

# Abbott Laboratories

**S&P Capital IQ Recommendation**



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

**Price**

\$43.81 (as of Nov 14, 2014 4:00 PM ET)

**12-Mo. Target Price**

\$44.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

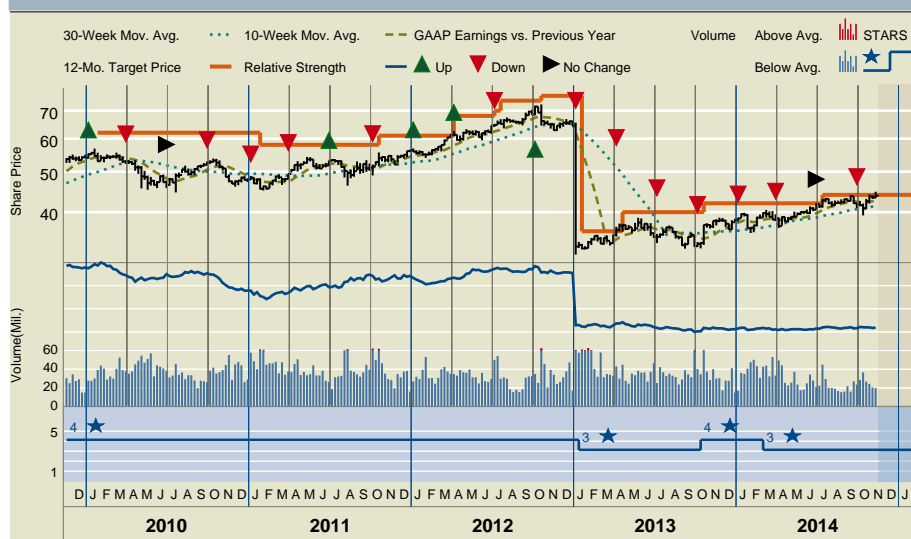
**GICS Sector** Health Care  
**Sub-Industry** Health Care Equipment

**Summary** This diversified health care products company is now focused on nutritionals, diagnostics, generic drugs, and medical devices, following the spinoff of its R&D-based prescription pharmaceuticals business at the beginning of 2013.

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

52-Wk Range	<b>\$44.77–35.65</b>	S&P Oper. EPS 2014E	<b>2.26</b>	Market Capitalization(B)	<b>\$65.969</b>	Beta	<b>0.36</b>
Trailing 12-Month EPS	<b>\$1.27</b>	S&P Oper. EPS 2015E	<b>2.45</b>	Yield (%)	<b>2.01</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>11</b>
Trailing 12-Month P/E	<b>34.5</b>	P/E on S&P Oper. EPS 2014E	<b>19.4</b>	Dividend Rate/Share	<b>\$0.88</b>	S&P Quality Ranking	<b>A</b>
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>1,505.8</b>	Institutional Ownership (%)	<b>68</b>		

**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 Oct 27, 2014 02:46 PM, when the stock traded at **\$42.20**.

**Highlights**

- In July, ABT agreed to sell its developed markets generic drug business to Mylan Labs (MYL 51 \*\*\*\*) for \$5.3B. ABT will retain its emerging markets generic drug unit. The unit ABT agreed to sell has sales of \$2B with operations in Europe, Japan, Canada, Australia, and New Zealand. We view the deal positively as we believe the developed markets unit was growing slower than the emerging markets unit. ABT indicated it plans to divest its ownership interest in MYL when appropriate. In October, following new Treasury Department rules to discourage tax inversion deals, ABT and MYL re-affirmed their commitment to completing the deal, but revised the terms, and ABT will receive a 22% ownership in the combined company.
- We expect 2014 sales, including recently acquired CFR Pharmaceuticals, to grow 3.9%, to \$22.7 billion. We see sales driven by robust growth in emerging markets, which account for about 40% of sales, tempered by modest growth in developed countries. We look for operating margins to grow 80 basis points to 19.1% on leverage.
- Our 2014 EPS estimate is \$2.26.

**Investment Rationale/Risk**

- We see ABT as well positioned within the global health care markets, particularly in emerging markets, which we think could account for more than 45% of sales by 2015, while U.S. sales decline to less than 30% of sales. We expect solid growth in the nutritional products (despite the supplier issue in 2013) and diagnostics segments to offset softness in established pharmaceuticals and medical devices. We view its deal to sell its developed markets established pharmaceuticals unit positively as we see only flat growth in those markets. We believe medical devices aided by acquisitions will return to growth in Q4 2014. In January 2014, ABT announced a \$2 billion stock repurchase program.
- Risks to our recommendation and target price include a prolonged adverse impact from ABT's pediatric nutritional product supplier, greater-than-expected pricing pressures, and an adverse foreign currency impact.
- Our 12-month target price of \$44 applies a slight premium-to-peers P/E-to-growth ratio of 1.65X, using our forward 12-month EPS estimate of \$2.40, warranted, in our view, by ABT's leadership position in several end-markets.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment reflects Abbott's operations in competitive markets and its exposure to rising pricing pressures in global markets. However, we believe the company has relatively strong positions in key health care product categories, with prospects brightened by ongoing launches of new medical products, and expansion in emerging markets. We also view the company as financially strong, with a sound balance sheet.

**Revenue/Earnings Data**

**Revenue (Million U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2014	5,244	5,551	5,104	--	--
2013	5,378	5,446	5,369	5,655	21,848
2012	9,457	9,807	9,773	10,837	39,874
2011	9,041	9,616	9,817	10,377	38,851
2010	7,698	8,826	8,675	9,968	35,167
2009	6,718	7,495	7,761	8,790	30,765

**Earnings Per Share (U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2014	0.22	0.30	0.29	E0.68	E2.26
2013	0.34	0.30	0.49	0.37	1.50
2012	0.78	1.08	1.21	0.66	3.72
2011	0.55	1.23	0.19	1.02	3.01
2010	0.64	0.83	0.57	0.92	2.96
2009	0.92	0.83	0.95	0.98	3.69

Fiscal year ended Dec. 31. Next earnings report expected: Late January. 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
0.220	Oct 16	Jan 13	Jan 15	Feb 15 '14
0.220	Feb 21	Apr 11	Apr 15	May 15 '14
0.220	Jun 13	Jul 11	Jul 15	Aug 15 '14
0.220	Sep 11	Oct 10	Oct 15	Nov 15 '14

Dividends have been paid since 1926. Source: Company reports.

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

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

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**Abbott Laboratories****Business Summary** October 27, 2014

**CORPORATE OVERVIEW.** Following the early January 2013 spinoff of its research-based pharmaceuticals operations in the form shares in a new company called AbbVie (ABBV), Abbott's businesses are now largely concentrated in nutritional products (30.8% of 2013 sales), diagnostics (20.8%), established pharmaceuticals (branded generics) (22.8%), and medical devices (13.8%), and other (11.8%). These diverse operations are largely a result of strategic acquisitions made over the years, as well as from internal R&D programs. Abbott commands leading market positions in immunoassay and blood screening products, coronary metallic drug-eluting stents, LASIK devices, and pediatric nutritionals (in the U.S.). The company is the worldwide leader in adult nutritionals.

The United States accounted for about 28.7% of company sales in 2013, developed markets outside of the U.S. for 31.3% of 2013 sales, and emerging markets for 40%. Abbott expects emerging markets to represent 45-50% of its total sales by 2015.

Nutritional Products fall under U.S.-based Ross Products and Abbott Nutrition International. Products include leading infant formulas sold under the Similac and Isomil names, as well as adult nutritionals, such as Ensure and ProSure for patients with special dietary needs, including cancer and diabetes patients. ABT also markets enteral feeding (tube feeding) items. Emerging markets account for close to 45% of the company's nutritional sales.

The company's continuing established pharmaceuticals business comprise branded generics which are sold in emerging markets (50% of this division's sales) and developed markets (50%). Branded generics typically command higher margins than conventional generics, especially in emerging markets, as their branded labels afford them a sense of quality and reliability over unbranded drugs. ABT's growth strategy for this business comprises efforts to increase the breadth of product offerings by launching new and improved formulations, and registering products across multiple geographic regions.

ABT offers a wide range of tests and diagnostic systems for blood banks, hospitals, and labs. Principal products include screening tests for hepatitis, HIV, and other infectious diseases, and for cancer; clinical chemistry systems; diagnostic instruments and chemical reagents; immunoassay test kits; hematology systems and reagents; and pregnancy tests.

Abbott Vascular markets coronary and carotid stents, catheters and guide wires, and products used for surgical closure. The principal product is the new Xience drug-eluting stent (DES), which is presently the leading product in the domestic DES market. During 2013, ABT expanded its launch of the new Xience Xpedition stent line in Japan, and increased global market penetration of newer products such as the Mitra-Clip mitral valve repair system and Absorb bioresorbable vascular scaffold.

Other products include diabetes care items such as the Precision and FreeStyle lines of hand-held glucose monitors for diabetes patients, as well as data management and point-of-care systems, insulin pumps and syringes for diabetics. Glucerna shakes and nutrition bars tailored for diabetics are also offered.

In August 2013, ABT acquired OptiMedica, an ophthalmic device maker, for \$400 million, and IDEV Technologies, a medical device maker, for \$310 million. In February 2009, Abbott acquired Advanced Medical Optics (AMO) for \$2.8 billion. AMO is a leader in ophthalmic care with the No. 1 position in LASIK surgical devices, the No. 2 position in cataract surgical products, and the No. 3 slot in contact lens care products.

Abbott launched several new products and initiated new clinical trials during 2013. These include 19 new nutritional items; the Accelerator a600 next-generation automation solution for the core laboratory; several new diagnostic tests on the Architect platform; the launch of the Xience Xpedition drug-eluting stent in the U.S. and the launch of the Tecnis OptiBlue cataract intraocular lens in Japan.

**FINANCIAL TRENDS.** In early 2013 after the spin-off, Abbott noted that it had significant cash flow generation potential, upward of \$4 billion, which should enable the company with ample resources for investments in future growth and returns to shareholders. In October 2013, Abbott announced it is raising its quarterly dividend 57% to \$0.22 a share, from \$0.14, payable on February 15, 2014, to shareholders of record January 15, 2014. Pro forma 2012 sales were \$21.5 billion and adjusted operating EPS was \$1.74. In 2013, sales grew 1.6% to \$21.85 billion while adjusted EPS rose 15.5% to \$2.01. We forecast 2014 sales growth of 3.9%, to \$22.7 billion, and adjusted operating EPS growth of 12.4%, to \$2.26.

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

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M.D. White

**Chief Acctg Officer & Cntrl**

R.E. Funck

**EVP & CFO**

T.C. Freyman

**Treas**

V. Yien

**EVP, Secy & General****Counsel**

H.L. Allen

**Board Members**

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P. N. Novakovic

W. A. Osborn

S. C. Scott, III

G. F. Tilton

M. D. White

**Domicile**

Illinois

**Founded**

1888

**Employees**

69,000

**Stockholders**

57,854

# Abbott Laboratories

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	4+	1	2	3	4	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** **\$46.10** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that ABT is slightly undervalued by \$2.29 or 5.2%.

<b>Investability Quotient Percentile</b>	99
	LOWEST = 1 HIGHEST = 100
	ABT scored higher than 99% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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**Technical Evaluation** **BULLISH** Since October, 2014, the technical indicators for ABT have been BULLISH.

<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.standardandpoors.com/stockreportguide](http://www.standardandpoors.com/stockreportguide)

## Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	2.76	2.61	2.27	2.12
Price/EBITDA	13.59	8.99	7.93	8.33
Price/Pretax Income	23.93	16.65	16.95	13.05
P/E Ratio	25.32	17.49	18.64	16.12
Avg. Diluted Shares Outstg (M)	1,574.0	1,591.8	1,567.4	1,556.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-45.21	-13.08	-1.78	5.41
Net Income	-60.04	-16.12	-9.00	4.59

## Ratio Analysis (Annual Avg.)

Net Margin (%)	10.91	12.68	13.97	13.62
% LT Debt to Capitalization	11.82	27.95	30.17	30.62
Return on Equity (%)	9.12	NA	NA	NA

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	6.24	1.50	NM	NM	2.17	1.51	1.24	NM	2.89	2.22
Cash Flow	2.61	5.49	4.96	4.66	5.04	4.21	3.50	2.13	3.02	2.84
Earnings	1.50	3.72	3.01	2.96	3.69	3.03	2.31	1.12	2.16	2.02
S&P Capital IQ Core Earnings	1.53	3.85	3.82	3.05	3.60	2.86	2.31	1.16	2.01	1.90
Dividends	0.70	2.01	1.88	1.72	1.56	1.41	1.27	1.16	1.09	1.03
Payout Ratio	47%	54%	63%	58%	42%	46%	55%	104%	50%	51%
Prices:High	38.81	72.47	56.44	56.79	57.39	61.09	59.50	49.87	50.00	47.63
Prices:Low	31.64	53.96	45.07	44.59	41.27	45.75	48.75	39.18	37.50	38.26
P/E Ratio:High	26	19	19	19	16	20	26	45	23	24
P/E Ratio:Low	21	15	15	15	11	15	21	35	17	19

## Income Statement Analysis (Million U.S. \$)

Revenue	21,848	39,874	38,851	35,167	30,765	29,528	25,914	22,476	22,338	19,680
Operating Income	4,441	11,595	11,119	8,954	8,698	8,316	7,378	6,419	5,738	5,187
Depreciation	1,719	2,783	3,044	2,624	2,090	1,839	1,855	1,559	1,359	1,289
Interest Expense	157	592	445	448	520	528	593	416	241	200
Pretax Income	2,521	6,263	5,199	5,713	7,194	5,856	4,479	2,276	4,620	4,126
Effective Tax Rate	5.47%	4.79%	9.04%	19.0%	20.1%	19.2%	19.3%	24.6%	27.0%	23.0%
Net Income	2,383	5,963	4,729	4,626	5,746	4,734	3,606	1,717	3,372	3,176
S&P Capital IQ Core Earnings	2,413	6,122	5,985	4,739	5,595	4,473	3,609	1,787	3,158	2,972

## Balance Sheet & Other Financial Data (Million U.S. \$)

Cash	8,098	15,174	8,097	5,451	9,932	5,080	2,821	521	2,894	1,226
Current Assets	19,247	31,323	23,769	22,318	23,314	17,043	14,043	11,282	11,386	10,734
Total Assets	42,953	67,235	60,277	59,462	52,417	42,419	39,714	36,178	29,141	28,767
Current Liabilities	9,507	13,280	15,480	17,262	13,049	11,592	9,103	11,951	7,416	6,826
Long Term Debt	3,388	18,085	12,040	12,560	11,484	8,713	9,488	7,010	4,572	4,788
Common Equity	25,171	26,721	24,440	22,388	22,856	17,480	17,779	14,054	14,415	14,326
Total Capital	28,664	45,207	37,593	37,169	34,594	26,193	27,266	21,064	19,570	19,334
Capital Expenditures	1,145	1,795	1,492	1,015	1,089	1,288	1,656	1,338	1,207	1,292
Cash Flow	4,102	8,746	7,772	7,250	7,835	6,573	5,461	3,276	4,731	4,465
Current Ratio	2.0	2.4	1.5	1.3	1.8	1.5	1.5	0.9	1.5	1.6
% Long Term Debt of Capitalization	11.8	40.0	Nil	33.8	Nil	33.3	34.8	33.3	23.4	24.8
% Net Income of Revenue	10.9	15.0	12.2	13.2	18.7	16.0	13.9	7.6	15.1	16.1
% Return on Assets	4.3	9.4	NA	NA	NA	11.5	9.5	5.3	11.6	11.6
% Return on Equity	9.1	23.1	NA	NA	NA	26.9	22.7	12.1	23.5	23.2

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.

# Abbott Laboratories

## Sub-Industry Outlook

Our fundamental outlook for the health care equipment sub-industry for the next 12 months is neutral. We continue to view many product categories as historically recession-resistant, and we expect they will continue to grow, albeit more slowly and more irregularly than they did prior to the recent recession. We remain concerned about continued weak demand for elective medical procedures. In addition, growth in procedure rates has slowed in areas we normally view as non-elective, such as cardiac rhythm management, interventional cardiology and orthopedics. Recently, however, some equipment makers believe certain procedure rates may have stabilized or started to recover.

We believe the new medical device tax required by the health care reform law that went into effect on January 1, 2013 has prompted the sub-industry to align its cost structure to partially offset the impact of the tax. However, since the levy is income tax deductible, its after-tax effect will be lower, and we therefore view its impact as manageable. Many equipment makers have implemented cost reduction initiatives to help offset the levy.

We expect 2014 revenues to rise in constant currency at a mid- to upper single digit pace, aided by new products, expansion into emerging markets, and, in some cases, acquisitions. Still, we expect extended replacement cycles at U.S. hospitals in some areas, pricing pressures, European austerity measures, lower demand in certain product categories and unfavorable foreign exchange to continue to affect reported growth. We also think U.S. hospitals have become more cautious regarding their capital budgets amid the shift in some procedures from inpatient to outpatient settings and the health care reform law.

We see positive longer-term fundamentals, including increasing global demand for quality health care, aging populations and rising R&D outlays, leading to a steady flow of new diagnostic and therapeutic products.

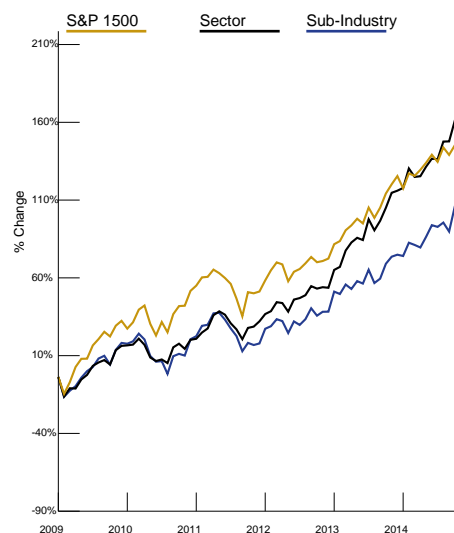
Year to date to September 19, the S&P Health Care Equipment sub-index increased 12.2%, following a 25.8% rise in 2013. The S&P 1500 Composite Index rose 8.2% in the 2014 period, following its 30.1% rise in 2013. However, we note, YTD stock performance has been aided partly by mergers and acquisitions activity.

--Jeffrey Loo, CFA

## Industry Performance

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

Based on S&P 1500 Indexes  
Five-Year market price performance through Nov 15, 2014



**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 : Health Care Equipment 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>Abbott Laboratories</b>	<b>ABT</b>	<b>65,969</b>	<b>43.81</b>	<b>44.77/35.65</b>	<b>0.36</b>	<b>2.0</b>	<b>34</b>	<b>46.10</b>	<b>A</b>	<b>99</b>	<b>10.9</b>	<b>11.8</b>
CareFusion Corp	CFN	11,740	57.57	58.00/37.61	NA	Nil	29	63.30	NR	37	10.8	25.4
DexCom Inc	DXCM	3,980	52.73	54.50/28.09	0.46	Nil	NM	26.40	C	82	NM	5.1
Edwards Lifesciences	EW	13,352	124.50	125.35/60.62	0.55	Nil	17	106.80	B+	93	19.2	27.7
Globus Medical	GMED	2,089	22.74	27.14/17.45	-0.12	Nil	25	NA	NR	77	15.8	NA
HeartWare International	HTWR	1,296	79.02	105.84/74.55	-0.08	Nil	NM	NA	NR	61	NM	59.5
Insulet Corp	PODD	2,149	45.17	51.31/30.04	0.79	Nil	NM	27.10	NR	59	NM	47.7
Masimo Corp	MASI	1,539	26.42	32.20/19.30	0.71	Nil	24	37.70	NR	87	10.8	NA
Novadaq Technologies	NVDQ	876	15.79	24.09/10.35	0.50	Nil	NM	NA	NR	74	NA	NA
NxStage Medical	NXTM	1,070	17.30	17.84/8.77	0.70	Nil	NM	NA	C	37	NM	0.5
Sirona Dental Sys	SIRO	4,743	82.28	84.95/66.30	1.24	Nil	27	80.80	NR	82	13.3	6.1
Sunshine Heart	SSH	9,453	4.97	11.49/4.15	0.45	Nil	NM	NA	NR	53	NM	NA
Teleflex Inc	TFX	4,756	114.83	115.52/90.15	1.00	1.2	31	106.70	B+	62	9.0	32.7
Tornier NV	TRNX	1,292	26.42	28.53/16.68	1.33	Nil	NM	NA	NR	57	NA	11.4
ZELTIQ Aesthetics	ZLTQ	942	27.69	28.71/13.30	0.09	Nil	NM	16.10	NR	74	NM	NA

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.

## Abbott Laboratories

### S&P Capital IQ Analyst Research Notes and other Company News

#### October 22, 2014

12:11 pm ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 42.10\*\*\*): We keep our 2014 EPS estimate at \$2.26 and our 12-mo. target price at \$44 based on a 1.65X PEG ratio, slightly above peers. Q3 adj. EPS of \$0.62 vs. \$0.55 is \$0.02 ahead of our estimate. Sales grew 5.8% on solid growth of 9.3% in Nutrition and 11.5% in Established Pharmaceuticals, partially offset by 4.9% growth in Diagnostics. We anticipate accelerating growth in pharmaceuticals following the Sept. acquisition of Latin American company, CFR Pharmaceuticals. ABT expects the sale of its developed markets branded generics drug unit to Mylan (MYL 51 \*\*\*\*\*) to be completed in Q1 15. /Jeffrey Loo, CFA

#### September 23, 2014

10:06 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBVIE INC. (ABBV 57.24\*\*\*): The Treasury Dept. announced new rules in an effort to curb tax-inversion deals. These rules would make a tax inversion deal less economically attractive and increase the uncertainty of several pending transactions including AbbVie's (ABBV 57 \*\*\*) \$54B deal to buy Shire (SHPG NR), Medtronic's (MDT 64 \*\*\*\*) \$43B deal to buy Covidien (COV 88 \*\*\*), and Mylan's (MYL 46 \*\*\*\*) \$5B deal to buy Abbott Labs (ABT 43 \*\*\*\*) generic unit outside of the U.S. The new rules apply to deals not completed by Sept. 22 and limit the use of overseas cash and overseas profits without paying US taxes. /Jeffrey Loo, CFA

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#### July 16, 2014

11:46 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 41.04\*\*\*): We raise our target price \$2 to \$44 on a 1.7X PE-to-growth ratio, slightly above peers, using our forward 12 mos. EPS estimate of \$2.37, warranted in our view by ABT's leadership position in several end-markets. Q2 adj. EPS of \$0.54 vs. \$0.46 is \$0.03 ahead of our est. Sales grew 1.9% aided by strong diagnostic and vision care sales and a recovery in India for established pharmaceuticals. We also expect continued steady improvement in Nutritional in H2 as ABT recaptures market share and the launch of new products along with the anniversary of its supplier disruption in China. /Jeffrey Loo, CFA

#### July 14, 2014

09:31 am ET ... S&P CAPITAL IQ RETAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 41.30\*\*\*): ABT agrees to sell its developed markets generic drug unit to Mylan (MYL 50 \*\*\*\*\*) for \$5.3B where ABT will receive 21% equity ownership in a new public company. ABT will retain its emerging markets generic drug unit. The unit ABT agreed to sell has sales of \$2B with operations in Europe, Japan, Canada, Australia, and New Zealand. We view the deal positively as we believe the developed markets unit was growing slower than the emerging markets unit. ABT also indicated it does not intend to hold on to the ownership interest in MYL for long and plans to divest when appropriate. /Jeffrey Loo, CFA

#### July 14, 2014

09:30 am ET ... S&P CAPITAL IQ RETAINS BUY OPINION ON SHARES OF MYLAN (MYL 50.2\*\*\*\*): MYL agrees to acquire Abbott Lab's (ABT 41 \*\*\*) developed markets generic drug business in deal valued at \$5.3B. The ABT unit has operations in developed markets such as Europe, Japan, Canada, Australia, and New Zealand with sales of \$2B. We view the deal positively as it continues MYL's growth through acquisitions strategy and allows it to lower its tax rate through a tax inversion. MYL will reincorporate in the Netherlands and sees its tax rate declining to 20-21% in the first year and high teens afterwards. We raise our target price \$3 to \$62 on 18X PE, slightly above peers. /Jeffrey Loo, CFA

#### July 8, 2014

Elena Kartasheva, who previously headed the Russian division of Meda

Pharmaceuticals, has been named the new head of the Russian branch of Abbott Laboratories effective July 1, 2014. Leonid Parshenkov, the former head of Abbott in Russia, has become the regional director for African countries at one of Abbott's units. In the new position, Kartasheva will focus on further developing the company's activities in Russia and increasing the pharmaceutical product portfolio. Kartasheva has held management positions at Sanofi, Novartis and Pliva (Teva). She was the head of Meda Pharmaceuticals in Russia for the last three years.

#### May 19, 2014

06:27 am ET ... ABBOTT LABORATORIES (ABT 39.06) UNCHANGED, CREDIT SUISSE UPGRADES ABBOTT LABORATORIES TO OUTPERFORM... Credit Suisse upgrades Abbott Laboratories (NYSE: ABT) from Neutral to Outperform. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved. Acquire Media

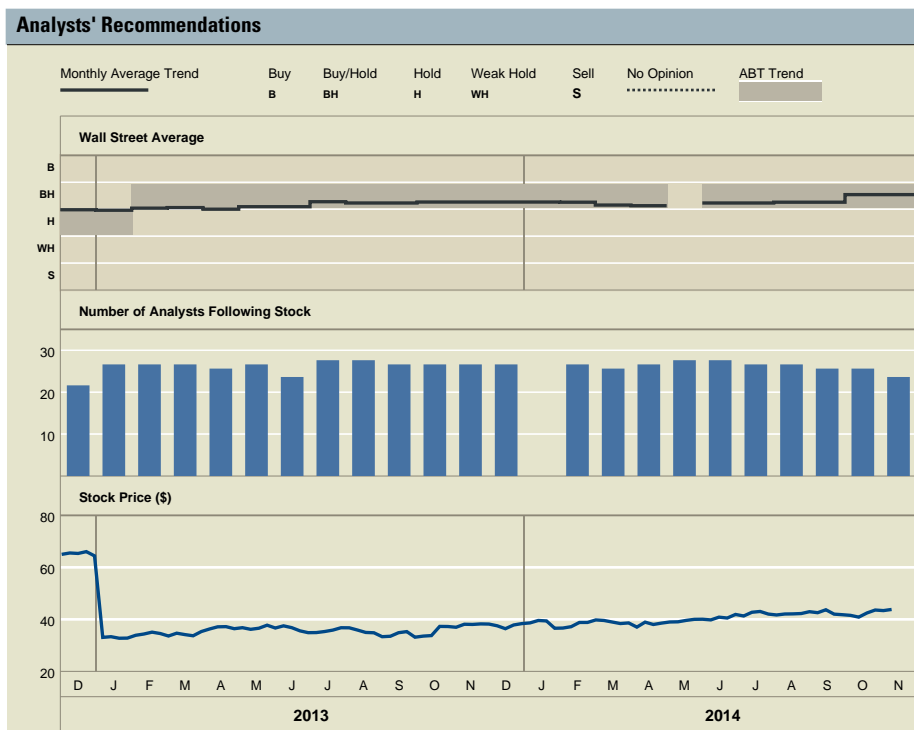
#### May 19, 2014

02:03 pm ET ... ABBOTT LABORATORIES (ABT 39.42) UP 0.36, UPDATE: CREDIT SUISSE UPGRADES ABBOTT LABORATORIES FOLLOWING CFR ACQUISITION ANN... Credit Suisse on Monday upgraded Abbott Laboratories (NYSE: ABT) to Outperform from Neutral following the company's announcement to acquire CFR Pharmaceuticals SA and raised the price target to \$46 from \$44. Credit Suisse analyst Bruce Nudell says the acquisition, which has an estimated value of \$3.3 billion, is expected to close in 2014 and add \$900 million, or \$0.07/share to 2015 sales/EPs with no material 2014 impact. Nudell raised 2014 EPS estimates to \$2.23 from \$2.22. Nudell stated the increased price target derives from raised estimates and a higher as... Acquire Media

#### May 16, 2014

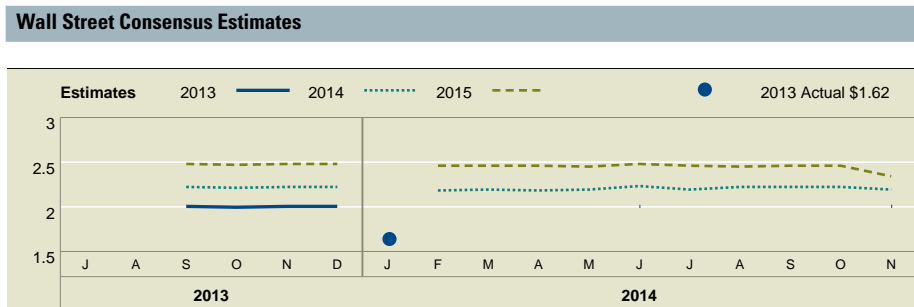
11:53 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABS (ABT 39.00\*\*\*): ABT agrees to acquire Chile-based CFR Pharmaceuticals for \$2.9B. The deal, subject to approvals, is expected to close by the end of Q3, and is expected to be neutral to '14 EPS and add \$900M to ABT sales. CFR sells more than 1,000 products across 15 Latin American countries and will more than double ABT's presence in Latin America, where we see solid growth for branded generics. But we note we see continued sluggish growth for the rest of ABT's established pharmaceuticals unit. ABT will initially buy a holding company that owns 73% of CFR and conduct a tender offer for the rest. /Jeffrey Loo, CFA

# Abbott Laboratories



Of the total 23 companies following ABT, 23 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	8	35	8	8
Buy/Hold	7	30	7	7
Hold	8	35	8	9
Weak Hold	0	0	0	0
Sell	0	0	2	2
No Opinion	0	0	0	0
<b>Total</b>	<b>23</b>	<b>100</b>	<b>25</b>	<b>26</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	2.35	2.51	2.16	22	18.6
2014	2.20	2.29	1.96	22	19.9
<b>2015 vs. 2014</b>	<b>▲ 7%</b>	<b>▲ 10%</b>	<b>▲ 10%</b>	<b>0%</b>	<b>▼ -7%</b>
Q4'15	0.69	0.74	0.67	7	63.5
Q4'14	0.67	0.70	0.60	15	65.4
<b>Q4'15 vs. Q4'14</b>	<b>▲ 3%</b>	<b>▲ 6%</b>	<b>▲ 12%</b>	<b>▼ -53%</b>	<b>▼ -3%</b>

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.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- Argus Research Company
- Axia Financial Research
- BMO Capital Markets, Canadian Equity Research
- Barclays
- BofA Merrill Lynch
- Cowen and Company, LLC
- Credit Suisse
- Deutsche Bank
- Erste Group Bank AG
- Gabelli & Company, Inc.
- Goldman Sachs
- Hilliard Lyons
- JP Morgan
- Jefferies LLC
- Leerink Swann LLC
- Morgan Stanley
- Morningstar Inc.
- RBC Capital Markets
- Raymond James & Associates
- Sanford C. Bernstein & Co., Inc.
- Stifel, Nicolaus & Co., Inc.
- Wells Fargo Securities, LLC
- William Blair & Company L.L.C.

### Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that ABT will earn US\$ 2.20. For the 3rd quarter of fiscal year 2014, ABT announced earnings per share of US\$ 0.35, representing 16% of the total annual estimate. For fiscal year 2015, analysts estimate that ABT's earnings per share will grow by 7% to US\$ 2.35.

## 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.

# Abbott Laboratories

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### Quantitative Stock Reports:

S&P 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. Some Quantitative Stock Reports contain Buy, Hold and Sell recommendations. Reports that do not contain a recommendation may or may not contain ranking information. For reports containing a recommendation or ranking information refer to the Glossary Section of this report for more information, including a detailed description of the methodology and definition of S&P Quality Ranking and S&P Fair Value Rank.

### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of September 30, 2014

Ranking	North America	Europe	Asia	Global
Buy	37.0%	25.7%	32.9%	34.7%
Hold	51.8%	57.3%	45.3%	52.1%
Sell	11.2%	17.0%	21.8%	13.2%
Total	100%	100%	100%	100%

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