

**AbbVie Inc.**

**Recommendation** **HOLD** ★ ★ ★ ★ ★

**Price**

USD 79.39 [as of Apr 30, 2019 4:00 PM ET]

**12-Mo. Target Price**

USD 88.00

**Report Currency**

USD

**Investment Style**

Large-Cap Blend

**Equity Analyst Kevin Huang, CFA****GICS Sector** Health Care**Sub-Industry** Biotechnology

**Summary** This company is a global research-based pharmaceuticals business. AbbVie's key drug is Humira, for rheumatoid arthritis and other indications.

**Key Stock Statistics** [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	<b>USD 107.25 - 75.77</b>	Oper. EPS 2019E	<b>USD 8.84</b>	Market Capitalization[B]	<b>USD 117.4</b>	Beta	<b>1.15</b>
Trailing 12-Month EPS	<b>USD 3.51</b>	Oper. EPS 2020E	<b>USD 9.41</b>	Yield [%]	<b>5.39</b>	3-Yr Proj. EPS CAGR[%]	<b>8</b>
Trailing 12-Month P/E	<b>22.87</b>	P/E on Oper. EPS 2019E	<b>9.08</b>	Dividend Rate/Share	<b>USD 4.28</b>	SPGMI's Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>\$19,546</b>	Common Shares Outstg.[M]	<b>1,478.2</b>	Institutional Ownership [%]	<b>71</b>		

**Price Performance**

Source: CFRA, S&amp;P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Kevin Huang on Apr 30, 2019 04:59 PM, when the stock traded at **USD 80.30**.**Highlights**

- In 2019, we see roughly flat sales year-over-year of \$32.8B, following 16% growth in 2018. ABBV's revenues are largely tied to sales of its blockbuster drug Humira [60.9% of 2018 revenues], which began to experience biosimilar competition outside of the U.S. [OUS] in October 2018. While we expect Humira sales growth of approximately 7% in the U.S. in 2019, we see OUS Humira sales eroding about 27% in markets where biosimilars are available. U.S. biosimilars could appear as early as 2020; however, ABBV has made deals with several large potential competitors to delay sales of Humira biosimilars to 2023.
- We anticipate revenues from ABBV's hematological oncology franchise to expand to \$5.1B in 2019 from \$3.9B in 2018, largely driven by sales of Imbruvica, which we expect to grow 25% to \$4.5B. Hepatitis C treatment is also a large source of sales, which ABBV is exposed to through its drug Mavyret [FDA-approved in August 2017].
- ABBV's management is interested in M&A for a wide range of deal sizes. We think that ABBV aims to acquire potential products that could help offset the expected erosion of U.S. Humira sales in 2023.

**Investment Rationale/Risk**

- We think that ABBV shares fairly reflect the risks and rewards related to the company. In September 2018, the California insurance commissioner filed a complaint on behalf of California against ABBV, alleging that ABBV had committed fraud by providing kickbacks to health care providers in the state. We think that other states could also sue ABBV; thus, we see considerable risk to ABBV's future earnings potential. ABBV will also face Humira competition in 2023 at the latest, potentially exacerbated by efforts by government agencies to increase the viability of biosimilar drugs. To mitigate this risk, ABBV has made deals with rivals Mylan and Amgen. We also see strong potential for endometriosis drug Orilissa [FDA-approved in July 2018] and second-generation immunology assets, upadacitinib [FDA approval anticipated in Q3 2019] and Skyrizi [i.e. risankizumab, FDA-approved in April 2019].
- Risks to our target price and rating include pipeline failures, limited M&A opportunities and worse-than-expected Humira sales erosion.
- Our 12-month target of \$88 is based on below-peer 9.9x our next-12-month EPS of \$8.93, reflecting litigation and biosimilar risks.

**Analyst's Risk Assessment**

LOW	MEDIUM	HIGH
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ABBV is heavily reliant on one drug, Humira, which currently accounts for more than 60% of sales. However, recently-approved drugs will likely help diversify sales.

**Revenue/Earnings Data****Revenue [Million USD]**

	1Q	2Q	3Q	4Q	Year
2019	7,828	--	--	--	--
2018	7,934	8,278	8,236	8,305	32,753
2017	6,538	6,944	6,995	7,739	28,216
2016	5,958	6,452	6,432	6,796	25,638
2015	5,040	5,475	5,944	6,400	22,859
2014	4,563	4,926	5,019	5,452	19,960

**Earnings Per Share [USD]**

	1Q	2Q	3Q	4Q	Year
2020	<b>E 2.23</b>	<b>E 2.37</b>	<b>E 2.42</b>	<b>E 2.39</b>	<b>E 9.41</b>
2019	1.65	<b>E 2.19</b>	<b>E 2.28</b>	<b>E 2.23</b>	<b>E 8.84</b>
2018	1.74	1.26	1.81	-1.22	3.66
2017	1.06	1.19	1.01	0.03	3.30
2016	0.83	0.98	0.97	0.85	3.63
2015	0.64	0.83	0.74	0.92	3.13

Fiscal year ended Dec 31. Next earnings report expected: Late Jul. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount [USD]	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
1.07	Feb 21	Apr 12	Apr 15	May 15 '19
1.07	Nov 02	Jan 14	Jan 15	Feb 15 '19
0.96	Sep 07	Oct 12	Oct 15	Nov 15 '18
0.96	Jun 14	Jul 12	Jul 13	Aug 15 '18

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.**

Forecasts are not reliable indicator of future performance.

**AbbVie Inc.****Business Summary** April 30, 2019

**CORPORATE OVERVIEW.** AbbVie [ABBV] is a global, research-based biopharmaceutical company. ABBV develops and markets advanced therapies that address some of the world's most complex and serious diseases. ABBV's products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including hepatitis C virus [HCV] and human immunodeficiency virus [HIV]; neurological disorders, such as Parkinson's disease; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; pain associated with endometriosis; as well as other serious health conditions. ABBV also has a pipeline of promising new medicines in clinical development across such important medical specialties as immunology, oncology and neuroscience, with additional targeted investment in cystic fibrosis and women's health.

ABBV's largest and most successful drug is Humira, which is approved to treat 12 autoimmune diseases in the U.S., Canada, Mexico, and in the European Union. Humira is also sold in many other markets worldwide and the drug accounted for approximately 61% of ABBV's total net revenues in 2018. Humira began to experience biosimilar competition in countries outside the U.S. [OUS] in 2017. OUS sales account for approximately 25% of global Humira revenues. We expect ABBV to encounter U.S. biosimilar competition to Humira beginning 2023, or possibly earlier. The anticipated entrance of U.S. biosimilar competition will likely significantly erode ABBV's total sales.

**CORPORATE STRATEGY.** ABBV's strategy is focused on delivering strong financial results, advancing and investing in its pipeline and returning value to shareholders while ensuring a strong, sustainable growth business over the long term. In 2019, we expect ABBV to achieve its strategic objectives through: 1) hematologic oncology revenue growth from both Imbruvica and Venclexta; 2) the strong execution of new product launches across multiple therapeutic areas; 3) Humira U.S. sales growth by driving biologic penetration across disease categories and maintaining market leadership; 4) effective management of Humira international biosimilar erosion; and 5) the favorable impact of pipeline products and indications recently approved or currently under regulatory review where approval is expected in 2019.

**PIPELINE.** According to ABBV's 2018 form 10-K, the company had more than 60 compounds or indications in clinical development, with a focus on immunology, oncology, and neuroscience. Of ABBV's programs, more than 30 are in mid- and late-stage development.

**FINANCIAL TRENDS.** ABBV's revenues were \$32.7 billion in 2018, a 16% increase over the prior-year period, which represented a five-year compound annual growth rate [CAGR] of 11.7%. Top-line growth in 2018 was largely driven by revenue growth related to Mavyret, Imbruvica and Venclexta, and the continued strength of HUMIRA. Adjusted earnings per share [EPS] grew 41.3% year-over-year to \$7.91 in 2018, representing a five-year CAGR of 20.3%. While ABBV's net debt to total capital seems high at 101.2%, the company's leverage [net debt to trailing-twelve-month EBITDA] was not concerning at 2.4x. In addition, ABBV generated \$12.8 billion in free cash flow in 2018, a 35.6% increase over the prior year.

**Corporate Information****Investor Contact**

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**Officers****Vice Chairman & President**

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**Chairman & CEO**

R. A. Gonzalez

**Vice Chairman of External Affairs, Chief Legal Officer & Corporate Secretary**

L. J. Schumacher

**Executive Vice President of Operations**

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W. L. Burnside

M. B. Meyer

**Domicile****Auditor**

Delaware

Ernst &amp; Young LLP

**Founded**

2012

**Employees**

30,000

**Stockholders**

48,516

**AbbVie Inc.**

Quantitative Evaluations						Expanded Ratio Analysis							
Fair Value Rank	2	1	2	3	4	5	HIGHEST	2018	2017	2016	2015		
		LOWEST					Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].	Price/Sales	4.35	5.49	3.98	4.24	
Fair Value Calculation	USD <b>68.32</b>	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ABBV is overvalued by USD 11.07 or 13.9%.					Price/EBITDA	10.42	12.77	9.45	10.01		
Volatility		LOW	AVERAGE	HIGH			Price/Pretax Income	10.96	14.22	10.30	10.69		
Technical Evaluation	NEUTRAL	Since April, 2019, the technical indicators for ABBV have been NEUTRAL.					P/E Ratio	25.19	29.31	17.25	18.93		
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE			Avg. Diluted Shares Outsg.(M)	1546	1603	1631	1637		
Figures based on fiscal year-end price													
Key Growth Rates and Averages													
Past Growth Rate [%]								1 Year	3 Years	5 Years			
Sales								16.08	12.74	11.75			
Net Income								7.12	3.40	6.62			
Ratio Analysis [Annual Avg.]													
Net Margin [%]								NM	NM	NM			
% LT Debt to Capitalization								NM	NA	NA			
Return on Equity [%]								NM	NA	NA			
Company Financials Fiscal year ending Dec. 31													
Per Share Data [USD]			2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
Tangible Book Value			-30.66	-24.02	-24.91	-17.97	-3.54	-2.32	-3.23	1.85	NA	NA	
Free Cash Flow			8.30	5.91	4.05	4.31	1.84	3.63	3.81	3.74	2.87	NA	
Earnings			3.66	3.30	3.63	3.13	1.10	2.56	3.34	2.18	2.65	NA	
Earnings [Normalized]			4.17	3.63	3.20	3.05	1.73	2.22	2.59	2.42	2.12	NA	
Dividends			3.95	2.63	2.35	2.10	1.75	1.60	NA	NA	NA	NA	
Payout Ratio [%]			98	77	62	64	150	50	NA	NA	NA	NA	
Prices: High			125.86	99.10	68.12	71.60	70.76	54.78	NA	NA	NA	NA	
Prices: Low			77.50	59.27	50.71	45.45	45.50	33.33	NA	NA	NA	NA	
P/E Ratio: High			37.3	23.9	34.1	63.2	30.3	19.2	NA	NM	NM	NA	
P/E Ratio: Low			16.6	16.4	15.1	26.9	16.5	11.4	NA	NM	NM	NA	
Income Statement Analysis [Million USD]													
Revenue			32,753	28,216	25,638	22,859	19,960	18,790	18,380	17,444	15,638	14,214	
Operating Income			11,911	10,643	9,623	8,856	5,500	6,017	6,622	6,002	5,218	4,924	
Depreciation + Amortization			1,765	1,501	1,189	836	786	897	1,150	1,272	1,184	697	
Interest Expense			1,348	1,150	1,047	719	429	299	104	NA	NA	NA	
Pretax Income			5,197	7,727	7,884	6,645	2,369	5,332	5,725	3,668	4,836	5,950	
Effective Tax Rate			-9.4	31.3	24.5	22.6	25.1	22.6	7.9	6.4	13.6	22.1	
Net Income			5,687	5,309	5,953	5,144	1,774	4,128	5,275	3,433	4,178	4,637	
Net Income (Normalized)			6,445	5,821	5,219	5,000	2,786	3,553	4,081	3,816	3,336	3,344	
Balance Sheet and Other Financial Data [Million USD]													
Cash			8,061	9,789	6,423	8,407	8,374	9,895	7,976	653	11	NA	
Current Assets			16,945	21,223	16,187	16,314	16,081	17,848	15,354	7,354	8,218	NA	
Total Assets			59,352	70,786	66,099	53,050	27,513	29,198	27,008	19,521	21,135	NA	
Current Liabilities			17,239	16,641	9,781	10,894	11,393	6,879	6,776	5,897	3,761	NA	
Long Term Debt			35,002	30,953	36,440	29,321	10,538	14,292	14,630	32	NA	NA	
Total Capital			31,864	42,465	41,478	35,697	16,719	19,215	19,035	11,980	15,703	NA	
Capital Expenditures			638	529	479	532	612	491	333	356	448	313	
Cash from Operations			13,427	9,960	7,041	7,535	3,549	6,267	6,345	6,247	4,976	5,367	
Current Ratio			0.98	1.28	1.65	1.50	1.41	2.59	2.27	1.25	2.19	NA	
% Long Term Debt of Capitalization			109.8	72.9	87.9	82.1	63.0	74.4	76.9	0.3	NA	NA	
% Net Income of Revenue			17.4	18.8	23.2	22.5	8.9	22.0	28.7	19.7	26.7	32.6	
% Return on Assets			11.4	9.7	10.1	13.7	12.1	13.4	17.8	18.5	0.2	NA	
% Return on Equity			NM	NM	NM	NM	56.9	NM	69.0	24.8	NA	NA	

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

**AbbVie Inc.****Sub-Industry Outlook**

We have a positive outlook on the biotechnology sub-industry ("biotech"), a historically defensive sub-industry, because we expect to see the commercialization and development of many new, innovative therapies and a decline in the prevalence of patent expirations in 2020 and 2021. Biotechnology companies have been trading at a discount to the market, which we think will be remedied as a robust pipeline of new drugs is brought to market. FDA approvals of novel drugs increased by 28% in 2018 to 59, which shattered the previous record [since 1994] of 46 novel approvals set in 2017. We think that many of the drugs that are either newly-approved or are in late-stage clinical trials have considerable commercial prospects and represent major advances in therapies for diseases such as cystic fibrosis, hepatitis C, multiple sclerosis and cancer.

2019 started off favorably with the announcement of the mega merger agreement between Celgene [CELG] and Bristol-Myers Squibb [BMY]. Industry debt levels, while still low, have risen over the last four to five years, suggesting that 2019 may not be a banner year for biotech mergers and acquisitions [M&A]. Although, there are several mature biopharmaceutical firms that have made their marks with blockbuster drugs and are looking to offset lost revenues from expiring patents or failed ventures with promising late-stage pipeline additions. For example, we see Gilead Sciences [GILD] and Biogen [BIIB] as likely acquirers in 2019. We expect GILD to be interested in M&A to offset its declining HCV therapy sales and we expect BIIB to engage in M&A activity to make up for the failure of its late-stage Alzheimer's disease treatment. Most biotechnology companies have low debt levels and attractive valuations relative to other industries, making for a

favorable M&A environment.

We think that the growth of biotechnology stocks has been limited recently because high drug prices in the U.S. have come under heightened scrutiny by the U.S. political apparatus in the last few years. Despite all the talk about lowering drug prices, we have not seen any particularly severe measures taken by legislative or regulatory bodies in the U.S. to lower drug prices. While Democrats, who took over the House of Representatives in the November 2018 mid-term elections, appear to be more motivated to address drug prices, we still don't think that there is sufficient impetus to effect any significant changes in the near future. Another source of price pressure for drug manufacturers is the pharmacy benefit managers [PBMs] and health insurers, who are exerting more influence over drug prescriptions and pricing. This pressure will likely increase, as all major PBM's have merged with a major insurer [e.g. CVS-AET, CI-ESRX].

The Biologics Price Competition and Innovation Act of 2009 [BPCIA] granted a 12-year exclusivity period to branded biologic makers. Since then, branded biologic manufacturers have aggressively used patent laws and their commercial leverage to delay the commercialization of biosimilars so that they can maintain market dominance for longer. As a result, we expect biosimilars to continue to advance slowly over the next several years.

Year-to-date April 5, 2019, the S&P 1500 Biotechnology Index has risen a mere 5.0%, compared to the 15.5% rise in the value of the S&P 1500 Composite Index. In 2018, the S&P 1500 Biotechnology Index declined 7.1% vs. a 6.8% decline for the S&P 1500 Index.

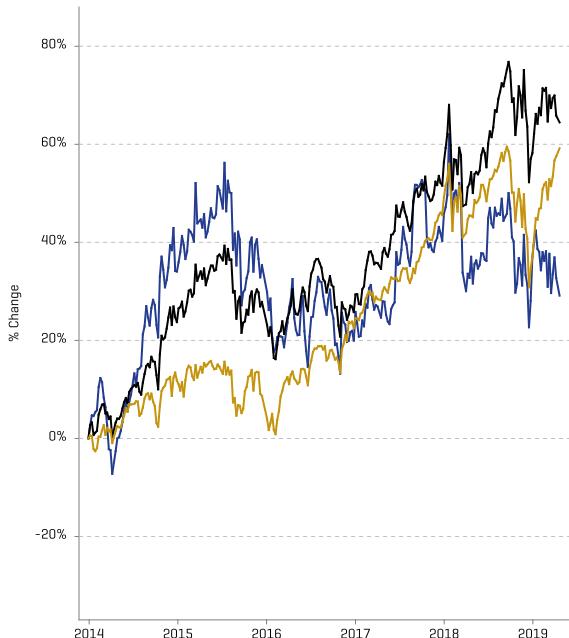
**/Kevin Huang, CFA**

**Industry Performance****GICS Sector: Health Care****Sub-Industry: Biotechnology**

Based on S&amp;P 1500 Indexes

Five-Year market price performance through Apr 30, 2019

— S&amp;P 1500 — Sector — Sub-Industry



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.

**Source: S&P Global Market Intelligence**

**Sub-Industry: Biotechnology Peer Group\*: Biotechnology**

Peer Group	Stock Symbol	Stock Exchange	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]	
<b>AbbVie Inc.</b>	<b>ABBV</b>	<b>NYSE</b>	<b>USD</b>	<b>79.39</b>	<b>117,351</b>	<b>-1.5</b>	<b>-17.8</b>	<b>23</b>	<b>68.32</b>	<b>5.4</b>	<b>NM</b>	<b>109.8</b>
Alexion Pharmaceuticals, Inc.	ALXN	NasdaqGS	USD	136.13	30,525	0.7	15.7	73	106.27	Nil	0.9	20.3
Amgen Inc.	AMGN	NasdaqGS	USD	179.32	110,452	-5.6	2.8	14	170.06	3.2	44.5	63.6
Biogen Inc.	BIIB	NasdaqGS	USD	229.24	44,448	-3.0	-16.2	10	395.58	Nil	34.9	31.3
CSL Limited	CSLL.Y	OTCPK	USD	69.88	63,312	0.9	8.7	39	NA	1.3	46.7	53.7
Celgene Corporation	CELG	NasdaqGS	USD	94.66	66,760	0.3	8.7	14	155.12	Nil	61.9	74.8
Gilead Sciences, Inc.	GILD	NasdaqGS	USD	65.04	82,919	0.0	-10.0	16	66.50	3.9	26.0	50.3
Grifols, S.A.	GIKL.Y	OTCPK	USD	13.86	16,771	-1.1	-1.7	27	NA	1.7	14.3	54.8
Incyte Corporation	INCY	NasdaqGS	USD	76.80	16,456	-10.7	24.0	NM	46.17	Nil	6.2	0.9
Regeneron Pharmaceuticals, Inc.	REGN	NasdaqGS	USD	343.14	37,459	-16.4	13.0	16	448.73	Nil	32.8	NA
Vertex Pharmaceuticals Incorporated	VRTX	NasdaqGS	USD	168.98	43,315	-8.1	10.3	21	261.31	Nil	64.4	NA

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**AbbVie Inc.****Analyst Research Notes and other Company News****April 25, 2019**

02:31 pm ET... CFRA Maintains Hold Opinion on Shares of AbbVie Inc. [ABBV 78.29\*\*\*]: We maintain our 12-month target of \$88, which is based on a below-peer multiple of 9.9x our next-12-month EPS estimate of \$8.93, as we see litigation and biosimilar risks. Q1 EPS of \$2.14 vs. \$1.87 was \$0.04 lower than our estimate. We lift our 2019 EPS by \$0.05 to \$8.84 and lower our 2020 EPS by \$0.26 to \$9.41. Q1 sales increased 0.4% on an operational basis to \$7.8 billion, slightly above expectations. Outside of the US, sales of Humira declined 23% operationally, as expected, due to biosimilar competition. Meanwhile, US sales of Humira expanded 7.1% to \$3.2 billion. ABBV's hematologic oncology portfolio generated sales of \$1.2 billion in Q1, representing a 43.2% year-over-year increase, on an operational basis. ABBV very recently obtained FDA approval of risankizumab [now known as Skyrizi] for the treatment of adults with moderate to severe plaque psoriasis. ABBV is also preparing for the Q3 anticipated approval and commercial launch of upadacitinib for rheumatoid arthritis. /Kevin Huang, CFA

**January 25, 2019**

12:01 pm ET... CFRA Reiterates Hold Opinion on Shares of AbbVie Inc. [ABBV 80.51\*\*\*]: We maintain our 12-month target of \$88 on a below-peer multiple of 10.0x our next-12-month EPS estimate of \$8.79, as we see risks related to litigation and European biosimilars. Q4 EPS of \$1.90 vs. \$1.48 was \$0.02 lower than our estimate. We lower our 2019 EPS by \$0.04 to \$8.79 and initiate our 2020 EPS at \$9.67. Q4 sales increased 7.3% [8.3% organically] to \$8.3 billion as global net revenues from ABBV's hematologic oncology portfolio increased 50.2% to \$1.13 billion, largely driven by the 42.0% increase in Imbruvica. Global Humira sales increased 0.5% to \$4.9 billion, below expectations, because of a stronger-than-expected start for biosimilar competition in certain international markets. International Humira sales declined 14.8% operationally while U.S. Humira sales grew 9.1%. ABBV's management continues to be interested in M&A, aiming to pick up potential products that could help offset the expected erosion of U.S. Humira sales in 2023. /Kevin Huang, CFA

**November 02, 2018**

11:46 am ET... CFRA REITERATES HOLD OPINION ON SHARES OF ABBVIE INC. [ABBV 79.98\*\*\*]: We lower our 12-month target by \$13 to \$88 on below-peers 10.4X our next-12-month EPS estimate of \$8.45, as we see risks related to the California insurance commissioner's lawsuit and the entrance of Humira biosimilars in Europe. Q3 EPS of \$2.14 vs. \$1.41 was \$0.13 higher than our estimate. We raise our 2018 EPS by \$0.09 to \$7.93 and our 2019 EPS by \$0.23 to \$8.83. Q3 sales increased 17.8% [18.5% organically] to \$8.2 billion as Imbruvica net revenues grew, above expectations, by 41.3% to \$972 million and U.S. Humira sales grew 12.5% to \$3.5 billion. Outside U.S. [OUS] sales of Humira grew 4.2% organically, ahead of the mid-October introduction of OUS biosimilars. ABBV is seeing initial price erosion for OUS Humira of 26%-27%, on the stronger end of what management expected. ABBV communicated expectations about 2019, which includes continued double-digit earnings growth and higher SG&A costs due to investments in new product launches, particularly upadacitinib and risankizumab. /Kevin Huang, CFA

**September 24, 2018**

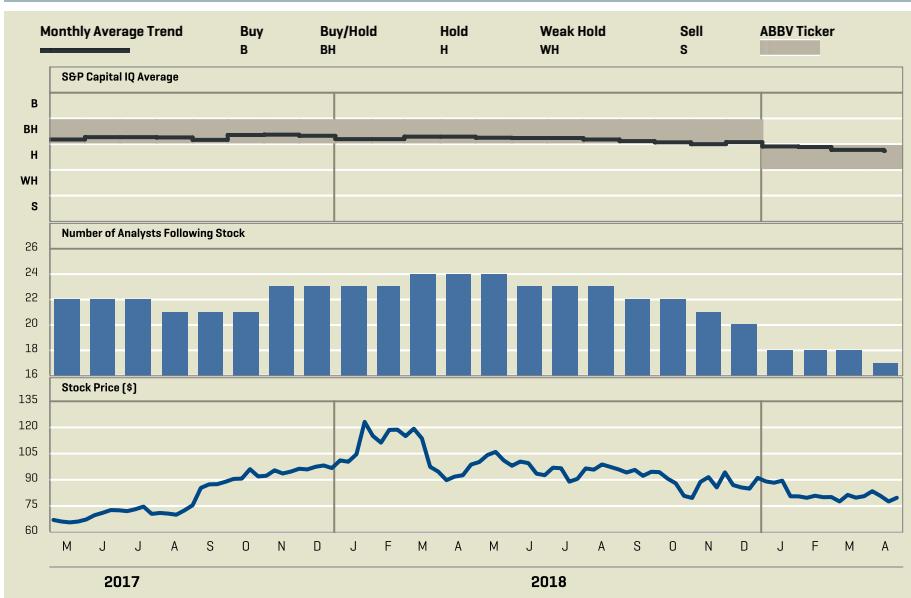
11:44 am ET... CFRA ADDS SHARES OF MEDTRONIC PLC TO THE TOTAL RETURN MODEL PORTFOLIO [ABBV 98.2\*\*\*]: CFRA has a favorable view of MDT's pipeline, which includes promising recent product launches such as the 670G sensor-augmented insulin pump system and the Intellis implantable neurostimulator. We also expect positive updates on the development of surgical robotics; however, we are cautious given past delays in MDT's robotics program. MDT is committed to investing an incremental \$10 billion in U.S. research & development over the next decade. We find MDT's shares, trading at 18.0X our next-12-month EPS estimate of \$5.28, to be attractively valued. Our 12-month target price of \$102 is 19.3X our next-12-month EPS estimate, slightly below peers, but higher than MDT's five-year forward P/E range of 13.2X to 19.1X because of promising growth opportunities. MDT pays an annual dividend of \$2.00 and we think that MDT will boost its dividend by more than 8% with the July 2019 payment. The shares yield 2.0%. MDT replaces AbbVie Inc. [ABBV 93 \*\*\*] in our Total Return Model Portfolio. Christopher Muir

**September 19, 2018**

02:20 pm ET... CFRA LOWERS OPINION ON SHARES OF ABBVIE INC. TO HOLD FROM BUY [ABBV 90.65\*\*\*]: The California insurance commissioner, Dave Jones, filed a complaint on September 18, 2018 on behalf of the state of California against ABBV, alleging that the firm has violated the Insurance Frauds Prevention Act by providing kickbacks to healthcare providers throughout California. Given this development, ABBV's product concentration in Humira [65% of 2017 revenue], and recent efforts by government agencies to increase the viability of biosimilars, we see increased risk to ABBV's future earnings, hence we have lowered our opinion on ABBV's shares to Hold. We lower our 12-month target by \$29 to \$101 on 12.4X our next-12-month EPS estimate of \$8.17. This multiple is near the average of ABBV's three-year forward PE range. We raise our 2018 EPS estimate by \$0.04 to \$7.84 and lower our 2019 EPS by \$0.35 to \$8.60. Looking to positive catalysts, we see strong potential for endometriosis drug Orilissa [approved in July 2018] and 2nd generation immunology assets, upadacitinib and risankizumab. /Kevin Huang, CFA

**July 27, 2018**

11:43 am ET... CFRA KEEPS BUY OPINION ON SHARES OF ABBVIE INC. [ABBV 93.94\*\*\*]: We keep our 12-month target at \$130 on in-line with peers 15.7X our forward 12-months EPS estimate of \$8.27. Q2 EPS of \$2.00 vs. \$1.42 is \$0.08 ahead of our view. We raise our '18 EPS estimate \$0.10 to \$7.80 and our '19 EPS estimate \$0.20 to \$8.95. Sales rose 18.9% with Humira sales up 10% and Imbruvica up 35.6%. Sales of hepatitis C drug Mavyret was a robust \$932M as we see it gaining market share. We are also encouraged by ABBV's pipeline progress, including the FDA approval for Orilissa [elagolix] for endometriosis and the April NDA submission for risankizumab to treat psoriasis. We also believe ABBV's recent deal with Mylan regarding Humira removes some of the overhang regarding biosimilar competition. ABBV will grant Mylan a non-exclusive license for Humira, which will begin on July 31, 2023. Mylan will pay ABBV royalties once its product is launched. In Sept. 2017, ABBV entered into a similar deal with Amgen, where Amgen could begin producing a biosimilar on January 31, 2023. /Jeffrey Loo, CFA

**AbbVie Inc.****Analysts' Recommendations****Wall Street Consensus vs. Performance**

For fiscal year 2019, analysts estimate that ABBV will earn USD \$8.82. For the 1st quarter of fiscal year 2019, ABBV announced earnings per share of USD \$1.65, representing 18.7% of the total revenue estimate. For fiscal year 2020, analysts estimate that ABBV's earnings per share will grow by 7% to USD \$9.45.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	3	18	4	5
Buy/Hold	1	6	1	1
Hold	11	65	10	8
Weak Hold	1	6	2	2
Sell	1	6	1	1
No Opinion	0	0	0	1
<b>Total</b>	<b>17</b>	<b>100</b>	<b>18</b>	<b>18</b>

**Wall Street Consensus Estimates**

Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2020	9.45	10.13	9.07	16	8.4
2019	8.82	8.87	8.74	13	9.0
<b>2020 vs. 2019</b>	<b>▲7%</b>	<b>▲14%</b>	<b>▲4%</b>	<b>▲23%</b>	<b>▼-7%</b>
Q2'20	2.35	2.43	2.28	4	33.7
Q2'19	2.21	2.23	2.19	12	36.0
<b>Q2'20 vs. Q2'19</b>	<b>▲6%</b>	<b>▲9%</b>	<b>▲4%</b>	<b>▼-67%</b>	<b>▼-6%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence 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.

**Note:** For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

**AbbVie Inc.****Glossary****STARS**

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depository Receipts], and ADSs [American Depository Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS [Stock Appreciation Ranking System], 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 Global Market Intelligence's 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 Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize 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		

**EPS Estimates**

CFRA's 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, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. 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.

**12-Month Target Price**

The 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 Fair Value.

**CFRA Equity Research**

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**Abbreviations Used in 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 & 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 Depository Receipts [ADRs] and American Depository Shares [ADSs] are net of taxes [paid in the country of origin].**

**Qualitative Risk Assessment**

Reflects an 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 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 notable 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-STAR [Strong Sell]:**

Total return is expected to underperform the total return of a relevant benchmark by a notable 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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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:**

Global STARS Distribution as of March 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	35.5%	32.4%	39.4%	35.4%
Hold	54.8%	54.4%	41.7%	53.2%
Sell	9.7%	13.2%	18.9%	11.3%
Total	100.0%	100.0%	100.0%	100.0%

**Analyst Certification:**

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