

# AbbVie Inc

**S&P Capital IQ Recommendation**



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

**Price**

\$54.04 (as of Dec 11, 2015 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 2015E	<b>4.27</b>	Market Capitalization(B)	<b>\$88.342</b>	Beta	<b>1.66</b>
Trailing 12-Month EPS	<b>\$1.72</b>	S&P Oper. EPS 2016E	<b>4.98</b>	Yield (%)	<b>4.22</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>18</b>
Trailing 12-Month P/E	<b>31.4</b>	P/E on S&P Oper. EPS 2015E	<b>12.7</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>1,634.7</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, CFA** on Oct 30, 2015 11:07 AM, when the stock traded at **\$59.70**.

**Highlights**

- ▶ In May, ABBV acquired Pharmacyclics (PCYC NR) for \$261.25/share or \$21 billion. PCYC's Imbruvica is approved to treat three types of blood cancers and had 2014 sales of \$475 million. We see 2015 sales of over \$900 million and reaching \$5 billion in 2020, but we note Imbruvica is co-promoted with Johnson & Johnson (JNJ 99 Buy). This deal gives ABBV an experienced sales force for its own blood cancer drug, ABT 199 (Venetoclax), which was granted FDA breakthrough designation, and we see ABBV submitting regulatory filings later this year.
- ▶ We see 2015 sales growing 15.3% to \$23.0 billion on robust sales of Humira for rheumatoid arthritis aided by greater penetration of emerging markets. We expect Humira sales to increase 12% to \$14.1 billion in 2015, and see Viekira Pak sales of \$1.6 billion. We now see only modest sales growth for Viekira Pak following a FDA warning in October 2015 regarding liver failure or death with some patients taking Viekira. We also expect more competition with Merck's grazoprevir/elbasvir single tablet pill expected to be approved in early 2016.
- ▶ We see 2015 EPS at \$4.27.

**Investment Rationale/Risk**

- ▶ We believe the shares are attractively valued trading at 12.7X our forward 12-months EPS estimate of \$4.70. We believe ABBV's shares have weakened following the FDA warning in October. However, in October, ABBV outlined its long-term strategic and financial objectives. ABBV sees sales rising to \$37 billion in 2020 with double-digit EPS growth on average through 2020. The company sees Humira sales of over \$18 billion and Imbruvica sales of about \$5 billion by 2020 and expects 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. Operating margin could reach over 50% in 2020 with an average of 100-200 basis point improvement per year. We believe these goals are impressive, but overly aggressive, particularly its new product launches. Humira's patent expires in December 2016.
- ▶ Risks to our recommendation and target price include pipeline failures.
- ▶ Our 12-month target price of \$84 applies an in-line-to-peers 18X our forward 12-months EPS estimate.

**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. But recently approved Hepatitis C drug, Viekira Pak, should help diversify sales.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2015	5,040	5,475	5,944	--	--
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
2010	--	--	--	--	15,638

**Earnings Per Share (\$)**

	2015	2014	2013	2012	2011	2010
0.63	0.83	0.74	E1.12	E4.27		
0.61	0.68	0.31	-0.51	1.10		
0.60	0.66	0.60	0.70	2.56		
0.56	0.80	1.01	0.98	3.35		
--	--	--	--	2.03		
--	--	--	--	--		

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
0.510	Jun 18	Jul 13	Jul 15	Aug 14 '15
0.510	Sep 11	Oct 13	Oct 15	Nov 16 '15
0.510	Sep 11	Oct 13	Oct 15	Nov 14 '15
0.570	Oct 30	Jan 13	Jan 15	Feb 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 October 30, 2015

**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

**Office**  
1 North Waukegan Road, North Chicago, IL 60064.

**Telephone**  
847-932-7900.

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

### Officers

<b>Chrmn &amp; CEO</b> R.A. Gonzalez	<b>EVP &amp; CSO</b> M. Severino
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<b>COO</b> A. Saleki-Gerhardt	<b>Secy &amp; General Counsel</b> L.J. Schumacher
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<b>EVP &amp; CFO</b> W.J. Chase
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### 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**  
26,000

**Stockholders**  
56,161

# 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>\$128.40</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that ABBV is Undervalued by \$74.36 or 137.6%.
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<b>Investability Quotient Percentile</b>	<b>91</b>	LOWEST = 1 HIGHEST = 100 ABBV scored higher than 91% of all companies for which an S&P Capital IQ Report is available.
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<b>Volatility</b>	<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>
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<b>Technical Evaluation</b>	<b>NEUTRAL</b>	Since December, 2015, the technical indicators for ABBV have been NEUTRAL.
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<b>Insider Activity</b>	<b>NA</b>	<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>
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## Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	5.28	4.51	2.97	Nil
Price/EBITDA	15.71	11.80	7.05	Nil
Price/Pretax Income	44.47	15.89	9.55	Nil
P/E Ratio	59.39	20.52	10.36	Nil
Avg. Diluted Shares Outstg (M)	1,610.0	1,604.0	1,600.0	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	6.23	4.01	6.76	NA
Net Income	-57.03	-18.58	-11.70	NA

## Ratio Analysis (Annual Avg.)

	2014	2013	2012	2011
Net Margin (%)	8.89	19.85	20.93	NA
% LT Debt to Capitalization	64.70	73.98	77.19	NA
Return on Equity (%)	56.62	76.25	NA	NA

For further clarification on the terms used in this report, please visit [www.spcapitaliq.com/stockreportguide](http://www.spcapitaliq.com/stockreportguide)

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	NM	NM	NM	NM	NA	NA	NA	NA	NA	NA
Cash Flow	1.59	3.13	4.07	NA						
Earnings	1.10	2.56	3.35	2.03	NA	NA	NA	NA	NA	NA
S&P Capital IQ Core Earnings	1.09	2.59	3.37	2.80	2.64	NA	NA	NA	NA	NA
Dividends	1.66	1.60	Nil	NA						
Payout Ratio	151%	63%	Nil	NA						
Prices:High	70.76	54.78	37.07	NA						
Prices:Low	45.50	33.33	32.51	NA						
P/E Ratio:High	64	21	11	NA						
P/E Ratio:Low	41	13	10	NA						

## Income Statement Analysis (Million \$)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue	19,960	18,790	18,380	17,639	15,638	14,214	NA	NA	NA	NA
Operating Income	6,708	7,181	7,758	NA	6,361	5,826	NA	NA	NA	NA
Depreciation	786	897	1,150	NA	1,184	697	NA	NA	NA	NA
Interest Expense	429	299	104	292	NA	NA	NA	NA	NA	NA
Pretax Income	2,369	5,332	5,725	3,367	4,836	5,950	NA	NA	NA	NA
Effective Tax Rate	25.1%	22.6%	7.86%	3.70%	13.6%	22.1%	NA	NA	NA	NA
Net Income	1,774	4,128	5,275	3,243	4,178	4,637	NA	NA	NA	NA
S&P Capital IQ Core Earnings	1,752	4,146	5,389	4,432	4,182	NA	NA	NA	NA	NA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash	8,374	9,895	7,976	7,200	NA	NA	NA	NA	NA	NA
Current Assets	16,088	17,848	15,354	13,546	NA	NA	NA	NA	NA	NA
Total Assets	27,547	29,198	27,008	25,948	NA	NA	NA	NA	NA	NA
Current Liabilities	11,400	6,879	6,776	6,368	NA	NA	NA	NA	NA	NA
Long Term Debt	10,565	14,292	14,630	14,700	NA	NA	NA	NA	NA	NA
Common Equity	1,742	4,492	3,363	2,230	NA	NA	NA	NA	NA	NA
Total Capital	16,328	18,802	18,015	16,930	NA	NA	NA	NA	NA	NA
Capital Expenditures	612	491	333	NA	NA	NA	NA	NA	NA	NA
Cash Flow	2,560	5,025	6,425	NA	NA	NA	NA	NA	NA	NA
Current Ratio	1.4	2.6	2.3	2.1	NA	NA	NA	NA	NA	NA
% Long Term Debt of Capitalization	64.7	76.0	81.2	86.8	NA	NA	NA	NA	NA	NA
% Net Income of Revenue	8.9	22.0	28.7	NA	NA	NA	NA	NA	NA	NA
% Return on Assets	6.3	14.7	22.6	NA	NA	NA	NA	NA	NA	NA
% Return on Equity	56.6	104.4	67.7	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.

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# 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 2014, the FDA approved 41 new therapies, up from 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 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 will begin 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, Celltrion filed for

approval of its biosimilar of Johnson and Johnson's Remicade. 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.

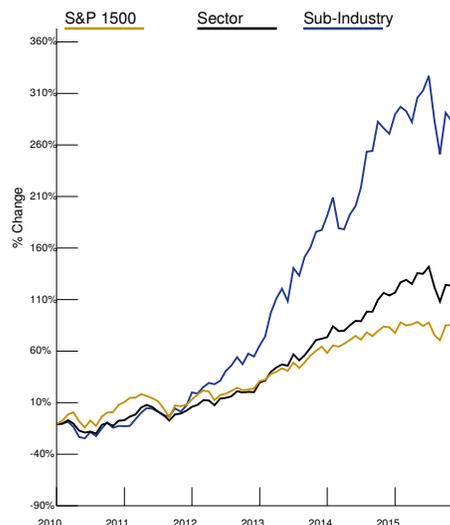
We recommend that investors concentrate core holdings in established, profitable companies, as smaller biotechs tend to be more volatile. We would seek companies with at least two years of operating capital and multiple pipeline drivers, as those with smaller pipelines typically suffer significant share price declines on an unfavorable outcome. In 2014, the S&P Biotech Index rose 32.3%, vs. a 10.9% gain for the S&P 1500 Index. Year-to-date through Aug. 14, the S&P Biotech Index rose 12.9%, vs. a 1.7% rise 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 Dec 12, 2015



**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>88,342</b>	<b>54.04</b>	<b>71.60/45.45</b>	<b>1.66</b>	<b>4.2</b>	<b>31</b>	<b>128.40</b>	<b>NR</b>	<b>91</b>	<b>8.9</b>	<b>64.7</b>
ACADIA Pharmaceuticals	ACAD	3,279	32.50	51.99/29.00	NM	Nil	NM	NA	C	75	NM	NA
Alnylam Pharmaceuticals	ALNY	5,732	89.68	140.00/71.14	NA	Nil	NM	NA	C	75	NM	NA
Anacor Pharmaceuticals	ANAC	5,172	117.21	156.93/29.65	1.40	Nil	NM	NA	NR	53	NM	43.2
Baxalta Inc	BXLT	25,131	37.04	40.90/29.83	NA	0.8	16	NA	NR	82	19.9	NA
China Biologic Products	CBPO	3,220	121.38	128.00/60.01	1.56	Nil	38	NA	NR	66	29.2	12.7
Grifols SA ADR	GRFS	11,089	32.45	36.08/29.06	0.93	1.7	18	NA	NR	13	13.7	59.0
Intercept Pharmaceuticals	ICPT	3,558	146.21	314.88/128.60	NM	Nil	NM	NA	NR	72	NM	NA
Intrexon Corp	XON	3,274	29.83	69.45/24.41	NA	Nil	NM	NA	NR	43	NM	2.1
Kite Pharma	KITE	2,851	65.19	89.84/44.01	NA	Nil	NM	NA	NR	90	NA	NA
Medivation Inc	MDVN	6,632	40.59	70.79/37.63	1.02	Nil	25	153.40	B-	82	38.9	33.1
Opko Health	OPK	4,829	10.42	19.20/8.20	1.03	Nil	NM	NA	C	54	NM	13.7
Portola Pharmaceuticals	PTLA	2,501	47.45	57.96/26.26	NA	Nil	NM	NA	NR	75	NM	NA
Seattle Genetics	SGEN	5,085	40.57	52.33/30.05	1.38	Nil	NM	NA	C	49	NM	NA
Ultragenyx Pharmaceutical	RARE	3,813	98.18	137.05/39.13	NA	Nil	NM	NA	NR	76	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****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

**January 9, 2015**

11:34 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 65.47\*\*\*\*): We keep our target price at \$78 on an in-line to peers 17.9X on our revised 2015 EPS estimate of \$4.36, up from \$4.30. ABBV provides 2015 EPS guidance of \$4.25-\$4.45 with results expected to be driven by strong growth from Humira as well as from the launch of recently approved hepatitis C drug Viekira, partially offset by a decline in several products due to generic competition, including AndroGel. ABBV also reported positive Phase III data yesterday on Elagolix to treat endometriosis. ABBV will provide detailed 2015 sales guidance on Jan. 30. We forecast 17.9% growth to \$23.1B. /Jeffrey Loo, CFA

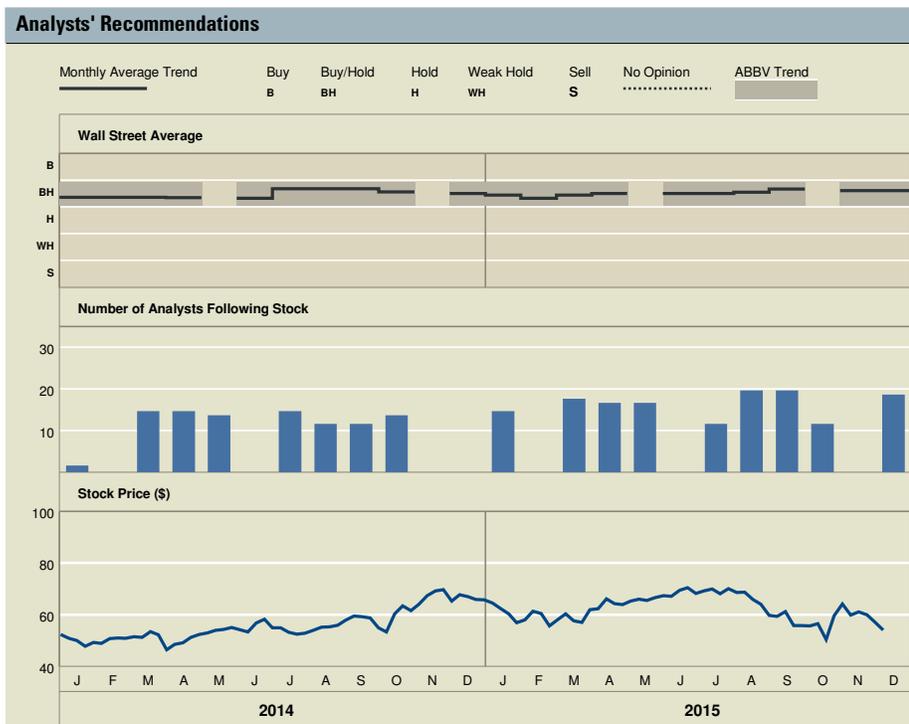
**January 8, 2015**

01:11 pm ET ... S&P CAPITAL IQ LOWERS VIEW ON NEUROCRINE BIOSCIENCES TO HOLD FROM STRONG BUY (NBIX 26.139\*\*\*\*): Shares are trading sharply higher today following the announcement by its partner AbbVie (ABBV 68 \*\*\*\*) that data for the first of two Phase III trials of Elagolix to treat premenopausal women with endometriosis met both of its co-primary endpoints of reducing non-menstrual pelvic pain and menstrual pain associated with endometriosis. Data from the 2nd Phase III trial is expected in late 2015. We are encouraged by the trial results and believe Elagolix could be approved by late 2016 with sales reaching \$500M by 2020. We raise our 12-month target price by \$5 to \$30 on revised DCF. /Jeffrey Loo, CFA

**January 5, 2015**

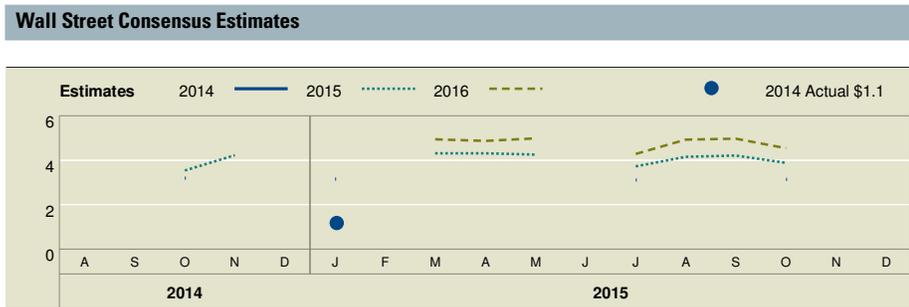
02:21 pm ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 97.28\*\*\*\*): CVS Health (CVS 95 \*\*\*\*) announced it has given GILD's hepatitis C (HCV) drugs, Sovaldi and Harvoni exclusivity on its formularies. This follows AbbVie's (ABBV 64 \*\*\*\*) exclusive deal with Express Scripts, for its recently approved HCV drug, Viekira. We are not surprised by the CVS/GILD deal and believe it removes some investor concern over a potential ABBV/CVS deal. The companies have not disclosed a pricing discount, but we believe GILD will provide a discount. Express Scripts and CVS are the 2 largest PBMs in the U.S., respectively, and we do not see any more exclusive deals. /Jeffrey Loo, CFA

# AbbVie Inc



Of the total 19 companies following ABBV, 19 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	7	37	7	7
Buy/Hold	7	37	6	7
Hold	4	21	5	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	1	5	1	2
<b>Total</b>	<b>19</b>	<b>100</b>	<b>19</b>	<b>20</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	4.99	5.18	4.69	17	10.8
2015	4.29	4.35	4.26	17	12.6
<b>2016 vs. 2015</b>	<b>▲ 16%</b>	<b>▲ 19%</b>	<b>▲ 10%</b>	<b>0%</b>	<b>▼ -14%</b>
Q4'16	1.38	1.47	1.31	5	39.2
Q4'15	1.13	1.20	1.08	13	47.8
<b>Q4'16 vs. Q4'15</b>	<b>▲ 22%</b>	<b>▲ 23%</b>	<b>▲ 21%</b>	<b>▼ -62%</b>	<b>▼ -18%</b>

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.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- Argus Research Company
- BMO Capital Markets Equity Research
- Barclays
- BofA Merrill Lynch
- Citigroup Inc
- Cowen and Company, LLC
- Credit Suisse
- Erste Group Bank AG
- Evercore ISI
- Goldman Sachs
- Guggenheim Securities, LLC
- JMP Securities
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- Piper Jaffray Companies
- SunTrust Robinson Humphrey, Inc.
- UBS Investment Bank

### Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that ABBV will earn US\$ 4.29. For the 3rd quarter of fiscal year 2015, ABBV announced earnings per share of US\$ 0.74, representing 17% of the total annual estimate. For fiscal year 2016, analysts estimate that ABBV's earnings per share will grow by 16% to US\$ 4.99.

## 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 September 30, 2015

Ranking	North America	Europe	Asia	Global
Buy	42.1%	37.2%	46.0%	41.9%
Hold	44.2%	44.2%	40.5%	43.7%
Sell	13.7%	18.6%	13.5%	14.4%
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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