

AbbVie Inc

S&P Capital IQ Recommendation



S&P Capital IQ Equity Analyst Jeffrey Loo

Price

\$68.65 (as of Aug 14, 2015 4:00 PM ET)

12-Mo. Target Price

\$76.00

Report Currency

USD

Investment Style

Large-Cap Growth

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

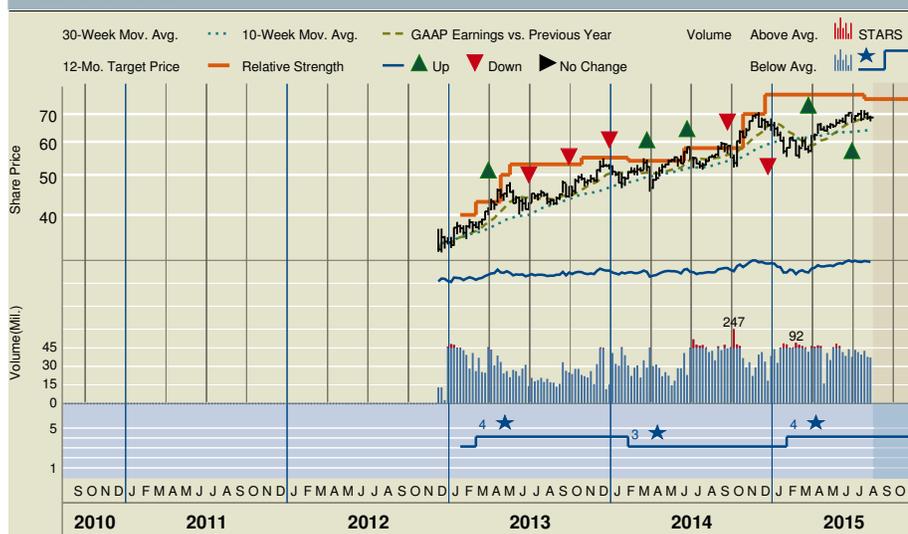
GICS Sector Health Care
Sub-Industry Pharmaceuticals

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	\$71.60–52.06	S&P Oper. EPS 2015E	4.20	Market Capitalization(B)	\$113.635	Beta	1.66
Trailing 12-Month EPS	\$1.29	S&P Oper. EPS 2016E	4.98	Yield (%)	2.97	S&P 3-Yr. Proj. EPS CAGR(%)	18
Trailing 12-Month P/E	53.2	P/E on S&P Oper. EPS 2015E	16.3	Dividend Rate/Share	\$2.04	S&P Quality Ranking	NR
\$10K Invested 5 Yrs Ago	NA	Common Shares Outstg. (M)	1,655.3	Institutional Ownership (%)	76		

Price Performance



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. However, recently approved Hepatitis C drug, Viekira Pak, should help diversify sales in 2015.

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2015	5,040	5,475	--	--	--
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	0.63	0.83	E1.08	E1.10	E4.20
2014	0.61	0.68	0.31	-0.51	1.10
2013	0.60	0.66	0.60	0.70	2.56
2012	0.56	0.80	1.01	0.98	3.35
2011	--	--	--	--	2.03
2010	--	--	--	--	--

Fiscal year ended Dec. 31. Next earnings report expected: Early November. 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	Sep 19	Oct 10	Oct 15	Nov 17 '14
0.490	Oct 20	Jan 13	Jan 15	Feb 13 '15
0.510	Feb 19	Apr 13	Apr 15	May 15 '15
0.510	Jun 18	Jul 13	Jul 15	Aug 14 '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.

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Analysis prepared by Equity Analyst **Jeffrey Loo** on Jul 24, 2015 02:15 PM, when the stock traded at **\$68.06**.

Highlights

- ▶ In March 2015, ABBV agreed to acquire 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 \$1 billion and reaching \$4 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, that we think ABBV can file an NDA later this year.
- ▶ 2015 sales, excluding pending PCYC deal, will grow 15%, driven by the December 2014 approval of its Hepatitis C (HCV) drug, Viekira Pak, and on continued 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 about \$2.4B-\$2.5B. ABBV estimates that Viekira sales will be at an annual run rate of about \$3 billion at the end of 2015, in spite of our view of soft first half sales of only \$616 million, but ABBV noted that several contracts begin in the second half.
- ▶ We see 2015 EPS at \$4.20.

Investment Rationale/Risk

- ▶ We believe the shares are attractively valued trading at 16.2X our 2015 EPS estimate, below peers. In a move to gain market share, ABBV entered into an unprecedented deal with Express Scripts (ESRX 92 Buy), where its recently approved HCV drug, Viekira Pak, will be the exclusive HCV drug on ESRX's formulary to treat genotype 1 patients. The wholesale price for Viekira is \$83,319 for a 12-week treatment, but ABBV is providing Viekira to ESRX at an undisclosed "significant discount." This deal shuts out Gilead Science's (GILD 114 Strong Buy) HCV drugs from some of ESRX's clients. But GILD will maintain a dominant market share, we believe, due to physician preference on significantly easier compliance as GILD's drugs are one pill a day, while Viekira is 4-6 pills taken in the morning and night, and Viekira's multiple drugs increase potential side effects and drug-to-drug interaction. Viekira requires the use of ribavirin for some genotype 1 patients.
- ▶ Risks to our recommendation and target price include lower-than-expected Viekira sales.
- ▶ Our 12-month target price of \$76 applies an in-line-to-peers 18X our 2015 EPS estimate.

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

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AbbVie Inc

Business Summary July 24, 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

Chrmn & CEO R.A. Gonzalez	EVP & CSO M. Severino
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COO A. Saleki-Gerhardt	Secy & General Counsel L.J. Schumacher
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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
26,000

Stockholders
56,161

AbbVie Inc

Quantitative Evaluations	
S&P Capital IQ Fair Value Rank	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	\$117.40 Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that ABBV is Undervalued by \$48.75 or 71.0%.
Investability Quotient Percentile	92 LOWEST = 1 HIGHEST = 100 ABBV scored higher than 92% of all companies for which an S&P Capital IQ Report is available.
Volatility	LOW AVERAGE HIGH
Technical Evaluation	BULLISH Since April, 2015, the technical indicators for ABBV have been BULLISH.
Insider Activity	UNFAVORABLE NEUTRAL FAVORABLE

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.)				
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

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	NA	NA	NA	NA	NA	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	NA	NA	NA	NA	NA	NA
Payout Ratio	151%	63%	Nil	NA	NA	NA	NA	NA	NA	NA
Prices:High	70.76	54.78	37.07	NA	NA	NA	NA	NA	NA	NA
Prices:Low	45.50	33.33	32.51	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:High	64	21	11	NA	NA	NA	NA	NA	NA	NA
P/E Ratio:Low	41	13	10	NA	NA	NA	NA	NA	NA	NA
Income Statement Analysis (Million \$)										
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 \$)										
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.

AbbVie Inc

Sub-Industry Outlook

Our fundamental outlook for the pharmaceuticals sub-industry for the next 12 months is positive. We believe top-line pressure from patent expirations on many top-selling drugs will bottom in 2015 and we anticipate sale increases in 2016. But we note foreign exchange fluctuations will likely adversely impact results in 2015. We also see 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 adverse 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. FDA approvals of new molecular entities in 2014 rose to a robust 41 approvals, up from 27 in 2013 and 39 in 2012.

We expect prospects for the generic/specialty drug group to remain favorable as a large number of major drugs lost patent protection over the past 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.

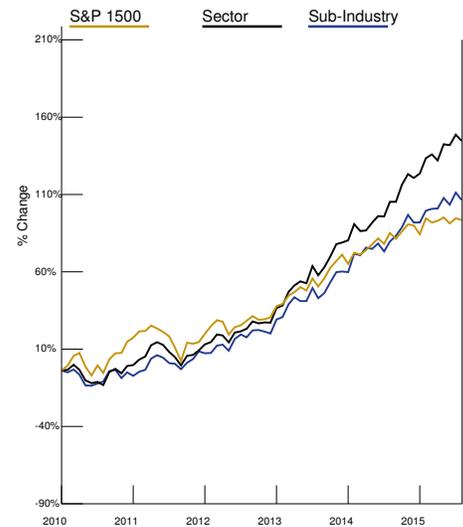
In 2014, the S&P Pharmaceuticals Index rose 19.3%, versus a 10.9% gain in the S&P 1500 Composite Index. Year-to-date through May 15, 2015 the S&P Pharmaceutical Index rose 7.3% vs. a 3.3% rise in the S&P 1500 Composite Index.

--Jeffrey Loo, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Pharmaceuticals

Based on S&P 1500 Indexes
Five-Year market price performance through Aug 15, 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 : 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	113,635	68.65	71.60/52.06	1.66	3.0	53	117.40	NR	92	8.9	64.7
Bayer AG ADR	BAYRY	119,651	144.37	156.77/125.02	1.27	1.2	28	152.20	NR	30	8.2	47.6
Catalent Inc	CTLT	2,478	33.13	34.41/20.41	NA	Nil	42	NA	NR	24	1.0	115.1
Concordia Healthcare	CXRX	2,224	77.01	83.94/68.54	NA	0.4	NM	NA	NR	NA	9.5	44.6
GW Pharmaceuticals ADS	GWPH	2,343	112.13	133.98/58.16	NA	Nil	NM	NA	NR	74	NA	NA
Horizan Pharma Plc	HZNP	4,880	30.65	39.49/9.25	2.21	Nil	NM	29.10	NR	13	NA	33.5
Hospira Inc	HSP	15,174	89.68	89.75/46.56	0.67	Nil	38	NA	B-	93	7.5	34.4
Impax Laboratories	IPXL	3,140	45.17	52.10/22.25	0.89	Nil	NM	47.50	C	80	9.6	NA
Jazz Pharmaceuticals Plc	JAZZ	11,315	184.46	194.73/137.34	0.72	Nil	45	211.00	NR	86	4.9	49.1
Mallinckrodt plc	MNK	11,527	98.54	134.26/69.05	NA	Nil	NM	110.90	NR	30	NA	44.2
Mylan NV	MYL	26,721	54.36	76.69/44.80	1.22	Nil	26	91.00	NR	48	12.1	63.5
Pacira Pharmaceuticals	PCRX	2,221	60.94	121.95/57.95	1.38	Nil	NM	93.90	NR	74	NM	NA
Prestige Brands Hldgs	PBH	2,634	49.96	49.97/30.02	2.02	Nil	30	42.30	NR	20	11.0	71.7
Roche Holdings ADS	RHHBY	203,541	35.39	38.54/32.08	0.60	2.3	27	NA	NR	90	19.1	39.3
Zoetis Inc 'A'	ZTS	23,685	47.47	55.38/33.70	0.81	0.7	57	47.70	NR	90	12.2	73.2

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

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

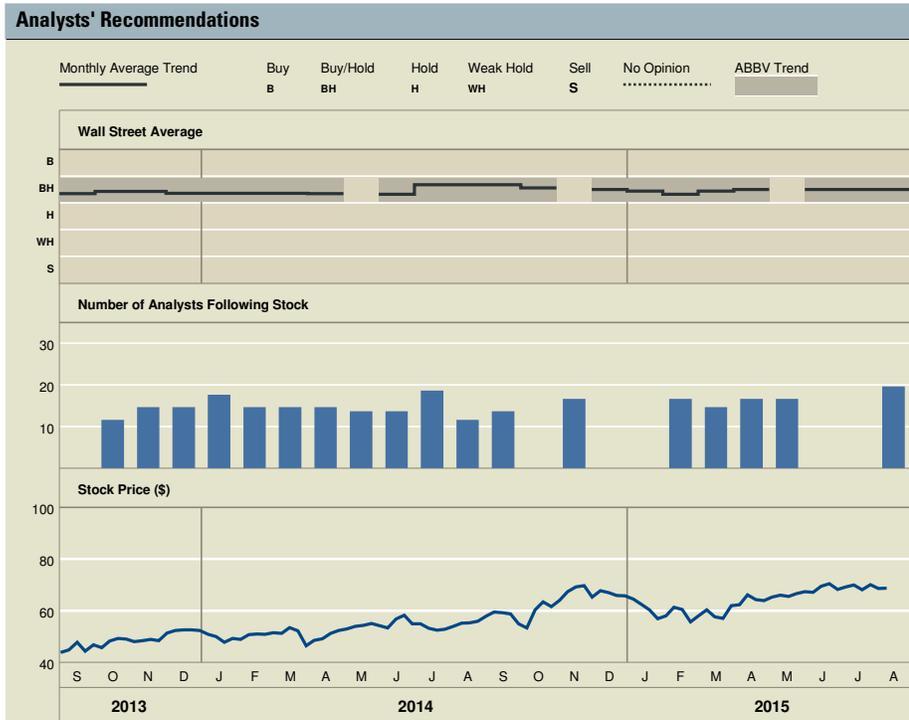
January 5, 2015

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

December 22, 2014

09:33 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE (ABBV 67.71****): The FDA approves ABBV's hepatitis C (HCV) drug, Viekira Pak, priced at \$83,319. In an unprecedented deal to gain market share, ABBV entered in an exclusive deal with Express Scripts (ESRX 81 ****), with Viekira Pak as the exclusive HCV drug on ESRX's formulary and ABBV will provide an undisclosed "significant" discount. We see this deal giving ABBV a greater market share but we think it will hurt margins and raise uncertainty over future biotech drug pricing. We raise our 12-mo. target price \$8 to \$78 on in-line to peers 18.1X our revised '15 EPS estimate \$4.30 up from \$4.08. /Jeffrey Loo, CFA

AbbVie Inc



Wall Street Consensus Opinion

BUY/HOLD

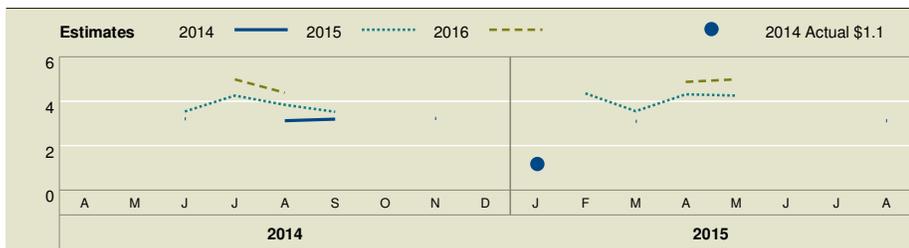
Companies Offering Coverage

- Argus Research Company
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- Cowen and Company, LLC
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- JMP Securities
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- Piper Jaffray Companies
- SunTrust Robinson Humphrey, Inc.
- UBS Investment Bank

Of the total 20 companies following ABBV, 20 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	40	7	7
Buy/Hold	6	30	6	4
Hold	3	15	4	4
Weak Hold	1	5	0	0
Sell	1	5	1	1
No Opinion	1	5	1	0
Total	20	100	19	16

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	5.02	5.31	4.72	18	13.7
2015	4.26	4.33	4.17	19	16.1
2016 vs. 2015	▲ 18%	▲ 23%	▲ 13%	▼ -5%	▼ -15%
Q3'16	1.29	1.34	1.25	4	53.2
Q3'15	1.06	1.09	0.98	14	64.8
Q3'16 vs. Q3'15	▲ 22%	▲ 23%	▲ 28%	▼ -71%	▼ -18%

Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that ABBV will earn US\$ 4.26. For the 2nd quarter of fiscal year 2015, ABBV announced earnings per share of US\$ 0.83, representing 19% of the total annual estimate. For fiscal year 2016, analysts estimate that ABBV's earnings per share will grow by 18% to US\$ 5.02.

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:

★★★★★ 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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STARS Stock Reports:

S&P Capital IQ Global STARS Distribution as of June 30, 2015

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Buy	39.8%	27.9%	31.8%	37.0%
Hold	48.9%	46.6%	39.5%	47.5%
Sell	11.3%	25.5%	28.7%	15.5%
Total	100%	100%	100%	100%

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