

# AbbVie Inc

**S&P Capital IQ Recommendation**

**HOLD** H H H H H

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

**Price**

\$64.00 (as of Nov 14, 2014 4:00 PM ET)

**12-Mo. Target Price**

\$70.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

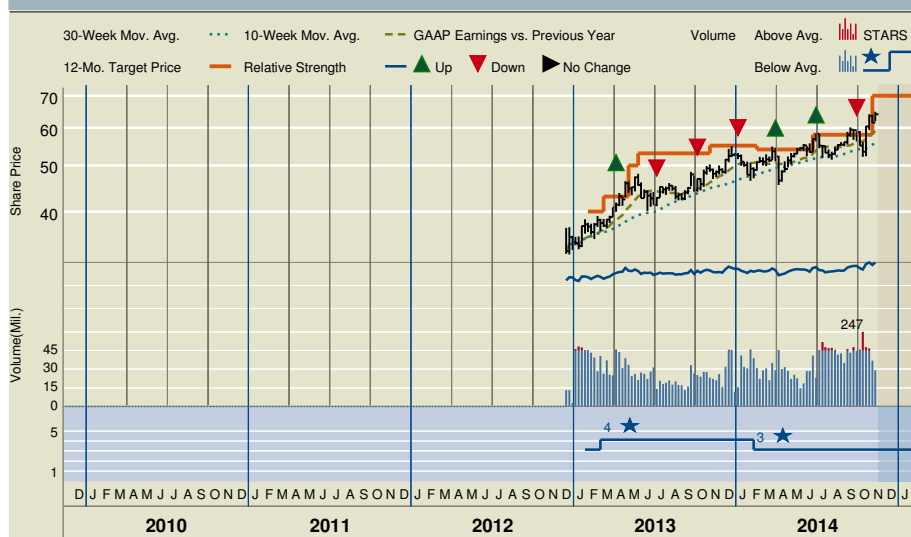
**GICS Sector** Health Care  
**Sub-Industry** Pharmaceuticals

**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	<b>\$64.79– 45.50</b>	S&P Oper. EPS 2014E	<b>3.26</b>	Market Capitalization(B)	<b>\$101.869</b>	Beta	<b>NA</b>
Trailing 12-Month EPS	<b>\$2.30</b>	S&P Oper. EPS 2015E	<b>4.08</b>	Yield (%)	<b>3.06</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>15</b>
Trailing 12-Month P/E	<b>27.8</b>	P/E on S&P Oper. EPS 2014E	<b>19.6</b>	Dividend Rate/Share	<b>\$1.96</b>	S&P Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>1,591.7</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** on Oct 15, 2014 03:42 PM, when the stock traded at **\$54.49**.

**Highlights**

• The 12-month target price for ABBV has recently been changed to \$70.00 from \$58.00. The Highlights section of this Stock Report will be updated accordingly.

**Investment Rationale/Risk**

• The Investment Rationale/Risk section of this Stock Report will be updated shortly. For the latest News story on ABBV from MarketScope, see below.

• 10/31/14 12:35 pm ET ... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF ABBVIE (ABBV 63.8301\*\*\*): We raise our '14 EPS estimate \$0.10 to \$3.26 and 12-mo. target \$12 to \$70 on an in-line to peers 18.5X our forward 12-mo. EPS estimate of \$3.77. Q3 adjusted EPS of \$0.89 vs. \$0.82 is \$0.12 ahead of our estimate. Sales rose 7.8% with Humira sales up 17.5%. We anticipate ABBV's Hepatitis C (HCV) combination drug to be approved in Q4 14 but believe Gilead Sciences' recently approved drug, Harvoni, will command a market leading position. Still we expect HCV to be a large growth driver in '15. ABBV ruled out any large tax inversion deal, but would be interested in rare disease deals. / Jeffrey Loo, CFA

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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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	5,019	--	--
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	0.31	E0.85	E3.26
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: Early February. 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
0.420	Feb 20	Apr 11	Apr 15	May 15 '14
0.420	Jun 19	Jul 11	Jul 15	Aug 15 '14
0.420	Sep 19	Oct 10	Oct 15	Nov 17 '14
0.490	Oct 20	Jan 13	Jan 15	Feb 13 '15

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 October 15, 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. In its first year following its spin-off from Abbott Laboratories at the start of 2013, ABBV generated sales of \$18.79 billion and adjusted EPS of \$3.14.

## 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  
W. H. Burnside  
E. M. Liddy  
R. S. Roberts  
F. H. Waddell

R. S. Austin  
R. A. Gonzalez  
E. J. Rapp  
G. F. Tilton

**Domicile**  
Delaware

**Founded**  
2012

**Employees**  
25,000

**Stockholders**  
58,250

# AbbVie Inc

Quantitative Evaluations						
<b>S&amp;P Capital IQ Fair Value Rank</b>	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).				
<b>Fair Value Calculation</b>	NA					
<b>Investability Quotient Percentile</b>		94				
		LOWEST = 1				HIGHEST = 100
		ABBV scored higher than 94% of all companies for which an S&P Capital IQ Report is available.				
<b>Volatility</b>		LOW	AVERAGE	HIGH		
<b>Technical Evaluation</b>	NA					
<b>Insider Activity</b>	NA	UNFAVORABLE	NEUTRAL	FAVORABLE		

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
<b>Ratio Analysis (Annual Avg.)</b>				
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](http://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	NA	NA	NA	NA	NA	NA
Cash Flow	3.13	4.07	NA	NA	NA	NA	NA	NA	NA	NA
Earnings	2.56	3.35	2.03	NA	NA	NA	NA	NA	NA	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	NA	NA	NA	NA	NA	NA	NA
Payout Ratio	63%	Nil	NA	NA	NA	NA	NA	NA	NA	NA
Prices:High	54.78	37.07	NA	NA	NA	NA	NA	NA	NA	NA
Prices:Low	33.33	32.51	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:High	21	11	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:Low	13	10	NA	NA	NA	NA	NA	NA	NA	NA
<b>Income Statement Analysis (Million \$)</b>										
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
<b>Balance Sheet &amp; Other Financial Data (Million \$)</b>										
Cash	9,895	7,976	7,200	NA	NA	NA	NA	NA	NA	NA
Current Assets	17,848	15,354	13,546	NA	NA	NA	NA	NA	NA	NA
Total Assets	29,198	27,008	25,948	NA	NA	NA	NA	NA	NA	NA
Current Liabilities	6,879	6,776	6,368	NA	NA	NA	NA	NA	NA	NA
Long Term Debt	14,292	14,630	14,700	NA	NA	NA	NA	NA	NA	NA
Common Equity	4,492	3,363	2,230	NA	NA	NA	NA	NA	NA	NA
Total Capital	18,802	18,015	16,930	NA	NA	NA	NA	NA	NA	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	NA	NA	NA	NA	NA	NA
% Long Term Debt of Capitalization	76.0	81.2	86.8	NA	NA	NA	NA	NA	NA	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 26-28 million currently uninsured Americans from 2014-2019.

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.

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.

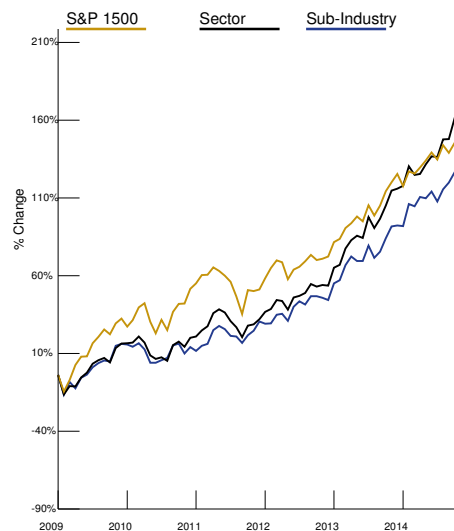
Year to date through September 19, the S&P Pharmaceuticals Index rose 15.6%, versus a 8.2% gain in the S&P 1500 Composite Index.

--Jeffrey Loo, CFA

## Industry Performance

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

Based on S&P 1500 Indexes  
Five-Year market price performance through Nov 15, 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 (%)
<b>AbbVie Inc</b>	<b>ABBV</b>	<b>101,869</b>	<b>64.00</b>	<b>64.79/45.50</b>	<b>NA</b>	<b>3.1</b>	<b>28</b>	<b>NA</b>	<b>NR</b>	<b>94</b>	<b>22.0</b>	<b>76.0</b>
AVANIR Pharmaceuticals	AVNR	1,742	13.13	13.83/2.62	0.87	Nil	NM	NA	C	9	NM	44.8
Auxilium Pharmaceuticals	AUXL	1,635	32.17	33.31/17.10	0.69	Nil	NM	NA	C	12	NM	66.9
Bayer AG ADR	BAYRY	113,540	137.30	146.62/124.36	1.35	1.5	23	145.30	NR	80	7.9	16.9
Catalent Inc	CTLT	1,799	24.05	26.34/19.30	NA	Nil	NM	NA	NR	NA	1.0	115.1
Hospira Inc	HSP	9,861	58.28	58.31/38.47	0.54	Nil	30	53.00	B-	90	NM	37.1
Impax Laboratories	IPXL	1,871	28.86	31.04/21.34	1.17	Nil	43	31.90	C	58	19.8	NA
Jazz Pharmaceuticals Plc	JAZZ	10,560	174.57	180.00/107.74	0.82	Nil	NM	180.00	NR	85	24.8	29.5
Mallinckrodt plc	MNK	10,359	88.11	95.74/47.50	NA	Nil	78	NA	NR	34	2.7	NA
Mylan Inc	MYL	20,217	54.05	57.52/41.26	1.19	Nil	23	73.00	A-	71	9.0	71.9
Nektar Therapeutics	NKTR	1,570	13.63	15.34/10.10	1.47	Nil	NM	NA	C	8	NM	356.2
Pacira Pharmaceuticals	PCRX	2,955	88.10	112.00/47.21	1.49	Nil	NM	NA	NR	74	NM	0.5
Prestige Brands Hldgs	PBH	1,634	31.32	38.15/24.94	2.02	Nil	32	30.50	NR	17	12.1	62.4
Theravance Inc	THRX	1,490	13.23	40.82/12.78	1.84	Nil	NM	NA	C	34	NM	49.0
Zoetis Inc 'A'	ZTS	21,627	43.14	44.13/28.14	NA	0.7	39	NA	NR	89	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****October 31, 2014**

12:35 pm ET ... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF ABBVIE (ABBV 63.8301\*\*\*): We raise our '14 EPS estimate \$0.10 to \$3.26 and 12-mo. target \$12 to \$70 on an in-line to peers 18.5X our forward 12-mo. EPS estimate of \$3.77. Q3 adjusted EPS of \$0.89 vs. \$0.82 is \$0.12 ahead of our estimate. Sales rose 7.8% with Humira sales up 17.5%. We anticipate ABBV's Hepatitis C (HCV) combination drug to be approved in Q4 14 but believe Gilead Sciences' recently approved drug, Harvoni, will command a market leading position. Still we expect HCV to be a large growth driver in '15. ABBV ruled out any large tax inversion deal, but would be interested in rare disease deals. /Jeffrey Loo, CFA

**October 21, 2014**

09:23 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 54.41\*\*\*): ABBV and Shire Plc (SHPG NR) terminated their deal for ABBV to acquire Shire for \$54B. ABBV believed the new rules implemented by the Treasury Dept. to discourage tax inversion deals have eliminated some of the financial benefits of the deal. ABBV will pay Shire a \$1.635B breakup and under UK takeover laws, it cannot make another offer for Shire for 12 months. Although we believe the combination would have accelerated its growth, we think ABBV has solid pipeline to drive internal growth. ABBV also announced a \$5B stock buyback and raised its quarterly dividend \$0.07 to \$0.49. /Jeffrey Loo, CFA

**October 15, 2014**

09:40 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 54.13\*\*\*): ABBV has notified Shire Plc (SHPG NR) that its board plans to meet on Oct. 20 with the intention to reconsider its recommendation to its shareholders to approve the merger proposal with Shire. We believe ABBV's reversal is based on new Treasury Dept. rules that make financing tax inversion deals more expensive, in particular, the use of "hopscotch" loans. New Treasury Dept. rules now treat these loans as dividends, and therefore taxable. Shire's board has urged ABBV to continue forward with the merger and has indicated ABBV would owe it a \$1.6B break-up fee if ABBV withdraws. /Jeffrey Loo, CFA

**September 23, 2014**

10:06 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE INC. (ABBV 57.24\*\*\*): The Treasury Dept. announced new rules in an effort to curb tax-inversion deals. These rules would make a tax inversion deal less economically attractive and increase the uncertainty of several pending transactions including AbbVie's (ABBV 57 \*\*\*) \$54B deal to buy Shire (SHPG NR), Medtronic's (MDT 64 \*\*\*\*) \$43B deal to buy Covidien (COV 88 \*\*\*), and Mylan's (MYL 46 \*\*\*\*) \$5B deal to buy Abbott Labs (ABT 43 \*\*\*) generic unit outside of the U.S. The new rules apply to deals not completed by Sept. 22 and limit the use of overseas cash and overseas profits without paying US taxes. /Jeffrey Loo, CFA

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**September 10, 2014**

03:46 pm ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF NEUROCRINE BIOSCIENCES (NBIX 16.31\*\*\*\*\*): NBIX provided a pipeline update today at an investor conference and we believe its pipeline remains on track. We expect Phase III data for its lead compound, Elagolix, to treat endometriosis, in December or January. Elagolix is partnered with AbbVie (ABBV 57 \*\*\*) who is conducting the trials. Elagolix is also in Phase IIb trials for uterine fibroids. In its wholly-owned program, VMAT2 for movement disorders such as tardive dyskinesia, we see a Phase III trial by early 2015. A Phase Ib trial to treat Tourette's syndrome also just initiated. We keep our \$20 target price. /Jeffrey Loo, CFA

**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**

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

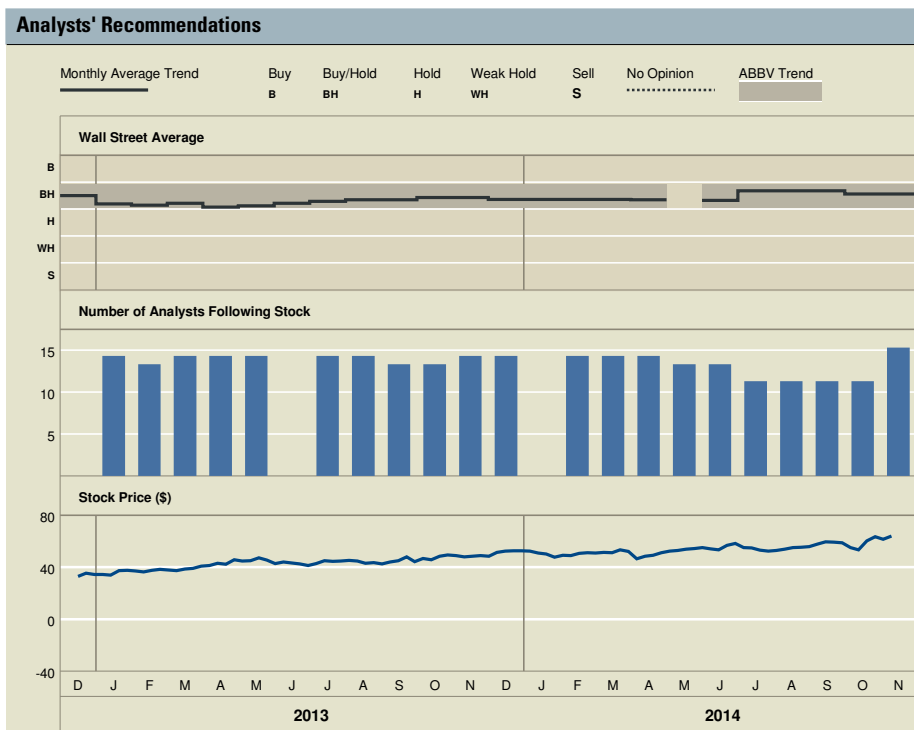
**July 21, 2014**

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

# AbbVie Inc



### Wall Street Consensus Opinion

**BUY/HOLD**

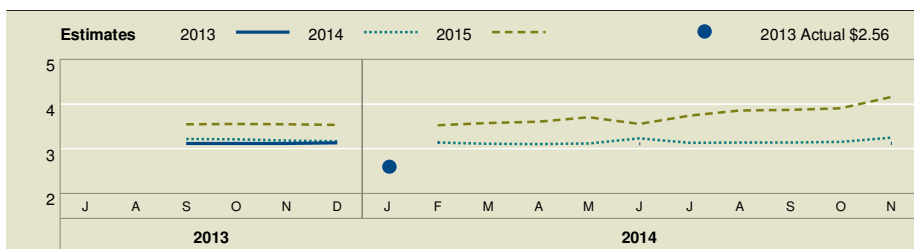
### Companies Offering Coverage

- Argus Research Company
- Atlantic Equities LLP
- BMO Capital Markets, Canadian Equity Research
- Barclays
- BofA Merrill Lynch
- Cowen and Company, LLC
- Credit Suisse
- Goldman Sachs
- Guggenheim Securities, LLC
- Hilliard Lyons
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- UBS Investment Bank

Of the total 15 companies following ABBV, 15 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	5	33	5	5
Buy/Hold	5	33	3	3
Hold	5	33	3	3
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	1	1
<b>Total</b>	<b>15</b>	<b>100</b>	<b>12</b>	<b>12</b>

### Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	4.18	4.68	3.58	14	15.3
2014	3.26	3.26	3.26	1	19.6
<b>2015 vs. 2014</b>	<b>▲28%</b>	<b>▲44%</b>	<b>▲10%</b>	<b>▲1300%</b>	<b>▼-22%</b>

### Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that ABBV will earn US\$ 3.26. For fiscal year 2015, analysts estimate that ABBV's earnings per share will grow by 28% to US\$ 4.18.

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

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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:

#### H 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.

#### H H 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.

#### H H H 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.

#### H H H 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.

#### H H H 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	37.0%	25.7%	32.9%	34.7%
Hold	51.8%	57.3%	45.3%	52.1%
Sell	11.2%	17.0%	21.8%	13.2%
Total	100%	100%	100%	100%

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