

ABBIE INC. NYSE-ABBV

RECENT PRICE **59.99**

P/E RATIO **12.5** (Trailing: 13.4 Median: NMF)

RELATIVE P/E RATIO **0.71**

DIV'D YLD **3.8%**

VALUE LINE

TIMELINESS 3 Lowered 7/8/16
SAFETY 3 Lowered 4/8/16
TECHNICAL 2 Raised 7/1/16
BETA 1.10 (1.00 = Market)

LEGENDS
 Relative Price Strength
 Options: Yes
 Shaded area indicates recession

High: 54.8 70.8 71.6 65.4
 Low: 33.3 45.5 45.4 50.7

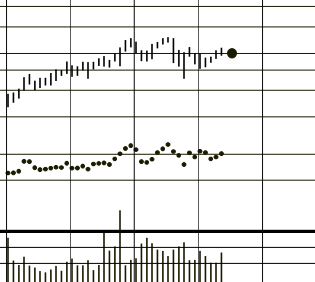
Target Price Range
 2019 2020 2021

2019-21 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 145 (+140%) 27%
 Low 95 (+60%) 15%

Insider Decisions
 A S O N D J F M A
 to Buy 0 0 0 0 0 0 0 0 0 0
 Options 0 0 0 0 1 0 0 0 0 0
 to Sell 0 0 0 0 0 0 0 0 4 0

Institutional Decisions
 3Q2015 4Q2015 1Q2016
 to Buy 680 728 816
 to Sell 779 761 678
 Hlds(000) 113601511098151140878

Percent shares traded
 21
 14
 7



% TOT. RETURN 5/16
 THIS STOCK VS. S&P 500 INDEX
 1 yr. -1.9 -3.3
 3 yr. 62.0 25.5
 5 yr. — 51.1

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
--	--	--	--	--	--	--	--	--	--	--	--	--	11.84	12.54	14.20	16.15	17.80	Sales per sh	20.00
--	--	--	--	--	--	--	--	--	--	--	--	--	3.44	3.62	4.64	5.10	6.30	"Cash Flow" per sh	7.80
--	--	--	--	--	--	--	--	--	--	--	--	--	3.14	3.32	4.29	4.80	6.00	Earnings per sh ^A	7.50
--	--	--	--	--	--	--	--	--	--	--	--	--	1.60	1.66	2.02	2.28	2.36	Div' ds Decl'd per sh ^B	2.72
--	--	--	--	--	--	--	--	--	--	--	--	--	.56	.78	.33	.50	.50	Cap'l Spending per sh	.50
--	--	--	--	--	--	--	--	--	--	--	--	--	2.83	1.09	2.45	4.35	6.90	Book Value per sh ^C	15.65
--	--	--	--	--	--	--	--	--	--	--	--	--	1587.4	1591.4	1609.9	1610.0	1600.0	Common Shs Outst'g ^D	1600.0
--	--	--	--	--	--	--	--	--	--	--	--	--	13.9	16.7	14.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
--	--	--	--	--	--	--	--	--	--	--	--	--	.78	.88	.73			Relative P/E Ratio	1.00
--	--	--	--	--	--	--	--	--	--	--	--	--	3.7%	3.0%	3.3%			Avg Ann'l Div'd Yield	2.3%

CAPITAL STRUCTURE as of 3/31/16
 Total Debt \$31.5 bill. Due in 5 Yrs \$15.8 bill.
 LT Debt \$29.5 bill. LT Interest \$866 mill.
 (86% of Capital)

Leases, Uncapitalized Annual rentals \$119 mill.

Pension Assets-12/15 \$4.2 bill. **Oblig.** \$5.4 bill.

Common Stock 1,617,358,607 shares

MARKET CAP: \$97.0 billion (Large Cap)

CURRENT POSITION 2014 2015 3/31/16
 (\$MILL.)

Cash Assets	8348	8399	7556
Receivables	3735	4730	4753
Inventory (FIFO)	1124	1719	1789
Other	2881	1466	2524
Current Assets	16088	16314	16622
Accts Payable	6954	8463	8239
Debt Due	4021	2025	2023
Other	425	406	400
Current Liab.	11400	10894	10662

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '13-'15 to '19-'21
of change (per sh)			
Sales	--	--	7.5%
"Cash Flow"	--	--	12.0%
Earnings	--	--	13.0%
Dividends	--	--	7.5%
Book Value	--	--	NMF

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	4329	4692	4658	5111	18790
2014	4563	4926	5019	5452	19960
2015	5040	5475	5944	6400	22859
2016	5958	6400	6600	7042	26000
2017	6900	7000	7100	7500	28500

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.68	.82	.82	.82	3.14
2014	.71	.82	.89	.89	3.32
2015	.94	1.08	1.13	1.13	4.29
2016	1.15	1.20	1.20	1.25	4.80
2017	1.35	1.40	1.60	1.65	6.00

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	--	--	--	--	--
2013	.40	.40	.40	.40	1.60
2014	.40	.42	.42	.42	1.66
2015	.49	.51	.51	.51	2.02
2016	.57	.57			

BUSINESS: AbbVie Inc. engages in the discovery, development, manufacture, and sale of a broad line of pharmaceutical products worldwide. Its products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including HCV and HIV; neurological disorders, such as Parkinson's

We have lowered our 2016 earnings estimate for AbbVie. While the first-quarter result (\$1.15 adjusted) was directly in line with our target, a recently announced acquisition (see below) is now expected to create some dilution in the back half of the year. All told, we have reduced our 2016 share-net call by \$0.20, to \$4.80.

The purchase of Stemcentrx should provide a meaningful boost to oncology. Following the first-quarter release, management announced plans to acquire Stemcentrx and its lead late-stage asset rovalpituzumab tesirine (*Rova-T*), currently in registrational trials for small cell lung cancer. *Rova-T* is derived from cancer stem cells and targets delta-like protein 3 that is expressed in more than 80% of small cell lung cancer patient tumors and is not present in healthy tissue. Under the terms of the deal, AbbVie agreed to pay \$5.8 billion in cash (\$2.0 billion) and stock (\$3.8 billion). Stemcentrx shareholders will also be eligible to receive up to \$4 billion in cash for additional success-based milestones. Management expects the transaction to be \$0.20 dilutive to earnings per share in 2016, with accretion begin-

disease; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; as well as other serious conditions. Off/dirs. own less than 1% of common stock; BlackRock, 6.1%; Vanguard, 6.1% (3/16 proxy). Chrmn/CEO: Richard A. Gonzalez. Inc. DE. Addr.: 1 North Waukegan Rd, North Chicago, IL, 60064. Tel.: 847-932-7900. Internet: www.abbvie.com.

ning in 2020. Completion was slated for late second, early third quarter 2016.

Its all about prepping for the post-Humira era. *Humira* remains the top dog in AbbVie's portfolio, accounting for about 60% of total revenues. Despite being FDA approved back in 2002, the popular anti-inflammatory medication continues to exhibit strong momentum (first-quarter sales +19% year over year). However, with key patent expirations now looming on the horizon, the company has upped its M&A activity in recent months to better address diversity concerns and hopefully find new platforms for future growth. In addition to the *Rova-T* purchase, AbbVie announced a collaboration agreement with Boehringer Ingelheim in March to develop a promising new psoriasis drug (BI 65506).

The stock maintains an Average (3) rank for Timeliness. While the equity does not stand out in the year ahead, our longer-term estimates suggest wide capital gains potential to 2019-2021. An above-average dividend yield and expectations for near-term share repurchases should also help to bolster shareholder value.

Michael Ratty July 8, 2016

(A) Diluted earnings (adjusted). Excludes non-recurring items: '13, (.58c); '14, (\$2.22) '15, (\$1.16). Next earnings report due late July.
 (B) Dividends historically paid in February.

May, August, and November. ■ Dividend reinvestment plan available.
 (C) Includes intangibles. In '15: \$32.88 billion, \$20.42 a share.

(D) In millions

Company's Financial Strength	A
Stock's Price Stability	70
Price Growth Persistence	NMF
Earnings Predictability	NMF