal does get a boost from the high dividend yield, which is now north of 5% due to a Q1 hike and the aforementioned price drop. For those looking to implement a buy-and-hold strategy, total-return potential to 2022-2024 is above the current *Value Line* median.

Michael Ratty April 5, 2019

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|---|---|---|-----------------|------------------------------|-----|
| (A) Diluted earnings (adjusted). Quarters may not sum due to rounding. Excludes nonrecurring items: '13, (\$58c); '14, (\$2.22); '15, (\$1.16); '16, (\$1.19); '17, (\$2.30); '18, (\$4.25). Next earnings report due late April. | (B) Dividends historically paid in February, May, August, and November. ■ Dividend reinvestment plan available. | (C) Includes intangibles. In '18: \$36.90 billion, \$24.95 a share. | (D) In millions | Company's Financial Strength | A |
| | | | | Stock's Price Stability | 60 |
| | | | | Price Growth Persistence | 100 |
| | | | | Earnings Predictability | 75 |