

# AbbVie Inc

**S&P Recommendation** **BUY** ★★★★★

**Price**  
\$44.71 (as of Aug 9, 2013)

**12-Mo. Target Price**  
\$53.00

**Investment Style**  
Large-Cap Growth

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

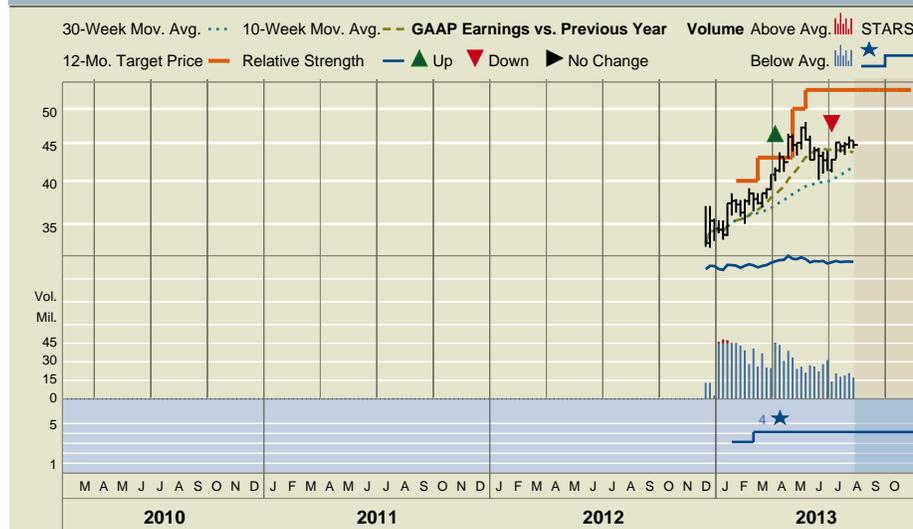
**GICS Sector** Health Care  
**Sub-Industry** Pharmaceuticals

**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, Vickers, company reports)

52-Wk Range	<b>\$48.00– 32.51</b>	S&P Oper. EPS 2013E	<b>3.12</b>	Market Capitalization(B)	<b>\$70.809</b>	Beta	<b>NA</b>
Trailing 12-Month EPS	<b>\$3.26</b>	S&P Oper. EPS 2014E	<b>3.30</b>	Yield (%)	<b>3.58</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>3</b>
Trailing 12-Month P/E	<b>13.7</b>	P/E on S&P Oper. EPS 2013E	<b>14.3</b>	Dividend Rate/Share	<b>\$1.60</b>		
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>1,583.7</b>	Institutional Ownership (%)	<b>67</b>		

**Price Performance**



**Qualitative Risk Assessment**

LOW MEDIUM HIGH

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 50% of sales. We also note that key cholesterol regulation and HIV franchises face generic competition. On the plus side, we think ABBV's robust R&D pipeline, which includes new treatments for hepatitis C, cancer, Parkinson's disease and other conditions, augurs well for long-term growth.

**Quantitative Evaluations**

**S&P Quality Ranking** NR

D C B- B B+ A- A A+

**Relative Strength Rank** MODERATE

61  
LOWEST = 1 HIGHEST = 99

Analysis prepared by Equity Analyst **Herman Saftlas** on May 24, 2013, when the stock traded at **\$45.45**.

**Highlights**

- ▶ We expect sales in 2013 to modestly surpass the pro forma \$18.4 billion of 2012. The gains should largely reflect robust sales of Humira for rheumatoid arthritis, helped by higher prices, greater penetration of emerging markets, and new indications. We also see higher sales for Synthroid, AndroGel and Synagis, as well as contributions from new launches, including Duopa for Parkinson's disease. However, we expect generic erosion in the Tricor/Trilipix and Niaspan lipid-lowering lines. Niaspan sales are also expected to be impacted by recent negative clinical data.
- ▶ We look for gross margins in 2013 to compare favorably with the pro forma 75% of 2012, helped by higher pricing, and supply chain and manufacturing efficiencies. However, we forecast increased SG&A spending, and sharply higher non-operating expenses.
- ▶ After a projected rise in the effective tax rate to 22%, from a pro forma 7.9% in 2012, we see EPS falling to \$3.12 in 2013, from a pro forma \$3.35 in 2012. Boosted by firmer top-line growth, we see EPS rebounding to \$3.30 in 2014.

**Investment Rationale/Risk**

- ▶ Created through the January 2013 spin-off of the drug division of Abbott Laboratories, ABBV is somewhat unique among its peers in that about half of its sales are derived from one product -- Humira, whose U.S. patent expires in late 2016. Still, we think the absence of a generic biologic approval process at the FDA contributes to a high entry barrier against generics. With respect to other ABBV drugs, we see generics impacting many of them through 2015. On the plus side, we see significant potential for its R&D pipeline, especially new treatments for hepatitis C, Parkinson's and cancer.
- ▶ Risks to our recommendation and target price include possible sooner-than-expected generic competition for ABBV drugs, and failure to successfully deliver on ABBV's R&D pipeline.
- ▶ Our 12-month target price of \$53 applies a premium-to-peers multiple of 16X to our \$3.30 EPS estimate for 2014, which believe is warranted by strong pipeline prospects. The \$1.60 annual dividend currently yields 3.5%. We think ABBV's \$7.5 billion of cash and investments enables it to pursue accretive acquisitions and make stock repurchases.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2013	4,329	4,692	--	--	--
2012	4,173	4,493	4,508	5,206	18,380
2011	--	--	--	--	17,639
2010	--	--	--	--	15,638
2009	--	--	--	--	14,214
2008	--	--	--	--	--

**Earnings Per Share (\$)**

	1Q	2Q	3Q	4Q	Year
2013	0.60	0.66	E0.79	E0.87	E3.12
2012	0.56	0.80	1.01	0.98	3.35
2011	--	--	--	--	2.03
2010	--	--	--	--	--
2009	--	--	--	--	--
2008	--	--	--	--	--

Fiscal year ended Dec. 31. Next earnings report expected: NA. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.400	01/04	01/11	01/15	02/15/13
0.400	02/15	04/11	04/15	05/15/13
0.400	06/20	07/11	07/15	08/15/13

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

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\$44.71 (as of Aug 9, 2013)

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\$53.00  
Dividends have been paid since 2013. Source: Company reports.

**Investment Style**  
Large-Cap Growth

# AbbVie Inc



## Business Summary May 24, 2013

**CORPORATE OVERVIEW.** AbbVie Inc. is a global research-based pharmaceuticals 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. Pro forma revenues of about \$18.4 billion in 2012 were divided as follows: Humira 50%, virology 12%, metabolic/hormonal 11%, dyslipidemia products 7%, endocrinology 5%, and all other 15%. By geographic region, 2012 sales broke down: U.S. 57%, European Union (EU) 19%, Japan 4%, and all other 20%.

AbbVie's most important product is Humira, an injectable biologic TNF (tumor necrosis factor) blocker treatment for rheumatoid arthritis (RA) and similar conditions, with sales of \$9.3 billion in 2012, up from \$7.9 billion in 2011. We estimate that Humira accounts for more than half of the global prescription pharmaceuticals market for rheumatoid arthritis. Besides moderate to severe RA in adults, Humira is also approved for eight other uses, including juvenile idiopathic arthritis, plaque psoriasis, psoriatic arthritis, ankylosing spondylitis, ulcerative colitis, Crohn's disease in adults, juvenile 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 (sales of \$1.1 billion in 2012), Niaspan extended release niacin (\$911 million), and Simcor, which is a combination of Niaspan and simvastatin. Metabolic/hormonal products include Synthroid treatment for hypothyroidism (\$551 million), and AndroGel testosterone replacement (\$1.2 billion). Virology products comprise primarily Kaletra and Norvir HIV treatments. Lupron for prostate cancer (\$800 million) is ABBV's key endocrinology drug. Synagis for respiratory syncytial virus is marketed outside of the U.S.

**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 advance its R&D pipeline through internal development or through collaborations and licensing agreements. From 2013 through 2016, the company plans to launch five significant new products. The company also plans to maximize efficiency by streamlining the supply chain and optimizing residual value when products near the end of exclusivity.

**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. From 2013 through 2016, AbbVie anticipates new product launches, including: 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.

In 2013, the company expects to initiate several Phase III programs including atrasentan for diabetic kidney disease and ABT-199 in chronic lymphocytic leukemia (CLL). Additionally, AbbVie is planning 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. Finally, in 2013 or early 2014, the company intends to present data from a number of 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 March 30, 2013, ABBV had pro forma cash and investments of about \$7.5 billion, and long-term debt of \$14.6 billion. ABBV also has a \$2.0 billion five-year credit facility. We expect ABBV to use its financial resources for disciplined and targeted licensing deals and acquisitions, as well as for share repurchases. In late April 2013, ABBV reaffirmed adjusted EPS guidance for 2013 in the \$3.03-\$3.13 range.

## Corporate Information

**Office**  
1 North Waukegan Road, North Chicago, IL  
60064-6400.

**Telephone**  
847-932-7900.

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

### Officers

**Chrmn & CEO**  
R.A. Gonzalez

**SVP & CSO**  
J.M. Leonard

**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**  
21,500

**Stockholders**  
60,713

# AbbVie Inc

Quantitative Evaluations						
<b>S&amp;P Fair Value Rank</b>	NR	1	2	3	4	5
		LOWEST				HIGHEST
Based on S&P'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>		83				
		LOWEST = 1				HIGHEST = 100
ABBV scored higher than 83% of all companies for which an S&P Report is available.						
<b>Volatility</b>	NA					
<b>Technical Evaluation</b>	NA					
<b>Insider Activity</b>	NA	UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2012	2011	2010	2009
Price/Sales	2.97	Nil	Nil	NA
Price/EBITDA	7.05	Nil	Nil	NA
Price/Pretax Income	9.55	Nil	Nil	NA
P/E Ratio	10.36	Nil	Nil	NA
Avg. Diluted Shares Outstg (M)	1,600.0	1,585.0	1,585.0	NA

Figures based on calendar year-end price

Key Growth Rates and Averages				
Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	4.20	9.32	NA	NA
Net Income	62.66	1.35	NA	NA
<b>Ratio Analysis (Annual Avg.)</b>				
Net Margin (%)	28.70	24.60	26.61	NA
% LT Debt to Capitalization	81.21	NA	NA	NA
Return on Equity (%)	67.69	NA	NA	NA

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	NM	NM	NA							
Cash Flow	4.07	NA								
Earnings	3.35	2.03	NA							
S&P Core Earnings	3.37	2.80	2.64	NA						
Dividends	Nil	NA								
Payout Ratio	Nil	NA								
Prices:High	37.07	NA								
Prices:Low	32.51	NA								
P/E Ratio:High	11	NA								
P/E Ratio:Low	10	NA								

Income Statement Analysis (Million \$)										
Revenue	18,380	17,639	15,638	14,214	NA	NA	NA	NA	NA	NA
Operating Income	7,758	NA	6,361	5,826	NA	NA	NA	NA	NA	NA
Depreciation	1,150	NA	1,184	697	NA	NA	NA	NA	NA	NA
Interest Expense	104	292	NA	NA	NA	NA	NA	NA	NA	NA
Pretax Income	5,725	3,367	4,836	5,950	NA	NA	NA	NA	NA	NA
Effective Tax Rate	7.86%	3.70%	13.6%	22.1%	NA	NA	NA	NA	NA	NA
Net Income	5,275	3,243	4,178	4,637	NA	NA	NA	NA	NA	NA
S&P Core Earnings	5,389	4,432	4,182	NA	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million \$)										
Cash	7,976	7,200	NA							
Current Assets	15,354	13,546	NA							
Total Assets	27,008	25,948	NA							
Current Liabilities	6,776	6,368	NA							
Long Term Debt	14,630	14,700	NA							
Common Equity	3,363	2,230	NA							
Total Capital	18,015	16,930	NA							
Capital Expenditures	333	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cash Flow	6,425	NA	NA	NA	NA	NA	NA	NA	NA	NA
Current Ratio	2.3	2.1	NA							
% Long Term Debt of Capitalization	81.2	86.8	NA							
% Net Income of Revenue	28.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
% Return on Assets	22.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
% Return on Equity	67.7	NA	NA	NA	NA	NA	NA	NA	NA	NA

# 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 buybacks.

While we see new 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 up to 32 million currently uninsured Americans starting in 2014. We favor the shares of firms with well defined growth prospects and generous dividend yields, as we believe they should perform relatively well over the coming quarters.

Despite near-term effects from patent expirations and regulatory pressures on drug pricing, we still think long-term prospects for the sector 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. We expect FDA approvals of new molecular entities in 2013 to approach or possibly match the near record 39 approvals the agency cleared in 2012.

Year to date through July 19, the S&P Pharmaceuticals Index was up 22.3%, versus a 19.0% rise in the S&P 1500 Composite Index. We expect prospects for the generic/specialty drug sector to remain favorable. We see a large number

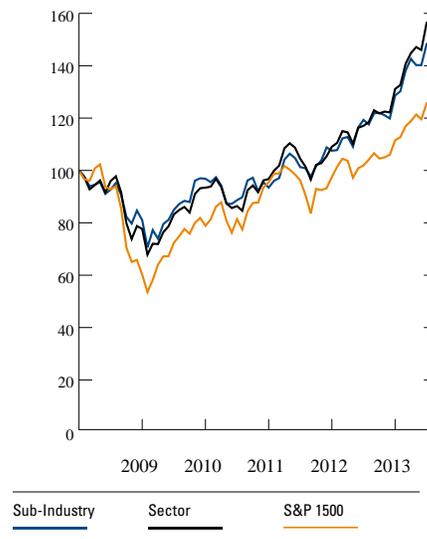
of major drugs losing patent protection over the next few years, providing significant opportunities for this group. We favor companies with rich generic pipelines, especially those with first-to-file generics with the potential for 180 days of marketing exclusivity, and competence in litigating complex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

--Herman B. Saftlas

## Stock Performance

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

Based on S&P 1500 Indexes  
Month-end Price Performance as of 7/31/13



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## 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>70,809</b>	<b>44.71</b>	<b>48.00/32.51</b>	<b>NA</b>	<b>3.6</b>	<b>14</b>	<b>NA</b>	<b>NR</b>	<b>83</b>	<b>28.7</b>	<b>81.2</b>
Auxilium Pharmaceuticals	AUXL	931	18.88	25.54/13.87	0.78	Nil	7	NA	C	61	21.7	NA
Bayer AG ADR	BAYRY	96,513	116.71	119.92/75.90	1.15	1.5	25	114.10	NR	78	6.3	23.8
Hospira Inc	HSP	6,812	41.23	42.60/28.62	0.87	Nil	NM	33.60	B-	86	1.1	35.9
Impax Laboratories	IPXL	1,410	21.74	27.25/14.41	0.74	Nil	10	19.40	C	81	9.6	NA
Jazz Pharmaceuticals Plc	JAZZ	4,760	80.88	82.33/43.38	2.08	Nil	16	79.70	NR	91	44.6	27.1
Mylan Inc	MYL	14,173	37.19	37.47/23.24	0.79	Nil	23	44.40	A-	67	9.4	60.7
Nektar Therapeutics	NKTR	1,429	12.41	12.95/5.65	0.76	Nil	NM	NA	C	7	NM	74.4
Pacira Pharmaceuticals	PCRX	903	35.55	36.79/15.07	1.44	Nil	NM	NA	NR	46	NM	28.1
Sagent Pharmaceuticals	SGNT	663	23.73	24.27/12.62	1.49	Nil	34	NA	NR	56	NM	NA
Santarus Inc	SNTS	1,690	27.00	28.10/5.70	1.33	Nil	19	22.40	B-	81	8.5	10.6
ViroPharma Inc	VPHM	1,974	30.22	35.19/22.12	1.54	Nil	NM	19.40	B-	73	1.3	17.6
Vivus Inc	VVUS	1,368	13.63	24.86/9.86	1.22	Nil	NM	NA	C	77	NM	NA
Warner Chilcott 'A'	WCRX	5,339	21.26	21.96/10.85	1.06	2.4	12	32.50	NR	19	15.9	112.5
Zoetis Inc 'A'	ZTS	15,455	30.91	35.42/28.97	NA	0.8	37	NA	NR	38	10.1	11.0

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 Analyst Research Notes and other Company News****July 26, 2013**

11:40 am ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV 44.56\*\*\*\*): We keep our 2013 \$3.12 EPS estimate, and our \$53 target price. This factors in a modest premium-to-peers P/E of 16X our \$3.30 forecast for 2014, which we think is warranted by strong pipeline prospects. We are also encouraged by Q2 adj. EPS of \$0.82, \$0.04 above our estimate, and by its 2013 EPS guidance of \$3.07-\$3.13, up from \$3.03-\$3.13. Key positives to the Abbvie story, in our opinion, include ongoing robust growth for Humira, with new indications expected to add \$1.5B in peak sales, and an advancing pipeline, especially in new hepatitis C drugs. The dividend yields 3.6%. /H. Saftlas

**May 23, 2013**

12:11 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV 46.63\*\*\*\*): We raise our target price by \$3 to \$53, based on our enhanced valuation of ABBV's key Humira rheumatoid arthritis drug, and its advancing pipeline. We lift our '14 EPS estimate \$0.10 to \$3.30. Boosted by several new approvals last year, plus additional planned indications and greater penetration of foreign markets, we expect Humira sales to expand to over \$14B by '16, from \$9.3B in '12. On the R&D front, we still see ABBV leading the pack with its new class of breakthrough hepatitis C drugs, while continuing to advance other pipeline drugs. The \$1.60 dividend yields 3.4%. /H. Saftlas

**April 26, 2013**

12:05 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV 45.35\*\*\*\*): We are raising our target price by \$7, to \$50, based on our enhanced valuations of ABBV's key Humira rheumatoid arthritis drug and advancing R&D pipeline. Boosted by new indications, Q1 sales of Humira rose 16% to \$2.2B, with U.S. sales up 24%. On the R&D front, we see ABBV leading the pack with its new class of breakthrough hepatitis C drugs, which should be first to market in 2015. We also see promising new treatments for Parkinson's disease, leukemia, endometriosis and other conditions in ABBV's late stage pipeline. The \$1.60 dividend yields 3.6%. /H. Saftlas

**March 6, 2013**

(ABBV 37.51\*\*\*\*): We are raising our target price by \$3, to \$43, based on our enhanced valuations of ABBV's key Humira rheumatoid arthritis drug, and the R&D pipeline. In our opinion, sales of Humira should continue to grow through the end of the decade, helped by new indications and expansion in emerging markets. With respect to the pipeline, we see multi-billion dollar sales potential for ABBV's new hepatitis C drugs, which should be first to the market in 2015. Other positives include a 4.3% dividend yield, a \$1.5B buyback program, and new business development. /H. Saftlas

**February 8, 2013**

10:53 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF NEUROCRINE BIOSCIENCES (NBIX 10.52\*\*\*\*): We raise our NPV-based target price by \$2 to \$13 on an enhanced pipeline outlook. Q4 EPS of \$0.14, vs. \$0.02, beats our last published Capital IQ consensus estimate of \$0.08 loss, which we attribute to \$13M in recognized collaborative revenues. We are encouraged by partner AbbVie's (ABBV 36, Hold) advancement of elagolix to Phase IIb study for uterine fibroids, and we expect Phase IIb data for internal VMAT2 inhibitor for tardive dyskinesia near mid-'13. With \$130M cash expected at '13 end, we view NBIX as well funded, and we anticipate receipt of milestone payments in '14. /S.Silver

**January 30, 2013**

TH A HOLD OPINION (ABBV 37.34\*\*\*\*): This spin-off from Abbott Laboratories (ABT 33\*\*\*\*) ranks among the world's leading drugmakers. Still, we note that some 45% of sales comes from one drug- Humira, a rheumatoid arthritis treatment whose patent expires in 2016. We also see generics impacting ABBV's lipid lowering and HIV franchises. On the plus side, we like ABBV's robust pipeline, which we think has promising therapies for hepatitis C, Parkinson's disease and cancer. Our target price of \$40 applies a modest premium-to-peers P/E of 12.8X to our 2013 EPS estimate of \$3.12. The \$1.60 dividend provides a 4.3% yield. /H. Saftlas

**January 30, 2013**

BBV 37.02\*\*\*\*): We keep our 2013 \$3.12 operating EPS estimate, near the upper end of ABBV's new \$3.03-\$3.13 guidance provided today. Our \$40 target price applies a modest premium to peers' 12.8X P/E to our 2013 forecast. We reiterate our modest sales growth projection for 2013, from \$18B in 2012, with low-teens

growth in Humira, and a 5% gain for Synthroid, more than offsetting steep generic erosion in Tricor/Trilipix. We like ABBV's 11 project Phase 3 pipeline, but remain uncertain in its ability to offset generic losses. We think the \$1.60 dividend provides some support for the stock. /H. Saftlas

**January 23, 2013**

12:03 pm ET ... S&P REITERATES HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 32.88\*\*\*\*): We maintain our target price of \$36, and our 2013 operating EPS estimate of \$2.00, near the midpoint of ABT's new \$1.98-\$2.04 guidance range. Q4 EPS of \$1.51, vs. \$1.45, was \$0.01 below our forecast. While sales rose 4.4%, we attribute most of the gain to strength in drugs such as Humira that are now booked by recently spun-off Abbvie (ABBV 37, NR). For 2013, we see mid-single top line growth, helped by new products such as Absorb vascular scaffold and MitraClip valve repair system, as well as by greater penetration of emerging markets. The dividend presently yields 1.7%. /H. Saftlas

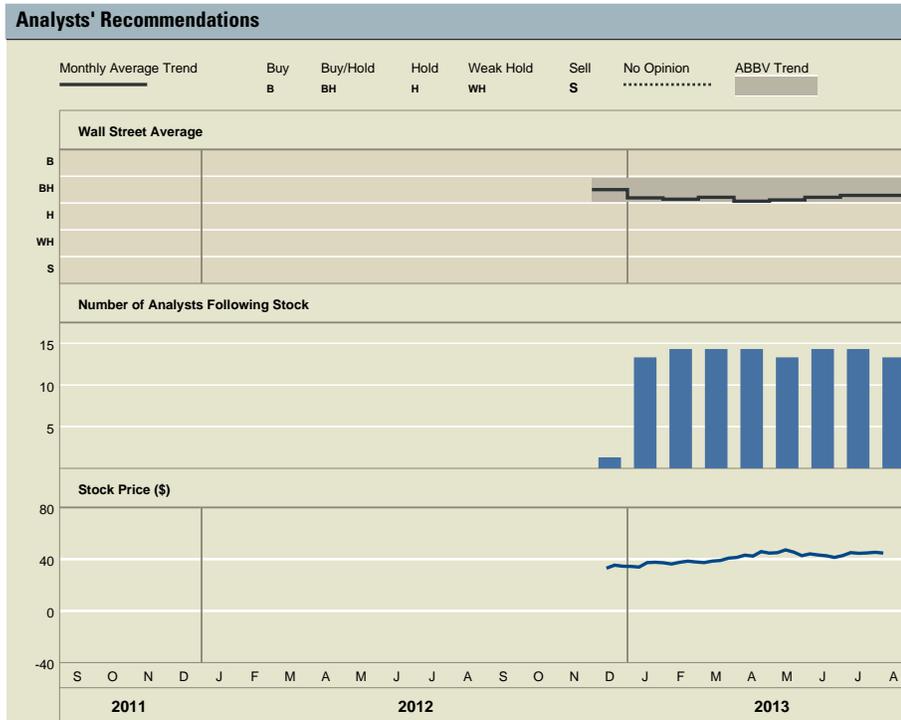
**January 14, 2013**

05:44 pm ET ... S&P DOWNGRADES OPINION ON SHARES OF ABBOTT LABORATORIES TO HOLD FROM BUY (ABT 33.37\*\*\*\*): We are reducing our 12-month target price by \$40, to \$36, to reflect the recent spin-off of the company's research-based pharmaceuticals business as shares of a new publicly traded firm called AbbVie, Inc. (ABBV 34, NR). Our new target price applies a premium-to-peers P/E multiple of 18X to our new \$2.00 EPS estimate for 2013 (versus our prior pre-spinoff estimate of \$5.55). While we view ABT as well positioned in diversified health care products markets, we think many of those markets are relatively mature, with future EPS growth likely coming largely from margin expansion. /H. Saftlas

**January 3, 2013**

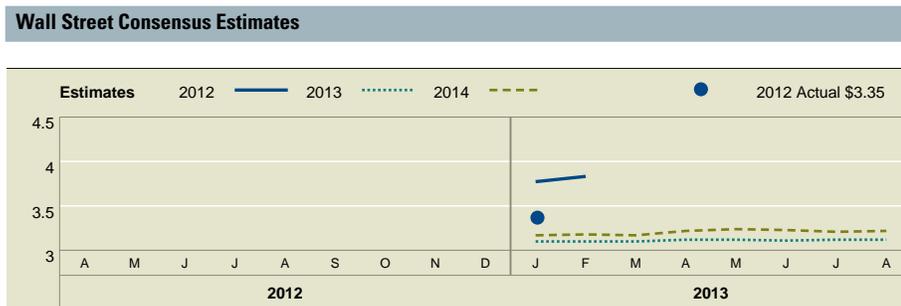
On December 31, 2012, the Board of Directors of AbbVie expanded its size from three directors to nine directors, effective as of immediately on January 1, 2013. Each of Richard A. Gonzalez, the Chairman and Chief Executive Officer of AbbVie, Robert J. Alpern, M.D., Roxanne S. Austin, William H.L. Burnside, Edward M. Liddy, Edward J. Rapp, Roy S. Roberts, and Glenn F. Tilton were elected as a director of AbbVie, effective as of immediately prior to the Effective Time. Thomas C. Freyman and Greg W. Linder, who had been serving as members of the Board, ceased to be directors of AbbVie effective as of immediately prior to the Effective Time. Frederick H. Waddell, who had been elected to the Board effective November 29, 2012, remains on the Board and will continue to serve as a director of AbbVie following the Distribution.

# AbbVie Inc



Of the total 13 companies following ABBV, 13 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	31	4	3
Buy/Hold	3	23	3	3
Hold	6	46	7	6
Weak Hold	0	0	0	1
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>13</b>	<b>100</b>	<b>14</b>	<b>13</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	3.22	3.30	3.14	14	13.9
2013	3.12	3.17	3.05	13	14.3
<b>2014 vs. 2013</b>	<b>▲ 3%</b>	<b>▲ 4%</b>	<b>▲ 3%</b>	<b>▲ 8%</b>	<b>▼ -3%</b>
Q3'14	0.80	0.86	0.76	5	55.9
Q3'13	0.77	0.79	0.71	12	58.1
<b>Q3'14 vs. Q3'13</b>	<b>▲ 4%</b>	<b>▲ 9%</b>	<b>▲ 7%</b>	<b>▼ -58%</b>	<b>▼ -4%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- BMO Capital Markets, U.S. Equity Research
- Barclays
- BofA Merrill Lynch
- Cowen and Company, LLC
- Goldman Sachs
- Hilliard Lyons
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- S&P Capital IQ Equity Research
- UBS Investment Bank
- Wells Fargo Securities, LLC

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that ABBV will earn \$3.12. For the 2nd quarter of fiscal year 2013, ABBV announced earnings per share of \$0.66, representing 21% of the total annual estimate. For fiscal year 2014, analysts estimate that ABBV's earnings per share will grow by 3% to \$3.22.

## Glossary

### S&P 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 used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P 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 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 Fair Value.

### Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

### 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 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.

### Qualitative Risk Assessment

The 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 Qualitative Risk Assessment is a relative ranking to the S&P Capital IQ 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.

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P Capital IQ analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P Capital IQ analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking (also known as S&P 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	C Lower
A- Above Average	D Lowest
B+ Average	NR In Reorganization
B Below Average	

### S&P Fair Value Rank

Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P Capital IQ's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

### S&P's IQ Rationale

#### AbbVie Inc

	Raw Score	Max Value
Proprietary S&P Measures	22	115
Technical Indicators	40	40
Liquidity/Volatility Measures	1	20
Quantitative Measures	44	75
<b>IQ Total</b>	<b>107</b>	<b>250</b>

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

## AbbVie Inc

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by S&P Capital IQ in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

### S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

### Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

### 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 Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, 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).**

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P Capital IQ equity analysts, S&P Capital IQ ranks stocks in accordance with three other ranking methodologies: (a) S&P's Capital IQ's quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. (b) Global Markets Intelligence uses two different quantitative methodologies to determine recommendations for the Trade Detector research report. One methodology is based on a target price model, while the other methodology is based on four separate quantitative strategies. The STARS, quantitative evaluations and Trade Detector methodologies reflect different criteria, assumptions and analytical methods and may have differing recommendations.

### S&P Capital IQ Global STARS Distribution as of June 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	34.6%	31.8%	36.5%	34.3%
Hold	57.6%	44.1%	59.6%	55.7%
Sell	7.8%	24.1%	3.9%	10.0%
Total	100%	100%	100%	100%

**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 is not anticipated to show a gain.

**1-STARS (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.

#### For All Regions:

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### S&P Capital IQ Global Quantitative Model Recommendations Distribution as of June 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	40.1%	40.8%	56.2%	47.4%
Hold	19.9%	19.6%	19.8%	19.8%
Sell	40.0%	39.6%	24.0%	32.8%
Total	100%	100%	100%	100%

#### Trade Detector Recommendations Distribution as of March 31, 2013

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