

# AbbVie Inc

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst Jeffrey Loo, CFA**

**Price**

\$59.69 (as of May 20, 2016 4:00 PM ET)

**12-Mo. Target Price**

\$84.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

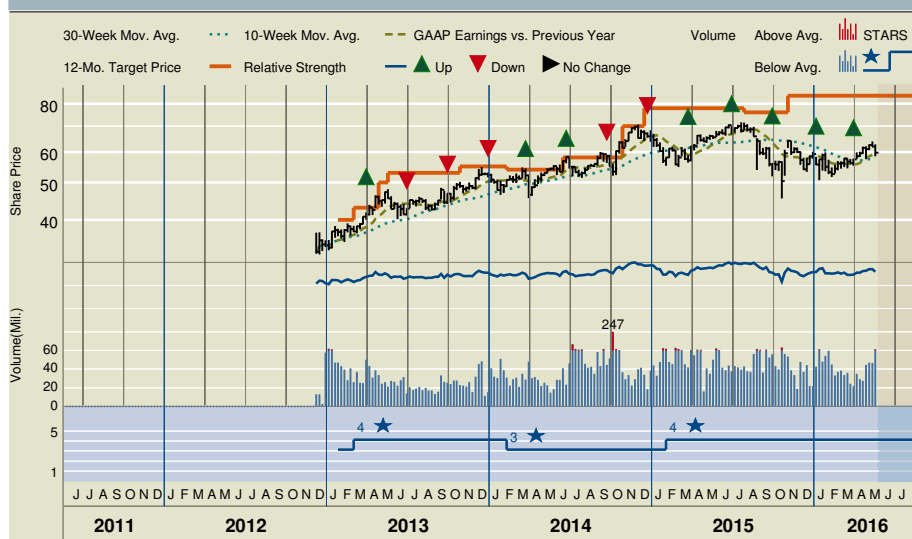
**GICS Sector** Health Care  
**Sub-Industry** Biotechnology

**Summary** This company is a global research-based pharmaceuticals business that emerged as a separate entity following its spin-off from Abbott Laboratories at the start of 2013. AbbVie's key drug is Humira for rheumatoid arthritis.

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$71.60– 45.45</b>	S&P Oper. EPS 2016E	<b>4.76</b>	Market Capitalization(B)	<b>\$96.540</b>	Beta	<b>1.66</b>
Trailing 12-Month EPS	<b>\$3.33</b>	S&P Oper. EPS 2017E	<b>5.93</b>	Yield (%)	<b>3.82</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>17</b>
Trailing 12-Month P/E	<b>17.9</b>	P/E on S&P Oper. EPS 2016E	<b>12.5</b>	Dividend Rate/Share	<b>\$2.28</b>	S&P Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>1,617.4</b>	Institutional Ownership (%)	<b>70</b>		

**Price Performance**



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

Analysis prepared by Equity Analyst **Jeffrey Loo, CFA** on May 09, 2016 10:02 AM, when the stock traded at **\$62.54**.

**Highlights**

- ▶ In April, ABBV agreed to acquire Stemcentrx, a development stage oncology firm, for \$5.8 billion plus \$4 billion in earnouts. Stemcentrx has five compounds in trials, with lead drug, Rovato, in Phase II to treat small cell lung cancer. This follows the May 2015, \$21 billion acquisition of Pharmacyclics whose Imbruvica is approved to treat three types of blood cancers. We see Imbruvica sales of \$1.3 billion in 2016 and \$5 billion in 2020, but we note Imbruvica is co-promoted with Johnson & Johnson (JNJ 114 Buy). This deal gives ABBV an experienced sales force for its own blood cancer drug, Venetoclax, which received FDA approval in April.
- ▶ We see 2016 sales growing 11.8% to \$25.5 billion on robust sales of Humira of about \$15.7 billion, aided by greater penetration of emerging markets, up from \$14.0 billion and see Viekira Pak sales increasing modestly to about \$1.8 billion, after reaching \$1.64 billion in 2015, following a FDA warning in October 2015 regarding liver failure or death with some patients taking Viekira. Also, Merck's Zepatier, a once-daily single tablet, was approved in January 2016.
- ▶ We see 2016 EPS of \$4.76.

**Investment Rationale/Risk**

- ▶ We believe the shares are attractively valued trading at 12.6X our forward 12-months EPS estimate of \$4.98, well below peers. ABBV outlined its long-term objectives and sees sales rising to \$37 billion in 2020 with double digit EPS growth through 2020. ABBV plans to launch more than 20 new products or indications through 2020. ABBV believes its pipeline has the potential to deliver about \$30 billion in nominal peak-year sales and operating margin could reach over 50% in 2020. We believe these goals are impressive, but aggressive, particularly its new product launches. Although Humira's patent expires in Dec. 2016 ABBV is confident that all of their 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 In January 2016, the FDA accepted for review Amgen's application for a biosimilar of Humira.
- ▶ Risks to our recommendation and target price include pipeline failures.
- ▶ Our 12-month target is \$84 based on in-line to peers 17X our forward 12-months EPS estimate.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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ABBV is also heavily reliant on one drug -- Humira -- which currently accounts for about 55% of sales. But recently approved Hepatitis C drug, Viekira Pak, should help diversify sales.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2016	5,958	--	--	--	--
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
2012	4,173	4,493	4,508	5,206	18,380
2011	--	--	--	--	17,639

**Earnings Per Share (\$)**

	1Q	2Q	3Q	4Q	Year
2016	0.83	E1.19	E1.14	E1.28	E4.76
2015	0.63	0.83	0.74	0.92	3.13
2014	0.61	0.68	0.31	-0.51	1.10
2013	0.60	0.66	0.60	0.70	2.56
2012	0.56	0.80	1.01	0.98	3.35
2011	--	--	--	--	2.03

Fiscal year ended Dec. 31. Next earnings report expected: Late July. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.510	Jun 18	Jul 13	Jul 15	Aug 14 '15
0.510	Sep 11	Oct 13	Oct 15	Nov 16 '15
0.570	Oct 30	Jan 13	Jan 15	Feb 16 '16
0.570	Feb 18	Apr 13	Apr 15	May 16 '16

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.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# AbbVie Inc

## Business Summary May 09, 2016

**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.

AbbVie's key product is Humira, an injectable biologic TNF (tumor necrosis factor) blocker treatment for rheumatoid arthritis (RA) and similar conditions, with sales of \$10.59 billion in 2013, up from \$9.3 billion in 2012 and \$7.9 billion in 2011. 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 is expected to expire 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).

Dyslipidemia products comprise treatments for high cholesterol and/or high triglycerides such as Tricor and Trilipix fibric acid derivatives fell 72.4% in 2013 to \$303 million from \$1.1 billion in 2012 as it went off-patent in late 2012, Niaspan extended release niacin fell 28.7% to \$650 million in 2013 from \$911 million. Metabolic/hormonal products include Synthroid treatment for hypothyroidism rose 12.9% to \$622 million from \$551 million, and AndroGel testosterone replacement fell 13.8% to \$1.035 billion from \$1.2 billion. Virology products comprise primarily Kaletra and Norvir HIV treatments fell 4.2% to \$962 million while Lupron for prostate cancer was flat at \$785 million. ABBV's key endocrinology drug, Synagis for respiratory syncytial virus is marketed outside of the U.S. was flat at \$827 million.

**CORPORATE STRATEGY.** AbbVie's strategic objectives include expanding Humira's sales through greater penetration of emerging markets, increased emphasis on earlier diagnosis of autoimmune patients, and new indications. ABBV also plans to launch five significant new products over the 2013-2016 time frame.

**PIPELINE.** 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, and Parkinson's and Alzheimer's diseases. In December 2014, the FDA approved Viekira Pak, to treat hepatitis C. Key planned launches include a levodopa-carbidopa intestinal gel (LCIG) in the U.S. for advanced Parkinson's disease; elotuzumab, a humanized monoclonal antibody for the treatment of multiple myeloma; daclizumab, a monoclonal antibody for the treatment of multiple sclerosis; ABT-199, a next-generation bcl-2 inhibitor in development for chronic lymphocytic leukemia; and new indications for Humira.

Key Phase III clinical programs include atrasentan for diabetic kidney disease and ABT-199 in chronic lymphocytic leukemia (CLL). Other important programs are planned Phase IIB starts for: elagolix in uterine fibroids; work on a partnered JAK1 inhibitor for rheumatoid arthritis (RA); BT-061 for RA; and ABT-719 for acute kidney injury associated with major cardiac and other surgeries. ABBV also intends to present clinical data on key development programs, including its rapidly advancing HCV program, oncology, renal disease, immunology and Alzheimer's disease.

**MARKET PROFILE.** The dollar value of the global drug market is projected to grow at a CAGR (compound annual growth rate) of 3%-6% over the 2012-2016 period, according to forecasts made by IMS Health. The key driver should be emerging markets, whose aggregate sales (17 countries) should advance at a CAGR of 12%-15% over the same period. Growth in developing markets is being spurred by rising standards of living and growing government spending on health care. However, IMS forecasts declining trends in Europe, with combined drug spending for five major European markets projected to decline at a CAGR of 1%-2% over 2012-2016. On the other hand, spending in the U.S. was forecast to grow at a CAGR of 1%-4% over the same period.

## Corporate Information

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**Website**  
<http://www.abbvie.com>

### Officers

**Chrmn & CEO**  
R.A. Gonzalez

**EVP & CSO**  
M.E. Severino

**COO**  
A. Saleki-Gerhardt

**EVP, Secy & General Counsel**  
L.J. Schumacher

**EVP & CFO**  
W.J. Chase

### Board Members

R. J. Alpern  
W. H. Burnside  
B. J. Hart  
E. J. Rapp  
F. H. Waddell

R. S. Austin  
R. A. Gonzalez  
E. M. Liddy  
G. F. Tilton

**Domicile**  
Delaware

**Founded**  
2012

**Employees**  
28,000

**Stockholders**  
53,653

# AbbVie Inc

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	5-	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

<b>Fair Value Calculation</b>	<b>\$110.20</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that ABBV is Undervalued by \$50.51 or 84.6%.
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<b>Investability Quotient Percentile</b>	<b>66</b>	LOWEST = 1 HIGHEST = 100
		ABBV scored higher than 66% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>
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<b>Technical Evaluation</b>	<b>BULLISH</b>	Since April, 2016, the technical indicators for ABBV have been BULLISH.
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<b>Insider Activity</b>	<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>
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For further clarification on the terms used in this report, please visit [www.spcapitaliq.com/stockreportguide](http://www.spcapitaliq.com/stockreportguide)

## Expanded Ratio Analysis

	2015	2014	2013	2012
Price/Sales	4.24	5.28	4.51	2.97
Price/EBITDA	10.24	15.71	11.80	7.05
Price/Pretax Income	14.59	44.47	15.89	9.55
P/E Ratio	18.85	59.39	20.52	10.36
Avg. Diluted Shares Outstg (M)	1,637.0	1,610.0	1,604.0	1,600.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	14.52	7.41	6.77	NA
Net Income	NM	-8.79	-2.86	NA

## Ratio Analysis (Annual Avg.)

	2015	2014	2013	2012
Net Margin (%)	22.50	17.79	20.09	NA
% LT Debt to Capitalization	83.04	74.59	78.36	NA
Return on Equity (%)	179.99	113.68	102.19	NA

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tangible Book Value	NM	NM	NM	NM	NM	NA	NA	NA	NA	NA
Cash Flow	3.65	1.59	3.13	4.07	NA	NA	NA	NA	NA	NA
Earnings	3.13	1.10	2.56	3.35	2.03	NA	NA	NA	NA	NA
S&P Capital IQ Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dividends	2.02	1.66	1.60	Nil	NA	NA	NA	NA	NA	NA
Payout Ratio	65%	151%	63%	Nil	NA	NA	NA	NA	NA	NA
Prices:High	71.60	70.76	54.78	37.07	NA	NA	NA	NA	NA	NA
Prices:Low	45.45	45.50	33.33	32.51	NA	NA	NA	NA	NA	NA
P/E Ratio:High	23	64	21	11	NA	NA	NA	NA	NA	NA
P/E Ratio:Low	15	41	13	10	NA	NA	NA	NA	NA	NA

## Income Statement Analysis (Million \$)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue	22,859	19,960	18,790	18,380	17,639	15,638	14,214	NA	NA	NA
Operating Income	9,466	6,708	7,181	7,758	NA	6,361	5,826	NA	NA	NA
Depreciation	836	786	897	1,150	NA	1,184	697	NA	NA	NA
Interest Expense	719	429	299	104	292	NA	NA	NA	NA	NA
Pretax Income	6,645	2,369	5,332	5,725	3,367	4,836	5,950	NA	NA	NA
Effective Tax Rate	22.6%	25.1%	22.6%	7.86%	3.70%	13.6%	22.1%	NA	NA	NA
Net Income	5,144	1,774	4,128	5,275	3,243	4,178	4,637	NA	NA	NA
S&P Capital IQ Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

## Balance Sheet & Other Financial Data (Million \$)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash	8,416	8,374	9,895	7,976	7,200	NA	NA	NA	NA	NA
Current Assets	16,314	16,088	17,848	15,354	13,546	NA	NA	NA	NA	NA
Total Assets	53,050	27,547	29,198	27,008	25,948	NA	NA	NA	NA	NA
Current Liabilities	10,894	11,400	6,879	6,776	6,368	NA	NA	NA	NA	NA
Long Term Debt	29,240	10,565	14,292	14,630	14,700	NA	NA	NA	NA	NA
Common Equity	3,945	1,742	4,492	3,363	2,230	NA	NA	NA	NA	NA
Total Capital	35,210	16,328	18,802	18,015	16,930	NA	NA	NA	NA	NA
Capital Expenditures	532	612	491	333	NA	NA	NA	NA	NA	NA
Cash Flow	5,980	2,560	5,025	6,425	NA	NA	NA	NA	NA	NA
Current Ratio	1.5	1.4	2.6	2.3	2.1	NA	NA	NA	NA	NA
% Long Term Debt of Capitalization	83.0	64.7	76.0	81.2	86.8	NA	NA	NA	NA	NA
% Net Income of Revenue	22.5	8.9	22.0	28.7	NA	NA	NA	NA	NA	NA
% Return on Assets	12.8	6.3	14.7	22.6	NA	NA	NA	NA	NA	NA
% Return on Equity	180.0	56.6	104.4	67.7	NA	NA	NA	NA	NA	NA

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# AbbVie Inc

## Sub-Industry Outlook

Our positive fundamental outlook for the biotechnology sub-industry for the next 12 months reflects favorable prospects for new and novel therapies to reach commercialization. We are encouraged by what we view as a strong period for the reporting of late-stage clinical results, and a more accommodating U.S. FDA for approvals. In 2015, the FDA approved 45 new drugs up from 41 in 2014 and 27 in 2013, the most since a record 53 were approved in 1996. We think many of these newly approved drugs have significant commercial prospects and represent major advances in therapeutic areas such as cystic fibrosis, hepatitis C, multiple sclerosis and cancer. We expect wider adoption of biomarker research and genetic-targeted clinical studies to help bolster long-term R&D pipeline productivity. In late 2012, the FDA introduced "breakthrough therapy" designations, intended to speed development of promising programs.

We expect a favorable mergers and acquisitions (M&A) climate, as large pharmaceutical firms move to offset lost revenues from expiring drug patents and large biotechs bolster their drug pipelines amid maturing products. We note an uptick in M&A speculation and announced deals recently. We also see large cap biotechs generating cash flows supporting larger scale acquisitions of their own. In 2011, industry bellwether Amgen became the first biotech company to initiate a regular dividend. Gilead Sciences began dividend payments in 2015.

The 2010 health care reform law established the FDA's authorization to govern "biosimilar" drug approvals and set a 12-year exclusivity to branded drugmakers. We see biosimilars advancing at a slower rate than initially anticipated. In March 2015, the FDA approved Novartis' biosimilar of Amgen's Neupogen. Also in August 2015, Celltrion

(co-marketed with Pfizer) filed for approval of its biosimilar (Inflectra) of Johnson and Johnson's Remicade. In February 2016, a FDA panel voted 21-3 to recommend approval of Inflectra. Once marketed, we expect biosimilars to sell at more modest price discounts than generics in the pharmaceutical industry due to higher clinical, manufacturing and marketing costs, and we expect branded drugs to retain significant market share due to a lack of interchangeability among these options.

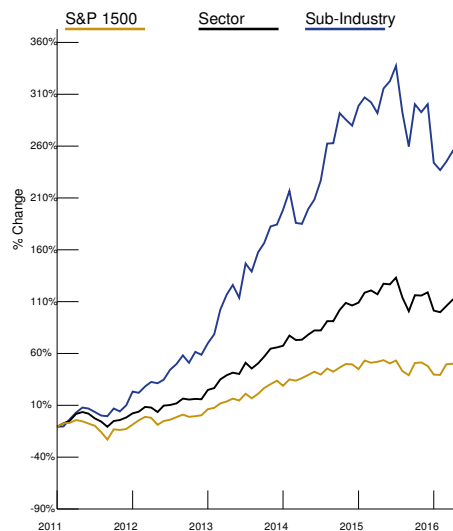
We recommend that investors concentrate core holdings in established, profitable companies, as smaller biotechs tend to be more volatile. We would seek companies with at least two years of operating capital and multiple pipeline drivers, as those with smaller pipelines typically suffer significant share price declines on an unfavorable outcome. In 2015, the S&P Biotech Index rose 5.3% vs. a 1.0% decline for the S&P 1500. In 2014, the S&P biotech index rose 32.3%, vs. a 10.9% gain for the S&P 1500 Index. Year-to-date through March 24, the S&P Biotech Index declined 14.3%, vs. a 0.3% decline for the S&P 1500 Index.

--Jeffrey Loo, CFA

## Industry Performance

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

Based on S&P 1500 Indexes  
Five-Year market price performance through May 21, 2016



**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.

## Sub-Industry : Biotechnology Peer Group\*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>AbbVie Inc</b>	<b>ABBV</b>	<b>96,540</b>	<b>59.69</b>	<b>71.60/45.45</b>	<b>1.66</b>	<b>3.8</b>	<b>18</b>	<b>110.20</b>	<b>NR</b>	<b>66</b>	<b>22.5</b>	<b>83.0</b>
ACADIA Pharmaceuticals	ACAD	3,852	34.04	51.99/16.64	NM	Nil	NM	NA	C	72	NM	NA
Alnylam Pharmaceuticals	ALNY	4,692	55.11	140.00/49.96	NA	Nil	NM	NA	C	72	NM	NA
Anacor Pharmaceuticals	ANAC	4,521	99.66	156.93/52.00	1.40	Nil	NM	NA	NR	72	NM	54.0
Baxalta Inc	BXLT	30,370	44.43	44.65/29.83	NA	0.6	36	NA	NR	94	15.1	55.8
China Biologic Products	CBPO	3,023	113.75	144.29/80.60	1.56	Nil	34	NA	NR	77	30.0	NA
Galapagos NV ADS	GLPG	2,477	54.03	65.70/37.03	NA	Nil	NM	NA	NR	64	NA	NA
Grifols SA ADR	GRFS	10,145	14.84	18.04/14.07	0.93	1.8	17	NA	NR	13	13.5	58.2
Intercept Pharmaceuticals	ICPT	3,303	134.28	285.00/89.76	NM	Nil	NM	NA	NR	70	NM	NA
Intrexon Corp	XON	3,079	28.05	69.45/18.52	NA	Nil	NM	NA	NR	38	NM	1.1
Juno Therapeutics	JUNO	3,964	40.76	69.28/22.37	NA	Nil	NM	NA	NR	76	NM	NA
Medivation Inc	MDVN	9,967	60.56	66.40/26.41	1.02	Nil	41	72.50	B-	80	25.9	NA
Opko Health	OPK	4,704	10.15	19.20/7.12	1.03	Nil	68	NA	C	37	NM	5.9
Seattle Genetics	SGEN	4,866	38.82	52.33/26.02	1.38	Nil	NM	NA	C	70	NM	NA
Ultragenyx Pharmaceutical	RARE	2,498	64.01	137.05/49.00	NA	Nil	NM	NA	NR	70	NA	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**AbbVie Inc****S&P Capital IQ Analyst Research Notes and other Company News****April 28, 2016**

02:08 pm ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ABBVIE (ABBV 61.38\*\*\*\*): We keep our 12-month target at \$84 on in-line to peers 17x our forward 12-months EPS estimate of \$4.98. Q1 EPS of \$1.15 vs. \$0.94 was \$0.01 above our estimate. Sales grew 18.2% with a 14.9% rise in Humira sales. ABBV agrees to acquire Stemcentrx a development stage oncology firm for \$5.8B upfront and \$4B in earnouts. Stemcentrx has 5 compounds in trials, with lead drug, Rova-T, in Phase II to treat small cell lung cancer. ABBV revises its 2016 EPS guidance to \$4.62-\$4.82 to account for Stemcentrx deal, expected to be \$0.20 dilutive. We lower our 2016 EPS estimate \$0.27 to \$4.76. /Jeffrey Loo, CFA

**January 29, 2016**

10:17 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ABBVIE INC. (ABBV 54.61\*\*\*\*): We keep our 12-month target at \$84 on in-line to peers 16.7X PE on revised '16 EPS estimate of \$5.03, up from \$4.98, but below peers 0.9X PEG. Q4 EPS of \$1.13 vs. \$0.89 is \$0.01 ahead of our estimate. We set '17 EPS at \$5.93. Sales rose 18.4% on strong Humira, Imbruvica and Viekira sales. Imbruvica sales were \$343M and we see ABBV's share of Imbruvica sales reaching \$1.3B in 2016. Viekira sales were \$554M, but Merck (MRK 51 \*\*\*) received approval for its hepatitis C drug, Zepatier, and priced it at \$54,600, much lower than Viekira, which we believe may pressure sales in 2016. /Jeffrey Loo, CFA

**January 29, 2016**

09:30 am ET ... S&P CAPITAL IQ KEEP HOLD OPINION ON SHARES OF MERCK (MRK 49.20\*\*\*\*): MRK received FDA approval for its combination (grazoprevir and elbasvir) hepatitis C drug, Zepatier, a once-daily tablet. MRK priced Zepatier at \$54,600 for a 12-week regimen, well below Gilead Sciences' (GILD 88 \*\*\*\*\*) Harvoni, priced at \$94,500 and AbbVie's (ABBV 56 \*\*\*\*\*) priced at \$83,000. We believe Zepatier's price may improve patient access to treatment, particularly in the public segment. Zepatier has a cure rate of 94%, but we see GILD maintaining a dominant market share as Zepatier's label requires liver monitoring and recommends screening for mutations in the virus. /Jeffrey Loo, CFA

**October 30, 2015**

10:29 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ABBVIE (ABBV 59.70\*\*\*\*): We raise our 12-month target \$6 to \$84 on in-line to peers 18X our forward 12-months EPS estimate of \$4.70. Q3 EPS of \$1.13 vs. \$0.89 is \$0.05 ahead of our estimate. We raise our 2015 EPS estimate \$0.07 to \$4.27. Sales grew 18% with strong Humira and Imbruvica sales, but Viekira sales were below our forecast. We see modest sales of Viekira due to recent FDA warning and more competition in 2016. ABBV provided long term objectives with sales reaching \$37B by 2020, with Humira and Imbruvica sales of \$18B and \$5B. It plans to launch 20 new products or indications by 2020. /Jeffrey Loo, CFA

**July 27, 2015**

11:30 am ET ... S&P CAPITAL IQ ADDS ABBVIE TO ITS TOTAL RETURN PORTFOLIO (ABBV 69.11\*\*\*\*): Since being spun-off from Abbott Labs in '13, ABBV has experienced strong growth, aided by acquisitions and an expanded drug portfolio. Excluding forex, last week ABBV reported Q2 revenues rose 19%, driven by 16% growth in Humira. ABBV sees international growth improving in the 2H of '15. ABBV, which raised its dividend in Feb '15, now sports a 3.0% dividend yield. ABBV replaces Lexmark Intl (LXK 33 \*\*\*) in our Total Return portfolio. /Todd Rosenbluth

**July 24, 2015**

10:30 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF ABBVIE (ABBV 68.55\*\*\*\*): We cut our 12-month target \$2 to \$76, applying a peer based P/E of 18X to our 2015 EPS estimate of \$4.20, down from \$4.30. Q2 adjusted EPS of \$1.08 vs. \$0.82 is \$0.03 above our estimate. Excluding forex, revenues rose 19%, below Cap IQ consensus, on 16% growth in Humira. ABBV keeps 8%-9% international growth target for Humira in '15 despite only 3.6% growth in Q2 due to a shift in shipment timing. Viekira sales of \$385 million missed consensus and ABBV target on weaker than expected U.S. performance due to weak patient volumes and Veterans Administration funding difficulties. /Jeffrey Loo, CFA, /J. Agnese

**April 23, 2015**

12:11 pm ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF ABBVIE (ABBV 63.575\*\*\*\*): We keep our 12-month target at \$78 on in-line to peers 18X our '15 EPS est. Q1 EPS of \$0.94 vs. \$0.71 is \$0.07 ahead of our estimate.

Sales, with adverse 7.3% forex, rose 10.5% on robust Humira sales, up 18%. But Viekira had a modest launch with sales of \$231M. ABBV stated prescription tracking data is understating prescriptions and said int'l launch is progressing well and talks with gov't payers are advancing rapidly, which should lead to faster sales. ABBV still sees Viekira at \$3B annualized run-rate by end of '15 as many of its US contracts have start dates in April and May. /Jeffrey Loo, CFA

**March 5, 2015**

11:23 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV 58.66\*\*\*\*): ABBV will acquire Pharmacyclics (PCYC 255, NR) for \$261.25/sh or \$21B. PCYC's Imbruvica is approved for 3 blood cancers and had sales of \$548M in '14. We see sales of \$1B in 2015 and up to \$4B in 2020, but we note Imbruvica is co-promoted with Johnson & Johnson (JNJ 103 \*\*\*\*). ABBV sees peak sales for Imbruvica at over \$7B, but Imbruvica needs approval for more indications to reach that level. This deal gives ABBV a presence in blood cancers and provides an experienced sales force as ABBV has its own blood cancer drug, ABT 199 that we think it can file an NDA later this year. /Jeffrey Loo, CFA

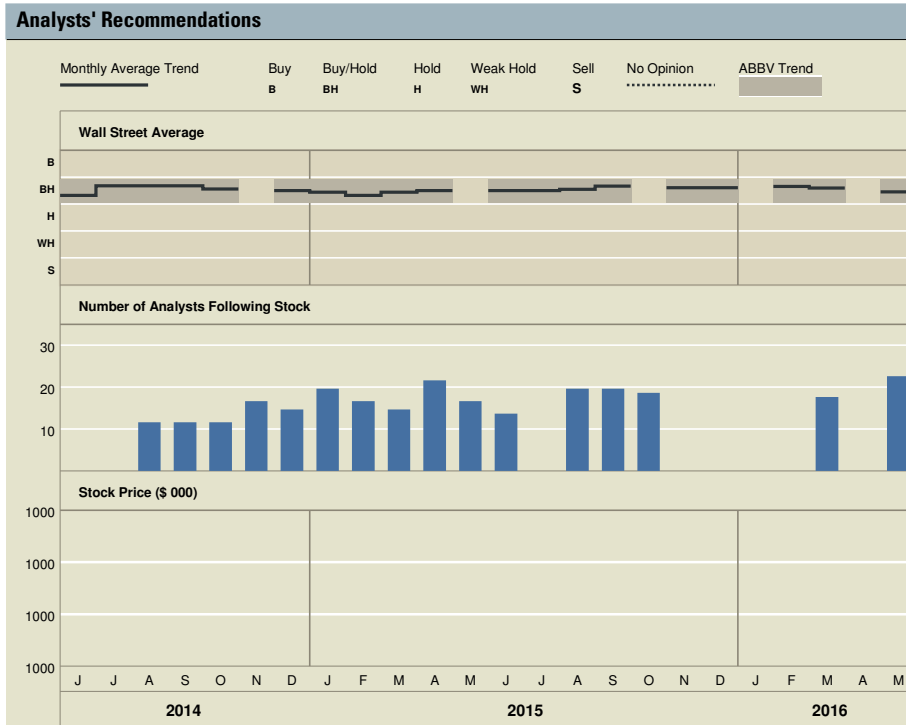
**January 30, 2015**

02:30 pm ET ... CORRECTION S&P CAPITAL IQ RAISES OPINION ON SHARES OF ABBVIE TO BUY FROM HOLD (ABBV 60.88\*\*\*\*): We keep our 12-month target at \$78 on an in-line with peers 17.9X our '15 EPS estimate of \$4.36. We think the shares, now trading at 13.8X our '15 estimate due to recent decline, are attractively valued. Q4 EPS of \$0.89, vs. \$0.82, is \$0.04 ahead of our estimate. Sales grew 5.1% and gross margin expanded 410 basis points. ABBV forecasts Viekira sales will achieve an annualized run rate of more than \$3B by the end of 2015 (prior version said ABBV forecasts \$3B in 2015) and has access to 40% of insured patients. We think Gilead will maintain dominant market share in hepatitis C. /Jeffrey Loo, CFA

**January 30, 2015**

11:22 am ET ... S&P CAPITAL IQ RAISES OPINION ON SHARES OF ABBVIE TO BUY FROM HOLD (ABBV 60.535\*\*\*\*): We keep our 12-month target at \$78 on an in-line with peers 17.9X our '15 EPS estimate of \$4.36. We think the shares, now trading at 13.8X our '15 estimate due to recent decline, are attractively valued. Q4 EPS of \$0.89, vs. \$0.82, is \$0.04 ahead of our estimate. Sales grew 5.1% and gross margin expanded 410 basis points. ABBV forecasts \$3B in '15 sales for recently launched Viekira for Hepatitis C and estimates it has access to 40% of insured patients. But we think \$3B in sales is aggressive and we see about \$2.4B-\$2.5B as we expect Gilead to maintain dominant market share. /Jeffrey Loo, CFA

# AbbVie Inc



### Wall Street Consensus Opinion

**BUY/HOLD**

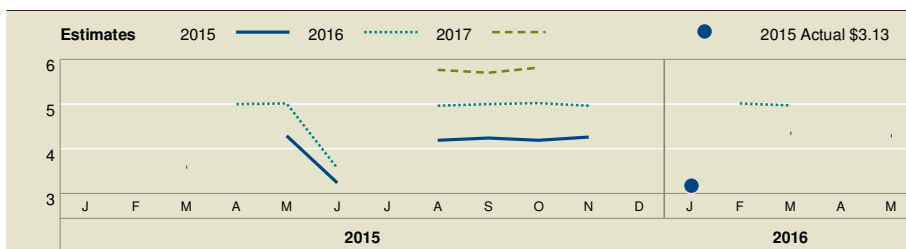
### Companies Offering Coverage

- Argus Research Company
- Atlantic Equities LLP
- BMO Capital Markets Equity Research
- Barclays
- BofA Merrill Lynch
- Citigroup Inc
- Cowen and Company
- Credit Suisse
- Deutsche Bank
- Erste Group Bank AG
- Evercore ISI
- Goldman Sachs
- Guggenheim Securities, LLC
- JMP Securities
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- Piper Jaffray Companies
- Societe Generale Cross Asset Research
- SunTrust Robinson Humphrey, Inc.
- UBS Investment Bank
- William Blair & Company L.L.C.

Of the total 23 companies following ABBV, 23 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	35	0	8
Buy/Hold	6	26	0	7
Hold	7	30	0	5
Weak Hold	1	4	0	0
Sell	0	0	0	0
No Opinion	1	4	0	1
<b>Total</b>	<b>23</b>	<b>100</b>	<b>0</b>	<b>21</b>

### Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2017	5.67	5.99	5.35	22	10.5
2016	4.77	4.99	4.65	20	12.5
<b>2017 vs. 2016</b>	<b>▲ 19%</b>	<b>▲ 20%</b>	<b>▲ 15%</b>	<b>▲ 10%</b>	<b>▼ -16%</b>
Q2'17	1.38	1.39	1.36	15	43.3
Q2'16	1.20	1.27	1.16	15	49.7
<b>Q2'17 vs. Q2'16</b>	<b>▲ 15%</b>	<b>▲ 9%</b>	<b>▲ 17%</b>	<b>0%</b>	<b>▼ -13%</b>

### Wall Street Consensus vs. Performance

For fiscal year 2016, analysts estimate that ABBV will earn US\$ 4.77. For the 1st quarter of fiscal year 2016, ABBV announced earnings per share of US\$ 0.83, representing 17% of the total annual estimate. For fiscal year 2017, analysts estimate that ABBV's earnings per share will grow by 19% to US\$ 5.67.

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ 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.

## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, 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, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ 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 Capital IQ 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 Capital IQ'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	

### S&P Capital IQ EPS Estimates

S&P Capital IQ 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, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. 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.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ 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 S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as S&P Capital IQ; Standard & Poor's Equity Research Services Asia includes: McGraw-Hill Financial Singapore Pte. Limited, Standard & Poor's Investment Advisory Services (HK) Limited, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

### Abbreviations Used in S&P Capital IQ 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 and 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).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ 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 S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P 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 wide 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 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 wide 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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S&P Capital IQ's quantitative recommendations 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.

### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of March 31, 2016

Ranking	North America	Europe	Asia	Global
Buy	30.1%	40.6%	37.8%	33.6%
Hold	50.6%	32.8%	48.7%	46.2%
Sell	19.3%	26.6%	13.5%	20.2%
Total	100%	100%	100%	100%

### Quantitative Stock Reports:

The rankings for Quantitative reports have a fixed distribution based on relative weightings as described in the Glossary section of the report.

### Analyst Certification

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