

# AbbVie Inc.

**Recommendation** **HOLD** ★ ★ ★ ★ ★

**Price**  
\$79.56 (as of Nov 02, 2018 4:00 PM ET)

**12-Mo. Target Price**  
\$88.00

**Report Currency**  
USD

**Investment Style**  
Large-Cap Growth

**Equity Analyst Kevin Huang, CFA**

**UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE RESEARCH NOTES SECTION**

**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	<b>\$125.86 - 77.50</b>	Oper. EPS 2018E	<b>7.93</b>	Market Capitalization(B)	<b>\$120.5</b>	Beta	<b>1.64</b>
Trailing 12-Month EPS	<b>4.03</b>	Oper. EPS 2019E	<b>8.83</b>	Yield [%]	<b>5.38</b>	3-Yr Proj. EPS CAGR[%]	<b>12</b>
Trailing 12-Month P/E	<b>19.91</b>	P/E on Oper. EPS 2018E	<b>10.11</b>	Dividend Rate/Share	<b>\$4.28</b>	SPGMI's Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>\$19,413</b>	Common Shares Outstg.(M)	<b>1,514.3</b>	Institutional Ownership [%]	<b>71</b>		

**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 Sep 20, 2018 02:03 PM, when the stock traded at **\$91.02**.

**Highlights**

- ▶ The 12-month target price has recently been changed to \$88 from \$101. The Highlights section of this Stock Report will be updated accordingly.
- ▶ The Investment Rationale/Risk section of this Stock Report will be updated shortly. For the latest News story on ABBV from MarketScope, see aside.

**Investment Rationale/Risk**

▶ 11/02/18 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

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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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 \$)	1Q	2Q	3Q	4Q	Year
2018	7,934	8,278	--	--	--
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 (\$)**

	1Q	2Q	3Q	4Q	Year
2019	<b>E 2.11</b>	<b>E 2.19</b>	<b>E 2.23</b>	<b>E 2.30</b>	<b>E 8.83</b>
2018	1.74	1.26	<b>E 2.01</b>	<b>E 1.92</b>	<b>E 7.93</b>
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
2014	0.61	0.68	0.31	-0.51	1.10

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 (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
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
0.71	Oct 27	Jan 11	Jan 12	Feb 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 September 20, 2018

**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.

MAVIRET [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

#### Investor Contact

##### Office

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##### Telephone

847-932-7900

##### Website

www.abbvie.com

#### Officers

##### Chairman & CEO

R. A. Gonzalez

##### Senior VP & CFO

R. A. Michael

##### Executive VP of External Affairs, General Counsel & Corporate Secretary

L. J. Schumacher

##### Executive Vice President of Operations

A. Saleki-Gerhardt

#### Board Members

B. J. Hart

R. A. Gonzalez

E. J. Rapp

R. B. Roberts

E. M. Liddy

R. J. Alpern

F. H. Waddell

R. S. Austin

G. F. Tilton

W. L. Burnside

M. B. Meyer

##### Domicile

Delaware

##### Auditor

Ernst & Young LLP

##### Founded

2012

##### Employees

29,000

##### Stockholders

50,095

## AbbVie Inc.

Quantitative Evaluations						
<b>Fair Value Rank</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
<b>Fair Value Calculation</b>	<b>\$77.77</b>	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ABBV is slightly overvalued by \$1.79 or 2.2%.				
<b>Volatility</b>		<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>		
<b>Technical Evaluation</b>	<b>NEUTRAL</b>	Since October, 2018, the technical indicators for ABBV have been NEUTRAL.				
<b>Insider Activity</b>		<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>		

Expanded Ratio Analysis				
	2017	2016	2015	2014
Price/Sales	5.49	3.98	4.24	5.28
Price/EBITDA	12.77	9.45	10.01	16.76
Price/Pretax Income	14.22	10.30	10.69	16.05
P/E Ratio	29.31	17.25	18.93	59.49
Avg. Diluted Shares Outsg. (M)	1603	1631	1637	1610

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]	1 Year	3 Years	5 Years	
Sales	10.06	12.23	8.95	
Net Income	-10.82	44.11	0.13	
Ratio Analysis [Annual Avg.]				
Net Margin [%]	NM	NM	NM	
% LT Debt to Capitalization	72.89	NA	NA	
Return on Equity [%]	NM	NA	NA	

### Company Financials Fiscal year ending Dec. 31

Per Share Data [\$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tangible Book Value	-24.02	-24.91	-17.97	-3.54	-2.32	-3.23	1.85	NA	NA	NA
Free Cash Flow	5.91	4.05	4.31	1.84	3.63	3.81	3.74	2.87	NA	NA
Earnings	3.30	3.63	3.13	1.10	2.56	3.34	2.18	2.65	NA	NA
Earnings (Normalized)	3.63	3.20	3.05	1.73	2.22	2.59	2.42	2.12	NA	NA
Dividends	2.63	2.35	2.10	1.75	1.60	NA	NA	NA	NA	NA
Payout Ratio [%]	77	62	64	150	50	NA	NA	NA	NA	NA
Prices: High	99.10	68.12	71.60	70.76	54.78	NA	NA	NA	NA	NA
Prices: Low	59.27	50.71	45.45	45.50	33.33	NA	NA	NA	NA	NA
P/E Ratio: High	23.7	37.2	63.2	23.7	15.1	NA	NM	NM	NA	NA
P/E Ratio: Low	15.1	16.7	26.7	16.5	11.4	NA	NM	NM	NA	NA

Income Statement Analysis (Million \$)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue	28,216	25,638	22,859	19,960	18,790	18,380	17,444	15,638	14,214	NA
Operating Income	10,643	9,623	8,856	5,500	6,017	6,622	6,002	5,218	4,924	NA
Depreciation + Amortization	1,501	1,189	836	786	897	1,150	1,272	1,184	697	NA
Interest Expense	1,150	1,047	719	429	299	104	NA	NA	NA	NA
Pretax Income	7,727	7,884	6,645	2,369	5,332	5,725	3,668	4,836	5,950	NA
Effective Tax Rate	31.3	24.5	22.6	25.1	22.6	7.9	6.4	13.6	22.1	NA
Net Income	5,309	5,953	5,144	1,774	4,128	5,275	3,433	4,178	4,637	NA
Net Income (Normalized)	5,821	5,219	5,000	2,786	3,553	4,081	3,816	3,336	3,344	NA

Balance Sheet and Other Financial Data (Million \$)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cash	9,789	6,423	8,407	8,374	9,895	7,976	653	11	NA	NA
Current Assets	21,223	16,187	16,314	16,081	17,848	15,354	7,354	8,218	NA	NA
Total Assets	70,786	66,099	53,050	27,513	29,198	27,008	19,521	21,135	NA	NA
Current Liabilities	16,641	9,781	10,894	11,393	6,879	6,776	5,897	3,761	NA	NA
Long Term Debt	30,953	36,440	29,321	10,538	14,292	14,630	32	NA	NA	NA
Total Capital	42,465	41,478	35,697	16,719	19,215	19,035	11,980	15,703	NA	NA
Capital Expenditures	529	479	532	612	491	333	356	448	313	NA
Cash from Operations	9,960	7,041	7,535	3,549	6,267	6,345	6,247	4,976	5,367	NA
Current Ratio	1.28	1.65	1.50	1.41	2.59	2.27	1.25	2.19	NA	NA
% Long Term Debt of Capitalization	72.9	87.9	82.1	63.0	74.4	76.9	0.3	NA	NA	NA
% Net Income of Revenue	18.8	23.2	22.5	8.9	22.0	28.7	19.7	26.7	32.6	NA
% Return on Assets	9.7	10.1	13.7	12.1	13.4	17.8	18.5	0.2	NA	NA
% Return on Equity	NM	NM	NM	56.9	NM	69.0	24.8	NA	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

Our fundamental outlook for the biotechnology sub-industry, traditionally a defensive haven, for the next 12 months is positive, reflecting favorable prospects for the commercialization of new therapies. 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. In 2017, the FDA approved 46 new drugs – the most since a record 53 were approved in 1996. We think that many of the newly-approved drugs and drugs 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 US have been under heightened scrutiny by the US 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 the US government to lower drug prices. So far, the Centers for Medicare & Medicaid (CMS) introduced the option of step therapy to Part B drugs to attempt to lower treatment costs and the current administration has also proposed eliminating the rebates that drug manufacturers pay to pharmacy benefit managers – neither of these measures are likely to significantly impact drug manufacturers. We think that the mid-term elections in early November 2018 could provide some insight into future regulatory proposals.

Another source of price pressure for drug manufacturers is the pharmacy benefit managers (PBMs) and health insurers, who are exerting

more influence over drug prescriptions and pricing. This pressure will likely increase as the health care industry continues to consolidate – mergers of note include the CVS-AET and CI-ESRX combinations.

We expect that a wider adoption of biomarker research and genetic-targeted clinical studies will bolster long-term R&D pipeline productivity. The merger and acquisition (M&A) climate in the near future appears to be favorable because large pharmaceutical and biotechnology firms are looking to offset lost revenues from expiring patents and maturing products with promising late-stage pipeline additions. Most biotechnology companies have low debt levels and modest 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. Branded biologic manufacturers have been aggressively using patent laws to delay the commercialization of biosimilars and effectively extend the 12-year period. As a result, we expect biosimilars to advance slowly over the next several years. However, as more biosimilars are approved and introduced, we expect the growth of biosimilars to accelerate.

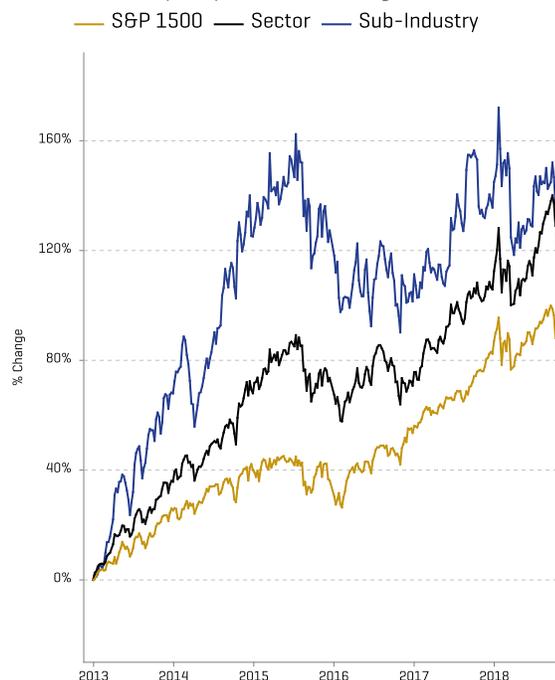
Year to date through September 28, 2018, the S&P biotech index rose 6.9% vs. an 8.9% rise for the S&P 1500 Index. In 2017, the S&P biotech index rose 17.0 vs. an 18.8% rise for the S&P 1500.

**/Kevin Huang, CFA**

## Industry Performance

### GICS Sector: Health Care Sub-Industry: Biotechnology

Based on S&P 1500 Indexes  
Five-Year market price performance through Nov 03, 2018



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 [%]
<b>AbbVie Inc.</b>	<b>ABBV</b>	<b>NYSE</b>	<b>USD</b>	<b>79.56</b>	<b>120,476</b>	<b>-17.1</b>	<b>-12.6</b>	<b>20</b>	<b>77.77</b>	<b>5.4</b>	<b>NM</b>	<b>72.9</b>
Alexion Pharmaceuticals, Inc.	ALXN	NasdaqGS	USD	122.82	27,401	-10.2	6.2	NM	72.30	Nil	5.0	22.4
Amgen Inc.	AMGN	NasdaqGS	USD	187.06	119,198	-9.6	8.5	58	123.84	2.8	7.2	56.4
Biogen Inc.	BIIB	NasdaqGS	USD	312.70	63,004	-11.4	1.1	20	297.29	Nil	21.6	32.0
CSL Limited	CSLLY	OTCPK	USD	69.18	62,620	-2.6	27.6	39	NA	1.1	46.7	53.7
Celgene Corporation	CELG	NasdaqGS	USD	74.19	51,877	-19.2	-24.5	19	97.77	Nil	43.5	69.6
Gilead Sciences, Inc.	GILD	NasdaqGS	USD	69.44	89,855	-12.1	-5.9	58	34.72	3.3	23.3	57.0
Grifols, S.A.	GIKLY	OTCPK	USD	14.63	17,926	9.8	-2.8	24	NA	1.2	18.0	60.9
Regeneron Pharmaceuticals, Inc.	REGN	NasdaqGS	USD	352.59	38,060	-12.5	-11.3	26	352.27	Nil	22.6	NA
Shire plc	SHPG	NasdaqGS	USD	176.28	53,369	-1.6	21.2	11	NA	0.6	13.1	29.5
Vertex Pharmaceuticals Incorporated	VRTX	NasdaqGS	USD	173.29	44,286	-9.8	19.6	69	140.52	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.

**AbbVie Inc.****Analyst Research Notes and other Company News****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, upadacitinib 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

**January 26, 2018**

11:54 am ET... CFRA REITERATES BUY OPINION ON SHARES OF ABBVIE INC. [ABBV 118.095\*\*\*\*]: We raise our 12-month target \$29 to \$140 on above peers 19X our '18 EPS estimate of \$7.38, up \$0.89, on faster growth. We set '19's EPS at \$8.26. Q4 EPS of \$1.48 vs. \$1.20 is \$0.02 ahead of our view. Sales rose 13.9% with Humira sales up 14%, while Imbruvica rose 38.7%, consisting of \$585M in U.S. sales and \$123M in profit sharing. We are encouraged by these results and our view of ABBV's strong pipeline. ABBV guides '18 sales of \$32B, up 13% and EPS of \$7.33-\$7.43, up 32% at the midpoint, partly aided by tax reform as we see a '18 effective tax rate of 9%, down from 19% in '17. /Jeffrey Loo, CFA

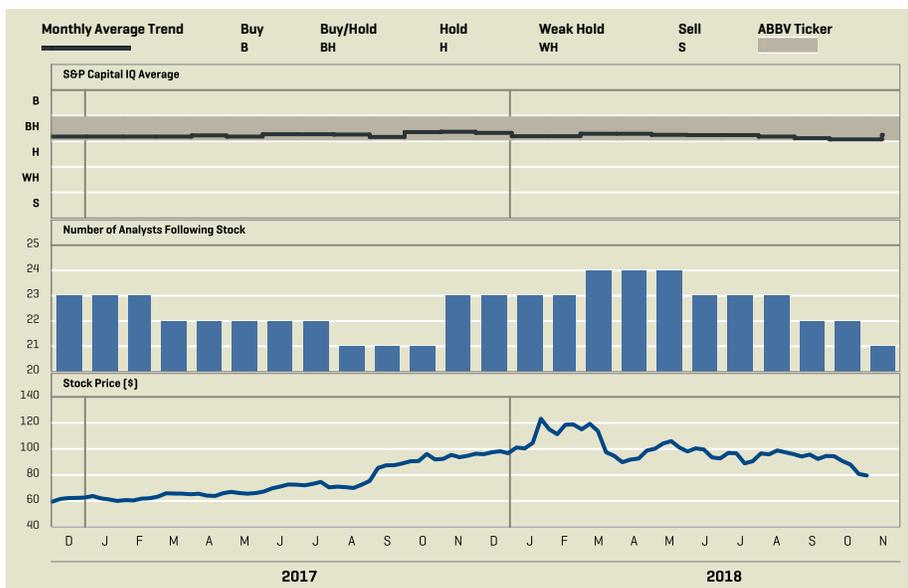
**October 27, 2017**

02:12 pm ET... CFRA KEEPS BUY OPINION ON SHARES OF ABBVIE INC. [ABBV 93.05\*\*\*\*]: We raise our 12-month target \$5 to \$111 on in-line with peers 18X our forward 12-months EPS estimate of \$6.17. Q3 EPS of \$1.41 vs. \$1.21 is \$0.01 ahead of our view. We raise our '17 EPS estimate \$0.03 to \$5.54. ABBV provides '18 EPS guidance of \$6.37-\$6.57, in line with our \$6.49 view. Sales grew 9% with Humira sales up 15.8% and Imbruvica up 37.3%. It now expects Humira sales to approach \$21B in 2020, which we believe is achievable following a patent settlement with Amgen. We are also encouraged by its pipeline development with recent NDA filings for Elagolix for endometriosis. /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.

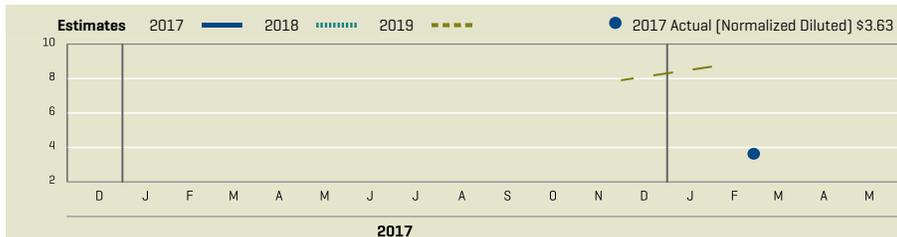
# AbbVie Inc.

## Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	38	7	8
Buy/Hold	1	5	2	1
Hold	9	43	9	11
Weak Hold	2	10	2	2
Sell	0	0	1	0
No Opinion	1	5	1	1
<b>Total</b>	<b>21</b>	<b>100</b>	<b>22</b>	<b>23</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	8.86	9.62	8.10	19	9.0
2018	7.88	8.02	7.79	20	10.1
<b>2019 vs. 2018</b>	<b>▲12%</b>	<b>▲20%</b>	<b>▲4%</b>	<b>▼-5%</b>	<b>▼-11%</b>
Q3'19	2.20	2.25	2.16	5	36.2
Q3'18	2.00	2.06	1.83	17	39.7
<b>Q3'19 vs. Q3'18</b>	<b>▲10%</b>	<b>▲9%</b>	<b>▲18%</b>	<b>▼-71%</b>	<b>▼-9%</b>

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.**

## Wall Street Consensus Opinion

### BUY/HOLD

### Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that ABBV will earn USD \$7.88. For the 2nd quarter of fiscal year 2018, ABBV announced earnings per share of USD \$1.26, representing 16% of the total revenue estimate. For fiscal year 2019, analysts estimate that ABBV's earnings per share will grow by 12% to USD \$8.86.

## AbbVie Inc.

### 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 encapsulate 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.

#### CFRA Equity Research

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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 Depositary Receipts (ADRs) and American Depositary 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.

## AbbVie Inc.

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Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

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Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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#### STARS Stock Reports:

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%

#### Analyst Certification:

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