ABBVIE INC. NYSE-ABBV

RECENT PRICE: 80.76
PE RATIO: 9.7
TRAILING 10-YEAR: 10.4
RELATIVE PE RATIO: 0.57
DIVIDEND: 5.3%

A: Dividends (adjusted). Quarters may not sum due to rounding. Excludes nonrecurring items: '13, (58¢); '14, ($2.22); '15, (51¢); '16, (11¢); '17, (22¢); '18, (45¢). Next earnings report due late April.
B: Includes intangibles. In '18: $36.90 billion, 24%. Includes intangibles. In '18: $36.90 billion, 24%.

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, including thyroid disease and complications associated with celiac disease, and other serious conditions. O&G, own less than 1% of common stock; Cap, Research Global Investors, 11.5%; Vanguard, 8.0%; BlackRock, 6.4% (3/19 proxy). Cmnnr/CEO: Richard A. Gonzalez. Inc: DE. Addr.: 1 North Waukegan Rd, North Chicago, IL 60064. Tel: 847-932-7800. Internet: 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 decrease 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 what 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 2018, AbbVie’s stock has become less dependent on Wall Street's near-term investment appeal does get a boost from the high dividend yield, which is now over 5%, and the strong total-return potential to 2022-2024 is roughly 21% of total 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