Stock Report | **January 28, 2019** | NYSE Symbol: **ABBV** | **ABBV** is in the S&P 500

AbbVie Inc.

Recommendation	Price	12-Mo. Target Price	Report Currency	Investment Style
HOLD ★★★☆☆	USD 77.14 (as of Jan 28, 2019 4:00 PM ET)	USD 88.00	USD	Large-Cap Blend

Equity Analyst Kevin Huang, CFA

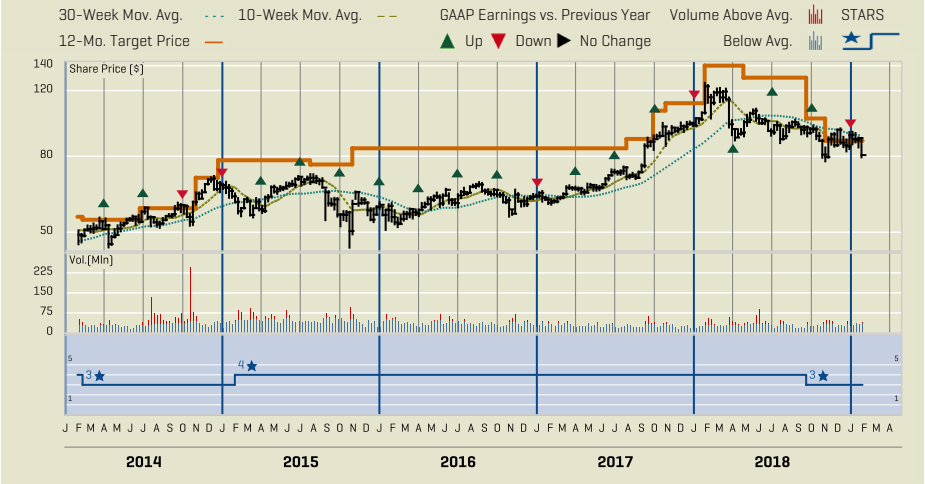
GICS Sector Health Care
Sub-Industry Biotechnology

Summary This company is a global research-based pharmaceuticals business. AbbVie's key drug is Humira, for rheumatoid arthritis and other indications.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	USD 125.86 - 77.50	Oper. EPS 2019E	USD 8.79	Market Capitalization(B)	USD 116.0	Beta	1.46
Trailing 12-Month EPS	USD 3.66	Oper. EPS 2020E	USD 9.67	Yield (%)	5.55	3-Yr Proj. EPS CAGR(%)	10
Trailing 12-Month P/E	21.08	P/E on Oper. EPS 2019E	8.78	Dividend Rate/Share	USD 4.28	SPGMI's Quality Ranking	NR
$10K Invested 5 Yrs Ago	$20,225	Common Shares Outstg.(M)	1,504.2	Institutional Ownership (%)	71		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **Kevin Huang** on Jan 25, 2019 01:43 PM, when the stock traded at **USD 85.88.**

Highlights

- We see ABBV's 2019 sales increasing 1% to $33.0B after 16% growth in 2018. ABBV's revenues are largely tied to sales of its blockbuster drug Humira (60.9% of 2018 revenues), which began to experience biosimilar competition outside of the U.S. (OUS) in October 2018. While we expect Humira sales growth of approximately 7% in the U.S. in 2019, we see OUS Humira sales eroding about 27% in markets where biosimilars are available. U.S. biosimilars are expected by 2020; however, ABBV has made deals with several large potential competitors to delay sales of Humira biosimilars till 2023.
- We anticipate revenues from ABBV's hematological oncology franchise to expand to $5.1B in 2019 from $3.9B in 2018, largely driven by sales of Imbruvica, which we expect to grow 23% to $4.4B. Hepatitis C treatment is also a large source of sales, which ABBV is exposed to through its drug Mavyret (FDA-approved in August 2017).
- ABBV's management is interested in M&A for a wide range of deal sizes. We think that ABBV aims to acquire potential products that could help offset the expected erosion of U.S. Humira sales in 2023.

Investment Rationale/Risk

- We think that ABBV shares fairly reflect the risks and rewards related to the company. In September 2018, the California insurance commissioner filed a complaint on behalf of California against ABBV, alleging that ABBV had committed fraud by providing kickbacks to health care providers in the state. We think that other states could also sue ABBV; thus, we see considerable risk to ABBV's future earnings potential. In addition, the media and political environment of the last few years has had a focus on lowering drug prices. We have seen recent efforts by government agencies to increase the viability of biosimilar drugs, which presents another risk to ABBV. To mitigate some of this risk, ABBV has made deals with Mylan and Amgen. We also see strong potential for endometriosis drug Orilissa (approved in July 2018) and second-generation immunology assets, upadacitinib and risankizumab.
- Risks to our target price and rating include pipeline failures and worse-than-expected Humira sales erosion from biosimilar competition.
- Our 12-month target of $88 is based on a below-peer 10.0x our next-12-month EPS of $8.79, reflecting litigation and biosimilar risks.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH

ABBV is heavily reliant on one drug, Humira, which currently accounts for more than 60% of sales. However, recently-approved drugs will likely help diversify sales.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2018	7,934	8,278	8,236	8,305	32,753
2017	6,538	6,944	6,995	7,739	28,216
2016	5,958	6,452	6,432	6,796	25,638
2015	5,040	5,475	5,944	6,400	22,859
2014	4,563	4,926	5,019	5,452	19,960
2013	4,329	4,692	4,658	5,111	18,790

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2020	E 2.20	E 2.46	E 2.55	E 2.46	E 9.67
2019	E 2.10	E 2.18	E 2.22	E 2.29	E 8.79
2018	1.74	1.26	1.81	-1.23	3.66
2017	1.06	1.19	1.01	0.03	3.30
2016	0.83	0.98	0.97	0.85	3.63
2015	0.64	0.83	0.74	0.92	3.13

Fiscal year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
1.07	Nov 02	Jan 14	Jan 15	Feb 15 '19
0.96	Sep 07	Oct 12	Oct 15	Nov 15 '18
0.96	Jun 14	Jul 12	Jul 13	Aug 15 '18
0.96	Feb 15	Apr 12	Apr 13	May 15 '18

Dividends have been paid since 2013. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

AbbVie Inc.

Business Summary January 25, 2019

CORPORATE OVERVIEW. AbbVie Inc. is a global research-based drug business that emerged as a separate company following its spin-off from Abbott Laboratories to Abbott shareholders on a share-for-share basis on January 1, 2013. The company develops and markets therapies that address major complex and serious diseases. Its products are focused on treating conditions, such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including hepatitis C virus (HCV) and human immunodeficiency virus (HIV); neurological disorders, such as Parkinson's disease and multiple sclerosis; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; and other serious health conditions. The company also has a pipeline of new medicines in clinical development across medical specialties, such as immunology, oncology and neurology, with additional targeted investment in cystic fibrosis and women's health.

AbbVie's key product is Humira, an injectable biologic TNF (tumor necrosis factor) blocker treatment for rheumatoid arthritis (RA) and similar conditions. We estimate that Humira accounts for more than half of the global prescription drug market for rheumatoid arthritis. Besides moderate to severe RA in adults, Humira is also approved for many other uses, including juvenile idiopathic arthritis, psoriasis, ankylosing spondylitis, ulcerative colitis, Crohn's disease, and axial spondyloarthritis.

Humira's U.S. composition of matter patent expired at the end of 2016, with its equivalent European Union patent set to expire in most EU countries in April 2018. Competitors in the rheumatoid arthritis market include Remicade (marketed by Johnson & Johnson), Simponi (Johnson & Johnson), and Enbrel (Pfizer). Although Humira's patent expired in December 2016, ABBV is confident that all of its other patents surrounding Humira (numbering up to 70 patents, including formulation, manufacturing and method of treatment) will be able to protect it against biosimilar challenges at least through 2022.

IMBRUVICA (ibrutinib) is an oral once-daily therapy that inhibits a protein called Bruton's tyrosine kinase. IMBRUVICA is approved for the treatment of adult patients with chronic lymphocytic leukemia (CLL)/small lymphocytic lymphoma (SLL) and CLL/SLL with 17p deletion; mantle cell lymphoma who have received at least one prior therapy; Waldenström's macroglobulinemia; marginal zone lymphoma who require systemic therapy and have received at least one prior anti-CD20-based therapy; and chronic graft versus host disease after failure of one or more lines of systemic therapy.

VENCLEXTA (venetoclax) is approved to treat people with CLL with 17p deletion, who have received at least one prior treatment. VENCLEXTA is the U.S. Food and Drug Administration (FDA)-approved treatment that targets the B-cell lymphoma 2 protein, which supports cancer cell growth and is overexpressed in majority of patients with CLL. VENCLEXTA has been approved in the EU for the treatment of CLL in patients with 17p deletion or TP53 mutation and are unsuitable for or have failed a B-cell receptor pathway inhibitor and for the treatment of CLL in absence of 17p deletion or TP53 mutation who have failed both chemoimmunotherapy and a B-cell receptor pathway inhibitor.

MAVYRET (glecaprevir/pibrentasvir) is approved in the United States and European Union (MAVIRET) for the treatment of patients with chronic HCV genotype 1-6 infection without cirrhosis and with compensated cirrhosis (Child-Pugh A). It is also indicated for the treatment of adult patients with HCV genotype 1 infection, who previously have been treated with a regimen containing an HCV NS5A inhibitor or an NS3/4A protease inhibitor, but not both. It is an eight-week, pan-genotypic treatment for patients without cirrhosis and who are new to treatment.

PIPELINE. As of June 2018, AbbVie has an R&D pipeline of some 20 compounds or indications in Phase II or Phase III development across a fairly wide spectrum, including immunology, renal care, hepatitis C, women's health, oncology, multiple sclerosis, as well as Parkinson's and Alzheimer's diseases.

FINANCIAL TRENDS. Sales have increased from $19.96 billion in 2014 to $28.2 billion in 2017, mainly from the success of Humira and Imbruvica, representing a three-year compound annual growth rate (CAGR) of 12.2%. Gross margin has increased from 77.8% in 2014 to 80.5% in 2017. Research and Development costs have increased from $3.3 billion or 16.5% of sales to $5.0 billion in 2017, or 17.7% of sales. Adjusted EPS has increased from $3.32 in 2014 to $5.60 in 2017, representing a three-year CAGR of 19.0%.

Corporate Information

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M. E. Severino

Chairman & CEO
R. A. Gonzalez

Vice Chairman and External Affairs & Chief Legal Officer
L. J. Schumacher

Senior VP & CFO
R. A. Michael

Board Members

B. J. Hart
C. Alban
E. J. Rapp
E. M. Liddy
F. H. Waddell
G. F. Tilton
M. B. Meyer
M. E. Severino
R. A. Gonzalez
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R. S. Austin
W. L. Burnside

Domicile
Delaware

Founded
2012

Stockholders
50,095

AbbVie Inc.

Quantitative Evaluations

Fair Value Rank **3**

1	2	3	4	5
LOWEST				HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **USD 84.41**

Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ABBV is slightly undervalued by USD 7.27 or 9.4%.

Volatility

LOW	AVERAGE	HIGH

Technical Evaluation **NEUTRAL**

Since January, 2019, the technical indicators for ABBV have been NEUTRAL.

Insider Activity

UNFAVORABLE	NEUTRAL	FAVORABLE

Expanded Ratio Analysis

	2018	2017	2016	2015
Price/Sales	4.35	5.49	3.98	4.24
Price/EBITDA	10.18	12.77	9.45	10.01
Price/Pretax Income	10.96	14.22	10.30	10.69
P/E Ratio	25.19	29.31	17.25	18.93
Avg. Diluted Shares Outsg.(M)	1546	1603	1631	1637

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Sales	16.08	12.74	11.75
Net Income	7.12	3.40	6.62
Ratio Analysis (Annual Avg.)			
Net Margin (%)	NM	NM	NM
Return on Equity (%)	NM	NA	NA

Company Financials Fiscal year ending Dec. 31

Per Share Data (USD)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tangible Book Value	-30.09	-24.02	-24.91	-17.97	-3.54	-2.32	-3.23	1.85	NA	NA
Free Cash Flow	NA	5.91	4.05	4.31	1.84	3.63	3.81	3.74	2.87	NA
Earnings	3.66	3.30	3.63	3.13	1.10	2.56	3.34	2.18	2.65	NA
Earnings (Normalized)	4.48	3.63	3.20	3.05	1.73	2.22	2.59	2.42	2.12	NA
Dividends	3.95	2.63	2.35	2.10	1.75	1.60	NA	NA	NA	NA
Payout Ratio (%)	NA	77	62	64	150	50	NA	NA	NA	NA
Prices: High	125.86	99.10	68.12	71.60	70.76	54.78	NA	NA	NA	NA
Prices: Low	77.50	59.27	50.71	45.45	45.50	33.33	NA	NA	NA	NA
P/E Ratio: High	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio: Low	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Income Statement Analysis (Million USD)										
Revenue	32,753	28,216	25,638	22,859	19,960	18,790	18,380	17,444	15,638	14,214
Operating Income	12,230	10,643	9,623	8,856	5,500	6,017	6,622	6,002	5,218	4,924
Depreciation + Amortization	NA	1,501	1,189	836	786	897	1,150	1,272	1,184	697
Interest Expense	1,144	1,150	1,047	719	429	299	104	NA	NA	NA
Pretax Income	5,197	7,727	7,884	6,645	2,369	5,332	5,725	3,668	4,836	5,950
Effective Tax Rate	-9.4	31.3	24.5	22.6	25.1	22.6	7.9	6.4	13.6	22.1
Net Income	5,687	5,309	5,953	5,144	1,774	4,128	5,275	3,433	4,178	4,637
Net Income (Normalized)	6,934	5,821	5,219	5,000	2,786	3,553	4,081	3,816	3,336	3,344
Balance Sheet and Other Financial Data (Million USD)										
Cash	8,785	9,789	6,423	8,407	8,374	9,895	7,976	653	11	NA
Current Assets	NA	21,223	16,187	16,314	16,081	17,848	15,354	7,354	8,218	NA
Total Assets	NA	70,786	66,099	53,050	27,513	29,198	27,008	19,521	21,135	NA
Current Liabilities	NA	16,641	9,781	10,894	11,393	6,879	6,776	5,897	3,761	NA
Long Term Debt	NA	30,953	36,440	29,321	10,538	14,292	14,630	32	NA	NA
Total Capital	38,294	42,465	41,478	35,697	16,719	19,215	19,035	11,980	15,703	NA
Capital Expenditures	NA	529	479	532	612	491	333	356	448	313
Cash from Operations	NA	9,960	7,041	7,535	3,549	6,267	6,345	6,247	4,976	5,367
Current Ratio	NA	1.28	1.65	1.50	1.41	2.59	2.27	1.25	2.19	NA
% Long Term Debt of Capitalization	NA	72.9	87.9	82.1	63.0	74.4	76.9	0.3	NA	NA
% Net Income of Revenue	17.4	18.8	23.2	22.5	8.9	22.0	28.7	19.7	26.7	32.6
% Return on Assets	NA	9.7	10.1	13.7	12.1	13.4	17.8	18.5	0.2	NA
% Return on Equity	NM	NM	NM	NM	56.9	NM	69.0	24.8	NA	NA

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

AbbVie Inc.

Sub-Industry Outlook

We have a positive fundamental outlook on the biotechnology sub-industry, a historically defensive sub-industry, because we expect to see the commercialization and development of many new, innovative therapies and a decline in the prevalence of patent expirations. 2019 started off favorably with the announcement of the mega merger agreement between Celgene (CELG) and Bristol-Meyers Squibb (BMY).

Biotechnology companies have been trading at a significant discount to the market, which we think will be remedied as a robust pipeline of drugs is brought to market. FDA approvals of novel drugs increased by 28% in 2018 to 59, which shattered the previous record (since 1994) of 46 novel approvals set in 2017. With the rapid growth in novel drugs that have no generic competitors, we expect to see robust sales growth for biopharmaceutical firms.

We think that many of the drugs that are either newly-approved or in late-stage clinical trials have considerable commercial prospects and represent major advances in therapies for diseases such as cystic fibrosis, hepatitis C, multiple sclerosis and cancer. For example, in 2017, the FDA approved the first gene-therapy drug that genetically alters a patient's immune cells and the first-ever RNA-interference-based therapeutic.

We think that the growth of biotechnology stocks has been slightly limited as high drug prices in the U.S. have been under heightened scrutiny by the U.S. political apparatus in the last few years. Despite all the talk about lowering drug prices, we have not seen any particularly severe measures taken by legislative or regulatory bodies in the U.S. to lower drug prices. While Democrats, who took over the House of Representatives in the November 2018 midterm elections, appear to be more motivated to address drug prices, we still don't think that there is sufficient impetus to affect any significant changes in the near future.

Another source of price pressure for drug manufacturers is the pharmacy benefit managers (PBMs) and health insurers, which exert more influence over drug prescriptions and pricing. This pressure will likely increase, as all major PBM's have merged or will soon be merged with a major insurer (e.g. CVS-AET, CI-ESRX).

The merger and acquisition (M&A) climate appears to be warm because mature biopharmaceutical firms that have made their marks with blockbuster drugs are looking to offset lost revenues from expiring patents with promising late-stage pipeline additions. Most biotechnology companies have low debt levels and attractive valuations -- more reasons for a favorable M&A environment.

The Biologics Price Competition and Innovation Act of 2009 (BPCIA) granted a 12-year exclusivity period to branded biologic makers. Since then, branded biologic manufacturers have aggressively used patent laws and their commercial leverage to delay the commercialization of biosimilars so that they can maintain market dominance for longer. As a result, we expect biosimilars to continue to advance slowly over the next several years.

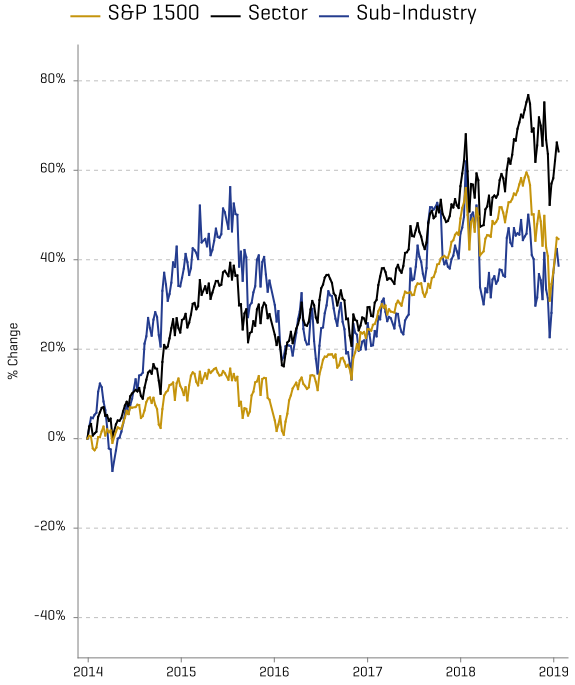
In 2018, the S&P biotech index declined 7.1% vs. a 6.8% decline for the S&P 1500 Index.

/Kevin Huang, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Biotechnology

Based on S&P 1500 Indexes
Five-Year market price performance through Jan 28, 2019



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.
Source: S&P Global Market Intelligence

Sub-Industry: Biotechnology Peer Group*: Biotechnology

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
AbbVie Inc.	**ABBV**	**NYSE**	**USD**	**77.14**	**116,035**	**-15.3**	**-37.4**	**21**	**84.41**	**5.5**	**NM**	**NA**
Alexion Pharmaceuticals, Inc.	ALXN	NasdaqGS	USD	119.21	26,595	22.6	-6.9	NM	96.88	Nil	5.0	22.4
Amgen Inc.	AMGN	NasdaqGS	USD	191.95	122,314	0.6	-2.1	60	116.72	3.0	7.2	56.4
BioMarin Pharmaceutical Inc.	BMRN	NasdaqGS	USD	93.19	16,594	11.5	1.7	NM	51.13	Nil	-4.2	20.4
Biogen Inc.	BIIB	NasdaqGS	USD	330.01	66,491	12.4	-10.3	22	387.00	Nil	21.6	32.0
CSL Limited	CSLL.Y	OTCPK	USD	71.37	64,693	8.8	19.5	40	NA	1.2	46.7	53.7
Celgene Corporation	CELG	NasdaqGS	USD	87.26	61,103	39.8	-17.0	23	106.20	Nil	43.5	69.6
Gilead Sciences, Inc.	GILD	NasdaqGS	USD	67.91	87,850	9.7	-20.5	56	33.93	3.4	23.3	57.0
Incyte Corporation	INCY	NasdaqGS	USD	80.66	17,165	29.5	-15.5	NM	NA	Nil	-30.5	1.0
Regeneron Pharmaceuticals, Inc.	REGN	NasdaqGS	USD	413.95	44,758	14.2	10.6	27	454.58	Nil	22.6	NA
Vertex Pharmaceuticals Incorporated	VRTX	NasdaqGS	USD	188.09	48,068	16.5	11.2	75	147.95	Nil	5.4	NA

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

January 25, 2019
12:01 pm ET... CFRA Reiterates Hold Opinion on Shares of AbbVie Inc. (ABBV 80.51***): We maintain our 12-month target of $88 on a below-peer multiple of 10.0x our next-12-month EPS estimate of $8.79, as we see risks related to litigation and European biosimilars. Q4 EPS of $1.90 vs. $1.48 was $0.02 lower than our estimate. We lower our 2019 EPS by $0.04 to $8.79 and initiate our 2020 EPS at $9.67. Q4 sales increased 7.3% (8.3% organically) to $8.3 billion as global net revenues from ABBV's hematologic oncology portfolio increased 50.2% to $1.13 billon, largely driven by the 42.0% increase in Imbruvica. Global Humira sales increased 0.5% to $4.9 billion, below expectations, because of a stronger-than-expected start for biosimilar competition in certain international markets. International Humira sales declined 14.8% operationally while U.S. Humira sales grew 9.1%. ABBV's management continues to be interested in M&A, aiming to pick up potential products that could help offset the expected erosion of U.S. Humira sales in 2023. /Kevin Huang, CFA

November 02, 2018
11:46 am ET... CFRA REITERATES HOLD OPINION ON SHARES OF ABBVIE INC. (ABBV 79.98***): We lower our 12-month target by $13 to $88 on below-peers 10.4X our next-12-month EPS estimate of $8.45, as we see risks related to the California insurance commissioner's lawsuit and the entrance of Humira biosimilars in Europe. Q3 EPS of $2.14 vs. $1.41 was $0.13 higher than our estimate. We raise our 2018 EPS by $0.09 to $7.93 and our 2019 EPS by $0.23 to $8.83. Q3 sales increased 17.8% (18.5% organically) to $8.2 billion as Imbruvica net revenues grew, above expectations, by 41.3% to $972 million and U.S. Humira sales grew 12.5% to $3.5 billion. Outside U.S. (OUS) sales of Humira grew 4.2% organically, ahead of the mid-October introduction of OUS biosimilars. ABBV is seeing initial price erosion for OUS Humira of 26%-27%, on the stronger end of what management expected. ABBV communicated expectations
about 2019, which includes continued double-digit earnings growth and higher SG&A costs due to investments in new product launches, particularly upadacitinib and risankizumab. /Kevin Huang, CFA

September 24, 2018
11:44 am ET... CFRA ADDS SHARES OF MEDTRONIC PLC TO THE TOTAL RETURN MODEL PORTFOLIO (ABBV 98.2****): CFRA has a favorable view of MDT's pipeline, which includes promising recent product launches such as the 670G sensor-augmented insulin pump system and the Intellis implantable neurostimulator. We also expect positive updates on the development of surgical robotics; however, we are cautious given past delays in MDT's robotics program. MDT is committed to investing an incremental $10 billion in U.S. research & development over the next decade. We find MDT's shares, trading at 18. 0X our next-12-month EPS estimate of $5.28, to be attractively valued. Our 12-month target price of $102 is 19.3X our next-12-month EPS estimate, slightly below peers, but higher than MDT's five-year forward P/E range of 13. 2X to 19.1X because of promising growth opportunities. MDT pays an annual dividend of $2.00 and we think that MDT will boost its dividend by more than 8% with the July 2019 payment. The shares yield 2.0%. MDT replaces AbbVie Inc. (ABBV 93 ***) in our Total Return Model Portfolio. Christopher Muir

September 19, 2018
02:20 pm ET... CFRA LOWERS OPINION ON SHARES OF ABBVIE INC. TO HOLD FROM BUY (ABBV 90.65***): The California insurance commissioner, Dave Jones, filed a complaint on September 18, 2018 on behalf of the state of California against ABBV, alleging that the firm has violated the Insurance Frauds Prevention Act by providing kickbacks to healthcare providers throughout California. Given this development, ABBV's product concentration in Humira (65% of 2017 revenue), and recent efforts by government agencies to increase the viability of biosimilars, we see increased risk to ABBV's future earnings, hence we have lowered our opinion on ABBV's shares to Hold. We lower our 12-month target by $29 to $101 on 12.4X our next-12-month EPS estimate of $8.17. This multiple is near the average of ABBV's three-year forward PE range. We raise our 2018 EPS estimate by $0.04 to $7.84 and lower our 2019 EPS by $0.35 to $8.60. Looking to positive catalysts, we see strong potential for endometriosis drug Orilissa (approved in July 2018) and 2nd generation immunology assets, upadacitnib and risankizumab. /Kevin Huang, CFA

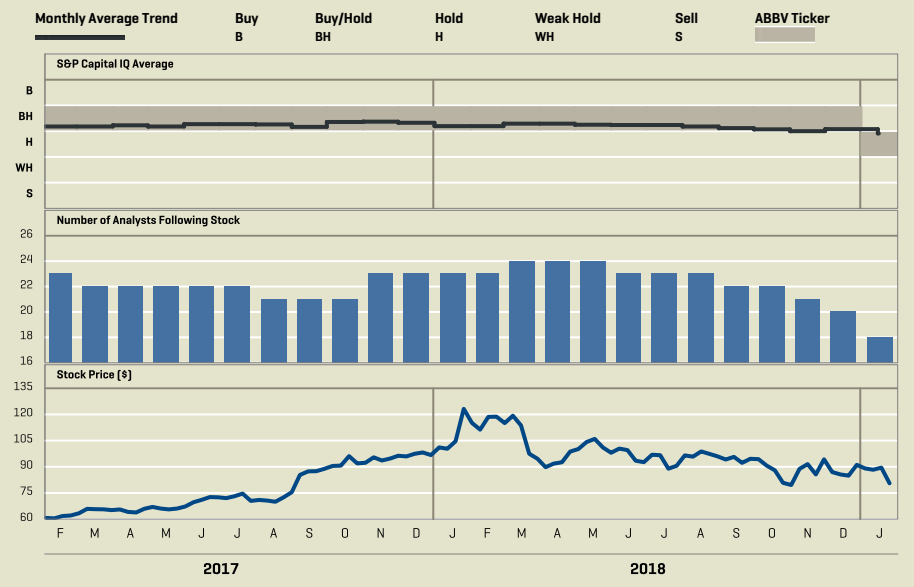
July 27, 2018
11:43 am ET... CFRA KEEPS BUY OPINION ON SHARES OF ABBVIE INC. (ABBV 93.94****): We keep our 12-month target at $130 on in-line with peers 15.7X our forward 12-months EPS estimate of $8.27. Q2 EPS of $2.00 vs. $1.42 is $0.09 ahead of our view. We raise our '18 EPS estimate $0.10 to $7.80 and our '19 EPS estimate $0.20 to $8.95. Sales rose 18.9% with Humira sales up 10% and Imbruvica up 35.6%. Sales of hepatitis C drug Mavyret was a robust $932M as we see it gaining market share. We are also encouraged by ABBV's pipeline progress, including the FDA approval for Orilissa (elagolix) for endometriosis and the April NDA submission for risankizumab to treat psoriasis. We also believe ABBV's recent deal with Mylan regarding Humira removes some of the overhang regarding biosimilar competition. ABBV will grant Mylan a non-exclusive license for Humira, which will begin on July 31, 2023. Mylan will pay ABBV royalties once its product is launched. In Sept. 2017, ABBV entered into a similar deal with Amgen, where Amgen could begin producing a biosimilar on January 31, 2023. /Jeffrey Loo, CFA

April 26, 2018
10:59 am ET... CFRA KEEPS BUY OPINION ON SHARES OF ABBVIE INC. (ABBV 91. 87****): We lower our 12-month target price by $10 to $130 on in line with peers 16.9X our 2018 EPS estimate of $7.70, up $0.32 as we balance ABBV's robust growth with our concern over its Rova-T compound, which had disappointing data in a Phase 2 trial for third line small cell lung cancer patients. The data raises concern over other Rova-T trials. ABBV has ongoing Rova-T Phase III trials in the first and second line settings for small cell lung cancer. Q1 EPS of $1.87 vs. $1.28 is $0.09 ahead of our estimate. We raise our 2019 EPS estimate $0.49 to $8.75. Sales, including a 3.8% FX benefit, rose 21.4%, with Humira sales up 14.4% and Imbruvica sales up 38.5%. In spite of the disappointing data on Rova-T, we view ABBV's pipeline positively. On April 25, ABBV filed a biologics license application (BLA) for risankizumab to treat plaque psoriasis and we expect data on several other compounds throughout the year. ABBV will begin a tender offer for $7.5B in shares as part of its $10B stock buyback. /Jeffrey Loo, CFA

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

AbbVie Inc.

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	5	28	7	7
Buy/Hold	1	6	1	2
Hold	8	44	8	9
Weak Hold	2	11	2	2
Sell	1	6	1	1
No Opinion	1	6	1	1
Total	**18**	**100**	**20**	**22**

Wall Street Consensus Estimates

Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2020	9.50	10.77	8.96	15	8.1
2019	8.68	8.77	8.55	12	8.9
2020 vs. 2019	**▲9%**	**▲23%**	**▲5%**	**▲25%**	**▼-9%**
Q1'20	2.16	2.20	2.12	3	35.7
Q1'19	2.04	2.06	1.98	9	37.8
Q1'20 vs. Q1'19	**▲6%**	**▲7%**	**▲7%**	**▼-67%**	**▼-6%**

Wall Street Consensus Opinion

HOLD

Wall Street Consensus vs. Performance

For fiscal year 2019, analysts estimate that ABBV will earn USD $8.68. For fiscal year 2020, analysts estimate that ABBV's earnings per share will grow by 9% to USD $9.50.

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking
(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates
CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price
The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

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Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Global STARS Distribution as of September 28, 2018

Ranking	North America	Europe	Asia	Global
Buy	38.1%	32.7%	42.6%	37.7%
Hold	56.0%	52.8%	44.8%	54.2%
Sell	5.9%	14.5%	12.6%	8.1%
Total	100.0%	100.0%	100.0%	100.0%

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