

Stock Report | August 13, 2016 | NYS Symbol: **ABBV** | **ABBV** is in the S&P 500



AbbVie Inc

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

Price \$67.19 (as of Aug 12, 2016 4:00 PM ET)
12-Mo. Target Price \$84.00
Report Currency USD
Investment Large-Cap

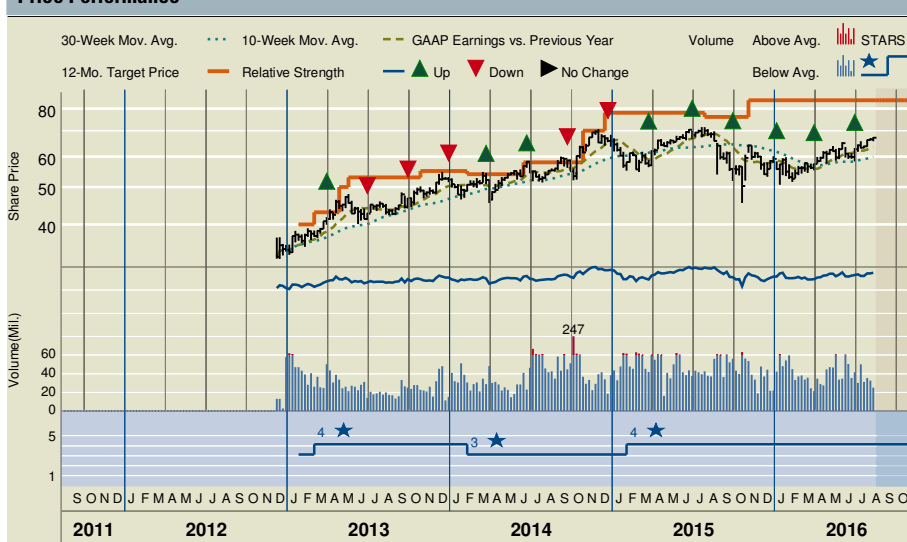
GICS Sector Health Care
Sub-Industry Biotechnology

Summary This company is a global research-based pharmaceuticals business that operates as a separate entity following its spin-off from Abbott Laboratories at the start of 2011. AbbVie's key drug is Humira for rheumatoid arthritis.

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

52-Wk Range	\$69.82– 45.45	S&P Oper. EPS 2016E	4.83	Market Capitalization(B)	\$108.670	Beta	
Trailing 12-Month EPS	\$3.47	S&P Oper. EPS 2017E	5.93	Yield (%)	3.39	S&P 3-Yr. Proj. EPS CAGR(%)	
Trailing 12-Month P/E	19.4	P/E on S&P Oper. EPS 2016E	13.9	Dividend Rate/Share	\$2.28	S&P Quality Ranking	
\$10K Invested 5 Yrs Ago	NA	Common Shares Outstg. (M)	1,617.4	Institutional Ownership (%)	68		

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 Aug 01, 2016 03:18 PM, when the stock traded at **\$66.97**.

Highlights

- ▶ We see 2016 sales growing 11.8% to \$25.5 billion with Humira sales of about \$15.7 billion, aided by greater penetration of emerging markets and Viekira Pak sales increasing modestly to about \$1.7 billion, following a FDA warning in October 2015 regarding liver failure or death with some patients taking Viekira. Also, Merck's Zepatier, a once-daily single tablet, was approved in January 2016, and we see Viekira losing market share.
- ▶ In June 2016, ABBV acquired Stemcentrx, a development stage oncology firm, for \$5.8 billion plus \$4 billion in earnouts. Stemcentrx has five compounds in trials, with lead drug, Rova-T, in Phase II to treat small cell lung cancer. This follows the May 2015, \$21 billion acquisition of Pharmacyclics whose Imbruvica is approved to treat three types of blood cancers. We see Imbruvica sales of \$1.3 billion in 2016 and \$5 billion in 2020, but we note Imbruvica is co-promoted with Johnson & Johnson. ABBV's blood cancer drug, Venclexta received FDA approval in April.
- ▶ We see 2016 EPS of \$4.83, including \$0.28 of dilution related to the Stemcentrx acquisition.

Investment Rationale/Risk

- ▶ We believe the shares are attractively valued trading at 13.2X our forward 12-months EPS estimate of \$5.07, well below peers. ABBV outlined its long-term objectives and sees sales rising to \$37 billion in 2020 with double digit EPS growth through 2020. ABBV plans to launch more than 20 new products or indications through 2020. ABBV believes operating margin could reach over 50% in 2020. We believe these goals are impressive, but aggressive, particularly its new product launches. Although Humira's patent expires in Dec. 2016 ABBV is confident that all of their other patents surrounding Humira (numbering up to 70 patents including formulation, manufacturing and method of treatment) will be able to protect it against biosimilar challenges at least through 2022. In July 2016, a FDA panel recommended approval for Amgen's ABP 501, a biosimilar of Humira (FDA action date of September 25).
- ▶ Risks to our recommendation and target price include pipeline failures.
- ▶ Our 12-month target is \$84 based on in-line to peers 16.6X our forward 12-months EPS estimate.

Analyst's Risk Assessment

LOW **MEDIUM** **HI**

ABBV is also heavily reliant on one drug -- which currently accounts for about 55% sales. But recently approved Hepatitis C d Viekira Pak, should help diversify sales.

Revenue/Earnings Data

Revenue (Million \$)		1Q	2Q	3Q	4Q
2016	5,958	6,452	--	--	--
2015	5,040	5,475	5,944	6,400	
2014	4,563	4,926	5,019	5,452	
2013	4,329	4,692	4,658	5,111	
2012	4,173	4,493	4,508	5,206	
2011	--	--	--	--	

Earnings Per Share (\$)

2016	0.83	0.98	E1.19	E1.23
2015	0.63	0.83	0.74	0.92
2014	0.61	0.68	0.31	-0.51
2013	0.60	0.66	0.60	0.70
2012	0.56	0.80	1.01	0.98
2011	--	--	--	--

Fiscal year ended Dec. 31. Next earnings report expected November. EPS Estimates based on S&P Capital IQ Open Earnings; historical GAAP earnings are as reported in C reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	
0.510	Sep 11	Oct 13	Oct 15	Ne
0.570	Oct 30	Jan 13	Jan 15	Fe
0.570	Feb 18	Apr 13	Apr 15	Ma
0.570	Jun 16	Jul 13	Jul 15	At

Dividends have been paid since 2013. Source: Company

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