

AbbVie Inc

S&P Capital IQ Recommendation



S&P Capital IQ Equity Analyst Jeffrey Loo, CFA

Price

\$53.90 (as of Aug 15, 2014 4:00 PM ET)

12-Mo. Target Price

\$58.00

Report Currency

USD

Investment Style

Large-Cap Growth

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

GICS Sector Health Care
Sub-Industry Pharmaceuticals

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	\$58.27– 42.25	S&P Oper. EPS 2014E	3.16	Market Capitalization(B)	\$85.793	Beta	NA
Trailing 12-Month EPS	\$2.58	S&P Oper. EPS 2015E	3.87	Yield (%)	3.12	S&P 3-Yr. Proj. EPS CAGR(%)	13
Trailing 12-Month P/E	20.9	P/E on S&P Oper. EPS 2014E	17.1	Dividend Rate/Share	\$1.68	S&P Quality Ranking	NR
\$10K Invested 5 Yrs Ago	NA	Common Shares Outstg. (M)	1,591.7	Institutional Ownership (%)	NA		

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 Jun 23, 2014 12:14 PM, when the stock traded at **\$54.00**.

Highlights

- In June, ABBV disclosed it made three unsuccessful offers to acquire Ireland-based Shire PLC (SHPG NR), with its last offer valued at GBP46.26 (\$78.87/share) or GBP27.2 billion (\$46.35 bilion). The offers were rejected by SHPG but we think ABBV may increase its bid. Under UK takeover laws, ABBV has until July 18 to make a firm bid or it must wait another six months. We think a deal makes sense for ABBV as it will benefit from lower taxes, its patent for Humira expires in 2016 and its potential Hepatitis C drug faces stiff competition.
- We expect 2014 sales to grow 3% to \$19.37 billion largely reflecting robust sales of Humira for rheumatoid arthritis, helped by higher prices and greater penetration of emerging markets. We expect Humira sales to increase 13% to \$12 billion. We also see higher sales for Synthroid thyroid treatment, Creon pancreatic enzyme and Synagis respiratory therapy. In April, ABBV filed an NDA for its interferon-free, all oral hepatitis C (HCV) compound and the FDA has granted the compound with the breakthrough therapy designation.
- We see 2014 EPS of \$3.16.

Investment Rationale/Risk

- Although we view the 90%+ efficacy rate of its HCV compound positively, and expect FDA approval later this year, we think Gilead Science's (GILD 81 Strong Buy) recently approved Sovaldi, will capture the majority of the market share. Also GILD has already filed a NDA for its fixed dose combination HCV compound in February, ahead of ABBV's April filing. ABBV is unique among its peers in that about 55% of its sales are derived from one product -- Humira. But we think the absence of a generic biologic approval process at the FDA contributes to a high entry barrier against generics. We also think a successful Shire acquisition will significantly diversify its product offering.
- Risks to our recommendation and target price include possible sooner-than-expected generic competition for ABBV drugs, and failure to successfully deliver on ABBV's R&D pipeline.
- Our 12-month target price of \$58 applies a premium-to-peers multiple of 18.4X to our 2014 EPS estimate, which we believe is warranted by its strong pipeline prospects.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects common challenges to branded drugs, including competition from generics, pricing restraints, and R&D related risks. ABBV is also heavily reliant on one drug -- Humira -- which currently accounts for about 55% of sales. Most of Abbvie's older cholesterol and HIV drugs are now off patent. On the plus side, we think ABBV's R&D pipeline, which includes new treatments for hepatitis C, cancer and other conditions, augurs well for the long term.

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2014	4,563	4,926	--	--	--
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
2010	--	--	--	--	15,638
2009	--	--	--	--	14,214

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2014	0.61	0.68	E0.77	E0.87	E3.16
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
2010	--	--	--	--	--
2009	--	--	--	--	--

Fiscal year ended Dec. 31. Next earnings report expected: Late October. 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
0.400	Sep 19	Oct 10	Oct 15	Nov 15 '13
0.400	Dec 12	Jan 13	Jan 15	Feb 14 '14
0.420	Feb 20	Apr 11	Apr 15	May 15 '14
0.420	Jun 19	Jul 11	Jul 15	Aug 15 '14

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** June 23, 2014

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. Key planned launches include an interferon-free regimen for the treatment of HCV; 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.

FINANCIAL TRENDS. As of December 31, 2013, ABBV had cash and investments of about \$9.9 billion, and long-term debt of \$14.3 billion. We expect ABBV to use its financial resources for disciplined and targeted licensing deals and acquisitions, as well as for share repurchases.

Corporate Information**Office**

1 North Waukegan Road, North Chicago, IL 60064.

Telephone

847-932-7900.

Website<http://www.abbvie.com>**Officers****Chrmn & CEO**

R.A. Gonzalez

EVP & CSO

M. Severino

COO

A. Saleki-Gerhardt

Chief Acctg Officer & Cntrl

T.A. Hurwich

EVP & CFO

W.J. Chase

Board Members

R. J. Alpern

R. S. Austin

W. H. Burnside

R. A. Gonzalez

E. M. Liddy

E. J. Rapp

R. S. Roberts

G. F. Tilton

F. H. Waddell

Domicile

Delaware

Founded

2012

Employees

25,000

Stockholders

58,250

AbbVie Inc

Quantitative Evaluations

S&P Capital IQ Fair Value Rank	NR	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).

Fair Value Calculation NA

Investability Quotient Percentile		93
	LOWEST = 1	HIGHEST = 100

ABBV scored higher than 93% of all companies for which an S&P Capital IQ Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation NA

Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	4.51	2.97	Nil	Nil
Price/EBITDA	11.80	7.05	Nil	Nil
Price/Pretax Income	15.89	9.55	Nil	Nil
P/E Ratio	20.52	10.36	Nil	Nil
Avg. Diluted Shares Outstg (M)	1,604.0	1,600.0	1,585.0	1,585.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	2.23	6.10	NA	NA
Net Income	-21.74	4.61	NA	NA

Ratio Analysis (Annual Avg.)

	2013	2012	2011	2010
Net Margin (%)	21.97	23.02	25.68	NA
% LT Debt to Capitalization	76.01	81.35	NA	NA
Return on Equity (%)	104.44	NA	NA	NA

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	NM	NM	NM	NA						
Cash Flow	3.13	4.07	NA							
Earnings	2.56	3.35	2.03	NA						
S&P Capital IQ Core Earnings	2.58	3.37	2.80	2.64	NA	NA	NA	NA	NA	NA
Dividends	1.60	Nil	NA							
Payout Ratio	63%	Nil	NA							
Prices:High	54.78	37.07	NA							
Prices:Low	33.33	32.51	NA							
P/E Ratio:High	21	11	NA							
P/E Ratio:Low	13	10	NA							

Income Statement Analysis (Million \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	18,790	18,380	17,639	15,638	14,214	NA	NA	NA	NA	NA
Operating Income	7,181	7,758	NA	6,361	5,826	NA	NA	NA	NA	NA
Depreciation	897	1,150	NA	1,184	697	NA	NA	NA	NA	NA
Interest Expense	299	104	292	NA	NA	NA	NA	NA	NA	NA
Pretax Income	5,332	5,725	3,367	4,836	5,950	NA	NA	NA	NA	NA
Effective Tax Rate	22.6%	7.86%	3.70%	13.6%	22.1%	NA	NA	NA	NA	NA
Net Income	4,128	5,275	3,243	4,178	4,637	NA	NA	NA	NA	NA
S&P Capital IQ Core Earnings	4,135	5,389	4,432	4,182	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash	9,895	7,976	7,200	NA						
Current Assets	17,848	15,354	13,546	NA						
Total Assets	29,198	27,008	25,948	NA						
Current Liabilities	6,879	6,776	6,368	NA						
Long Term Debt	14,292	14,630	14,700	NA						
Common Equity	4,492	3,363	2,230	NA						
Total Capital	18,802	18,015	16,930	NA						
Capital Expenditures	491	333	NA	NA	NA	NA	NA	NA	NA	NA
Cash Flow	5,025	6,425	NA	NA	NA	NA	NA	NA	NA	NA
Current Ratio	2.6	2.3	2.1	NA						
% Long Term Debt of Capitalization	76.0	81.2	86.8	NA						
% Net Income of Revenue	22.0	28.7	NA	NA	NA	NA	NA	NA	NA	NA
% Return on Assets	14.7	22.6	NA	NA	NA	NA	NA	NA	NA	NA
% Return on Equity	104.4	67.7	NA	NA	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 fundamental outlook for the pharmaceuticals sub-industry for the next 12 months is neutral. Although the sector continues to face top-line pressure from patent expirations on many top-selling drugs, as well as from foreign exchange fluctuations, we believe overall industry profits should hold up relatively well, helped by expanding sales of new innovative drug therapies and margin improvements accruing from cost restructurings and merger synergies. EPS comparisons should also benefit from common share repurchases.

While we see recently implemented health care reform legislation continuing to negatively affect industry profitability, we see benefits accruing from significant expansion of the market stemming from new coverage provided to about 27 million currently uninsured Americans starting in 2014. We favor the shares of firms with well defined growth prospects and generous dividend yields, as we believe they should perform relatively well over the coming quarters.

Despite near-term effects from patent expirations and regulatory pressures on drug pricing, we still think long-term prospects for the industry remain favorable. Pharmaceuticals remains one of the widest-margin U.S. industries, with prospects enhanced by demographic growth in the elderly (which account for about 33% of industry sales) and new drugs stemming from discoveries in genomics and biotechnology. Although FDA approvals of new molecular entities in 2013 fell to 27 from 39 approvals in 2012, we see a pickup in new approvals in 2014.

Year to date through June 6, the S&P Pharmaceuticals Index rose 8.9%, versus a 5.3% gain in the S&P 1500 Composite Index. We expect prospects for the generic/specialty drug group to remain favorable. We see a large number of major

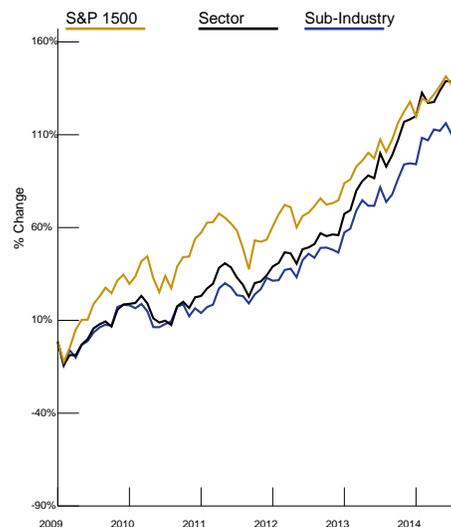
drugs losing patent protection over the next few years, providing significant opportunities for this group. We favor companies with rich generic pipelines, especially those with first-to-file generics with the potential for 180 days of marketing exclusivity, and competence in litigating complex patent issues.

--Jeffrey Loo, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Pharmaceuticals

Based on S&P 1500 Indexes
Five-Year market price performance through Aug 16, 2014



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 : Pharmaceuticals 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 (%)
AbbVie Inc	ABBV	85,793	53.90	58.27/42.25	NA	3.1	21	NA	NR	93	22.0	76.0
Bayer AG ADR	BAYRY	106,346	128.60	145.20/108.45	1.45	1.6	22	137.00	NR	77	7.9	16.9
Catalent Inc	CTLT	1,534	20.51	20.68/19.30	NA	Nil	NM	NA	NR	NA	NM	117.0
GW Pharmaceuticals ADS	GWPH	1,617	89.15	111.46/10.11	NA	Nil	NM	NA	NR	60	NA	NA
Hospira Inc	HSP	9,284	55.02	56.78/38.11	0.56	Nil	53	51.10	B-	88	NM	37.1
Impax Laboratories	IPXL	1,549	23.89	31.04/19.39	1.08	Nil	53	26.80	C	70	19.8	NA
Jazz Pharmaceuticals Plc	JAZZ	8,919	148.10	176.60/79.41	1.04	Nil	NM	157.70	NR	83	24.8	29.5
Mallinckrodt plc	MNK	4,197	71.66	83.20/41.67	NA	Nil	63	NA	NR	35	2.7	NA
Mylan Inc	MYL	17,275	46.45	57.52/34.46	1.13	Nil	32	62.50	A-	68	9.0	71.9
Nektar Therapeutics	NKTR	1,547	13.43	15.34/8.87	1.41	Nil	NM	NA	C	8	NM	356.2
Pacira Pharmaceuticals	PCRX	3,455	103.01	104.68/35.97	1.32	Nil	NM	NA	NR	61	NM	0.5
Prestige Brands Hldgs	PBH	1,806	34.75	36.69/24.94	1.83	Nil	27	31.80	NR	17	12.1	62.4
Relypsa Inc	RLYP	918	26.99	52.74/11.55	NA	Nil	NM	NA	NR	82	NA	10.1
Theravance Inc	THRX	2,557	22.70	42.85/21.01	1.55	Nil	NM	NA	C	40	NM	49.0
Zoetis Inc 'A'	ZTS	16,879	33.69	33.70/28.14	NA	0.9	32	NA	NR	95	11.1	79.1

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.

S&P Capital IQ Analyst Research Notes and other Company News

Agnese

July 25, 2014

10:11 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 53.96***): We keep our target price at \$58 and '14 EPS est. at \$3.16. Q2 adj. EPS of \$0.82 vs. \$0.82 is \$0.06 ahead of our est. Sales rose 5% on robust Humira sales, which grew 35.6% in the U.S. and 17.8% overseas, offsetting the declines in AndroGel and Kaletra. We are encouraged by ABBV's pipeline progression as it started a Phase III trial for ABT-888 for advanced breast cancer, an expected filing for Daclizumab and we expect approval for its hepatitis C drug in late 2014. ABBV plans to provide an update on its Shire deal later in the fall and sees the deal completed in Q4 2014. /Jeffrey Loo, CFA

July 25, 2014

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July 21, 2014

AbbVie Inc. announced that Susan Kilsby and Dominic Blakemore will join the New Board following the completion of merger agreement between the company and Shire plc.

July 18, 2014

08:57 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 53.52***): ABBV reached an agreement to buy Shire (SHPG NR) after its fifth bid, valued at \$53.6B consisting of GBP24.44 (\$41.78/share) in cash and 0.896 ABBV shares for each SHPG share. Shire shareholders will own 25% of new ABBV, which will re-incorporate in the UK. We see limited product synergies but the deal diversifies ABBV's product line and ABBV believes it can lower its tax rate to 13% by 2016 from its current rate of 22%. The combined company will have sales of about \$24B. ABBV agreed to a \$1.6B breakup fee should the deal fall apart. Separately, SHPG announced Q2 sales rose 22%. /Jeffrey Loo, CFA

July 14, 2014

11:07 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 54.42***): Shire (SHPG 254 NR) said it requested and received a revised proposal from ABBV over the weekend. The revised deal is valued at GBP53.20 (\$90.87/share), consisting of GBP24.44 (\$41.75/share) and 0.896 ABBV shares for each SHPG share for a total of \$53.6B. Shire shareholders would own 25% of ABBV, which will re-incorporate in the UK for tax savings. SHPG indicated to ABBV its board would be willing to recommend this proposal to shareholders. Although we see limited product synergies, we believe Shire's products, primarily for attention-deficit disorder, will help ABBV diversify. /Jeffrey Loo, CFA

July 8, 2014

09:29 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 57.40***): ABBV raises its offer for Shire plc (SHPG NR) 11% to GBP51.15 (\$87.60/share) or GBP30.1 billion (\$51.5 billion). The revised proposal, ABBV's 4th offer for Shire, consists of GBP22.44 in cash and 0.8568 ABBV shares for each Shire share. ABBV also indicated it met with major shareholders of Shire that collectively own the majority of Shire shares. But we think Shire will continue to resist ABBV's advances as it has launched its own defensive measures including investor presentations touting its ability to double its sales by 2020 as well as its own acquisition targets in mind. /Jeffrey Loo, CFA

June 25, 2014

11:29 am ET ... S&P CAPITAL IQ MAINTAINS HOLD RECOMMENDATION ON SHARES OF ABBVIE (ABBV 55.56***): Our 12-month target price remains \$58, applying a P/E of 18.4X, above peers, to our 2014 EPS estimate. ABBV is highlighting its strategic rationale and expectations for its proposed \$46 billion in cash and stock offer for Ireland-based Shire Plc following rejection of its 3rd offer for the company. We believe ABBV is taking this step in the hopes of engaging Shire management in discussions regarding its latest proposal. However, we believe Shire management will remain reluctant to enter into discussions and see an increased likelihood of ABBV pursuing a hostile offer. /Jeffrey Loo, CFA, /J.

June 23, 2014

11:16 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 54.185***): We raise our target price \$4 to \$58, on 18.4X our revised 2014 EPS estimate of \$3.16, up from \$3.10, a slight premium to peers. Following its disclosure last week that it has made offers to acquire Ireland-based Shire Plc, ABBV raised its 2014 EPS forecast to \$3.06-\$3.16 from \$3.00-\$3.10. This revised outlook excludes any potential sales from its Hepatitis C drug that is expected to be approved by the FDA later this year and is based on its view of strong performance year-to-date and expected continued positive trends. We also think ABBV may increase its bid for Shire. /Jeffrey Loo, CFA

June 20, 2014

10:01 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 53.69***): ABBV disclosed it made 3 unsuccessful offers to acquire Ireland-based Shire PLC (SHPG NR), in the latest proposed tax-inversion deal. ABBV's last offer valued SHPG at GBP46.26 (\$78.87/share) or GBP27.2 billion (\$46.35 billion) and was rejected by SHPG as inadequate as SHPG believes it can double sales by 2020. Under UK takeover laws, ABBV has until July 18 to make a firm bid or it must wait another 6 months. We think a deal makes sense for ABBV as it will benefit from lower taxes and as its patent for Humira expires in 2016, so we would not be surprised to see a higher bid. /Jeffrey Loo, CFA

June 2, 2014

08:13 am ET ... ABBVIE INC. (ABBV 54.33) UNCHANGED, UPDATE: MORGAN STANLEY REITERATES ON ABBVIE ON ENCOURAGING NEW DATA... In a report published Monday, Morgan Stanley analyst David Risinger reiterated an Overweight rating on Abbvie (NYSE: ABBV), but removed the \$60.00 price target. In the report, Morgan Stanley noted, "Abbvie announced very encouraging new data on cancer candidates at ASCO. Abbvie presented compelling data for ABT-199 (leukemia; 50/50 partnered with Roche) and ABT-414 (brain cancer). We continue to rate ABBV stock Overweight. ABT-199 demonstrated a highly compelling depth of response in CLL. ABT-199's complete response (CR) rate was 23% as a single agent and 36%...Acquire Media

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.

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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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Buy	35.4%	35.8%	41.9%	36.2%
Hold	52.3%	43.3%	54.3%	51.0%
Sell	12.3%	20.9%	3.8%	12.8%
Total	100%	100%	100%	100%

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