

# Abbott Laboratories

**S&P Recommendation** **HOLD** ★★☆☆☆

**Price**  
\$35.89 (as of Aug 9, 2013)

**12-Mo. Target Price**  
\$40.00

**Investment Style**  
Large-Cap Growth

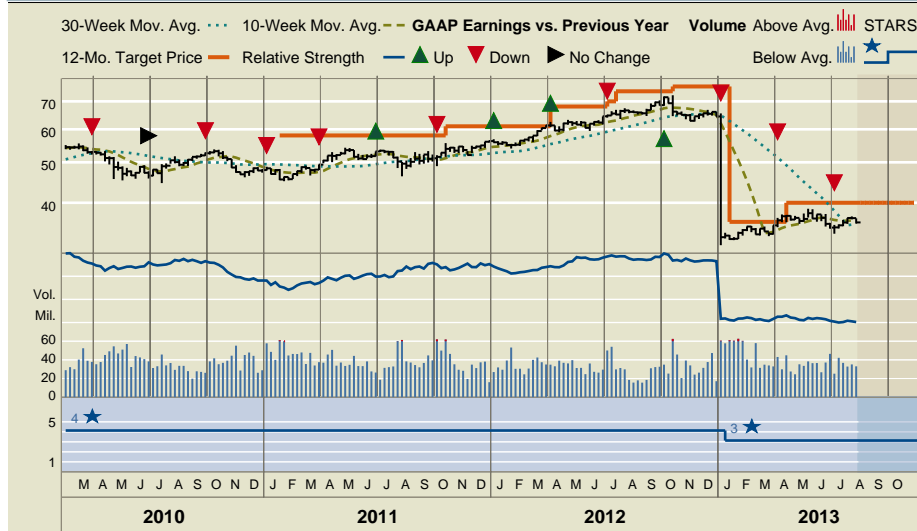
**GICS Sector** Health Care  
**Sub-Industry** Health Care Equipment

**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, Vickers, company reports)

52-Wk Range	<b>\$72.47– 31.64</b>	S&P Oper. EPS 2013E	<b>2.04</b>	Market Capitalization(B)	<b>\$55.778</b>	Beta	<b>0.19</b>
Trailing 12-Month EPS	<b>\$2.51</b>	S&P Oper. EPS 2014E	<b>2.24</b>	Yield (%)	<b>1.56</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>11</b>
Trailing 12-Month P/E	<b>14.3</b>	P/E on S&P Oper. EPS 2013E	<b>17.6</b>	Dividend Rate/Share	<b>\$0.56</b>		
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>1,554.1</b>	Institutional Ownership (%)	<b>66</b>		

**Price Performance**



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Jeffrey Loo, CFA** on Jul 30, 2013, when the stock traded at **\$36.78**.

**Highlights**

- We expect 2013 sales, inclusive of an adverse 2.5% foreign exchange impact, to grow 3.6%, to \$22.25 billion. We see sales driven by robust growth in emerging markets, which currently account for about 40% of sales, tempered by modest growth in developed countries. By segment, we expect nutritional products to grow 8.2% and diagnostics 5%, while established pharmaceuticals are expected to decline 1.3% and medical devices 1.8%. In July, the Chinese government announced an investigation of infant formula suppliers regarding anti-trust and price fixing. Subsequently, several suppliers, including ABT, announced price cuts, but we believe the impact on ABT will be nominal as we estimate ABT's infant formula sales in China account for only about 2-3% of sales. We look for gross margins to expand 0.2 percentage points to 55.6% and operating margins to grow 1.3 percentage points to 18.6% on leverage.
- In July, ABT agreed to acquire OptiMedica, an ophthalmic device maker, for up to \$400 million, and IDEV Technologies, a medical device maker, for \$310 million, subject to approvals.
- Our forecast for 2013 operating EPS is \$2.04.

**Investment Rationale/Risk**

- On January 1, 2013, ABT spun off its research-based pharmaceutical unit, Abbvie (ABBV 45, Buy). ABT now consists of four segments of roughly similar sizes: Nutritional Products, Diagnostics, Established Pharmaceuticals, and Medical Devices. While we see ABT as well positioned within the global health care markets, we believe that many of those markets are relatively mature, with growth to be driven by new products and further expansion in emerging markets, which account for about 40% of current sales. We believe emerging markets could account for over 45% of sales by 2015, while U.S. sales decline to less than 30% of sales. We believe the shares, trading at 17X our forward 12 months EPS estimate of \$2.16, slightly above peers, are fairly valued.
- Risks to our recommendation and target price include greater than expected pricing pressures and adverse foreign currency impact.
- Our 12-month target price of \$40 applies a slight premium-to-peers P/E of 18.5X our forward 12-months EPS estimate, warranted, in our view, by ABT's leadership position in several end-markets.

**Qualitative Risk Assessment**

LOW MEDIUM HIGH

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.

**Quantitative Evaluations**

**S&P Quality Ranking** A

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

**Relative Strength Rank** MODERATE

39

LOWEST = 1 HIGHEST = 99

**Revenue/Earnings Data**

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2013	5,378	5,446	--	--	--
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
2008	6,766	7,314	7,498	7,950	29,528

Earnings Per Share (U.S. \$)	2013	2012	2011	2010	2009	2008
	0.34	0.30	E0.53	E0.63	E2.04	
	0.78	1.08	1.21	0.66	3.72	
	0.55	1.23	0.19	1.02	3.01	
	0.64	0.83	0.57	0.92	2.96	
	0.92	0.83	0.95	0.98	3.69	
	0.60	0.85	0.69	0.89	3.03	

Fiscal year ended Dec. 31. Next earnings report expected: Mid October. 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
0.140	12/14	01/11	01/15	02/15/13
0.140	12/14	01/11	01/15	02/15/13
0.140	02/15	04/11	04/15	05/15/13
0.140	06/14	07/11	07/15	08/15/13

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

**Abbott Laboratories****Business Summary July 30, 2013**

**CORPORATE OVERVIEW.** Following the early January 2013 spinoff of its research-based pharmaceuticals operations in the form shares in a new company called Abbvie, Abbott's businesses are now largely concentrated in nutritional, medical products and generic drugs. 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 nutritional (in the U.S.). The company is the worldwide leader in adult nutritional.

On a pro forma basis, indicated sales of about \$21.4 billion in 2012 were divided as follows: nutritional 30%, established pharmaceuticals 23%, diagnostics 20%, vascular products 14%, and other products 13%. The United States accounted for an indicated 30% of company sales in 2012, developed markets outside of the U.S. for 30%, and emerging markets for 40%. Abbott expects emerging markets to represent 45-50% of its total sales by 2015.

Nutritional 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 nutritional, 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 plans to expand its launch of the new Xience Xpedition stent line in the U.S., launch that line in Japan, and increase global market penetration of newer products such as the MitraClip 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 February 2009, Abbott completed the acquisition of Advanced Medical Optics (AMO) for about \$2.8 billion in cash. 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 the first quarter of 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, 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 mid-July 2013, Abbott confirmed prior non-GAAP operating EPS guidance for 2013 in the \$1.98 to \$2.04 range. Pro forma 2012 sales were \$21.4 billion and adjusted operating EPS was \$1.74. We forecast 2013 sales growth of 3.6%, to \$22.25 billion, and adjusted operating EPS growth of 17.2%, to \$2.04.

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

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**Website**<http://www.abbott.com>**Officers****Chrmn & CEO**

M.D. White

**Treas**

V. Yien

**EVP & CFO**

T.C. Freyman

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

H.L. Allen

**Board Members**

R. J. Alpern

R. S. Austin

S. E. Blount

W. J. Farrell

H. L. Fuller

E. M. Liddy

N. McKinstry

P. N. Novakovic

W. A. Osborn

S. C. Scott, III

G. F. Tilton

M. D. White

**Domicile**

Illinois

**Founded**

1888

**Employees**

91,000

**Stockholders**

60,476

# Abbott Laboratories



## Quantitative Evaluations

<b>S&amp;P Fair Value Rank</b>	4	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).

**Fair Value Calculation** **\$41.40** Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that ABT is slightly undervalued by \$5.51 or 15.4%.

**Investability Quotient Percentile** **99**  
 LOWEST = 1 HIGHEST = 100  
 ABT scored higher than 99% of all companies for which an S&P Report is available.

**Volatility** **LOW** **AVERAGE** **HIGH**

**Technical Evaluation** **BULLISH** Since July, 2013, the technical indicators for ABT have been BULLISH.

**Insider Activity** **UNFAVORABLE** **NEUTRAL** **FAVORABLE**

## Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	2.61	2.27	2.12	2.73
Price/EBITDA	8.99	7.93	8.33	9.65
Price/Pretax Income	16.65	16.95	13.05	11.67
P/E Ratio	17.49	18.64	16.12	14.61
Avg. Diluted Shares Outstg (M)	1,591.8	1,567.4	1,556.0	1,555.1

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	2.63	9.17	9.30	9.16
Net Income	26.09	1.34	6.77	9.66

## Ratio Analysis (Annual Avg.)

Net Margin (%)	14.95	13.43	15.00	14.20
% LT Debt to Capitalization	40.01	35.27	34.46	32.05
Return on Equity (%)	23.13	NA	NA	NA

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	1.50	NM	NM	2.17	1.51	1.24	NM	2.89	2.22	2.90
Cash Flow	5.49	4.96	4.66	5.04	4.21	3.50	2.13	3.02	2.84	2.56
Earnings	3.72	3.01	2.96	3.69	3.03	2.31	1.12	2.16	2.02	1.75
S&P Core Earnings	3.85	3.82	3.05	3.60	2.86	2.31	1.16	2.01	1.90	1.95
Dividends	2.01	1.88	1.72	1.56	1.41	1.27	1.16	1.09	1.03	0.97
Payout Ratio	54%	63%	58%	42%	46%	55%	104%	50%	51%	55%
Prices:High	72.47	56.44	56.79	57.39	61.09	59.50	49.87	50.00	47.63	47.15
Prices:Low	53.96	45.07	44.59	41.27	45.75	48.75	39.18	37.50	38.26	33.75
P/E Ratio:High	19	19	19	16	20	26	45	23	24	27
P/E Ratio:Low	15	15	15	11	15	21	35	17	19	19

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

Revenue	39,874	38,851	35,167	30,765	29,528	25,914	22,476	22,338	19,680	19,681
Operating Income	11,595	11,119	8,954	8,698	8,316	7,378	6,419	5,738	5,187	4,597
Depreciation	2,783	3,044	2,624	2,090	1,839	1,855	1,559	1,359	1,289	1,274
Interest Expense	592	445	448	520	528	593	416	241	200	146
Pretax Income	6,263	5,199	5,713	7,194	5,856	4,479	2,276	4,620	4,126	3,734
Effective Tax Rate	4.79%	9.04%	19.0%	20.1%	19.2%	19.3%	24.6%	27.0%	23.0%	26.3%
Net Income	5,963	4,729	4,626	5,746	4,734	3,606	1,717	3,372	3,176	2,753
S&P Core Earnings	6,122	5,985	4,739	5,595	4,473	3,609	1,787	3,158	2,972	2,971

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

Cash	15,174	8,097	5,451	9,932	5,080	2,821	521	2,894	1,226	995
Current Assets	31,323	23,769	22,318	23,314	17,043	14,043	11,282	11,386	10,734	10,290
Total Assets	67,235	60,277	59,462	52,417	42,419	39,714	36,178	29,141	28,767	26,715
Current Liabilities	13,280	15,480	17,262	13,049	11,592	9,103	11,951	7,416	6,826	7,640
Long Term Debt	18,085	12,040	12,560	11,484	8,713	9,488	7,010	4,572	4,788	3,452
Common Equity	26,721	24,440	22,388	22,856	17,480	17,779	14,054	14,415	14,326	13,072
Total Capital	45,207	37,593	37,169	34,594	26,193	27,266	21,064	19,570	19,334	16,525
Capital Expenditures	1,795	1,492	1,015	1,089	1,288	1,656	1,338	1,207	1,292	1,247
Cash Flow	8,746	7,772	7,250	7,835	6,573	5,461	3,276	4,731	4,465	4,027
Current Ratio	2.4	1.5	1.3	1.8	1.5	1.5	0.9	1.5	1.6	1.3
% Long Term Debt of Capitalization	40.0	Nil	33.8	Nil	33.3	34.8	33.3	23.4	24.8	20.9
% Net Income of Revenue	15.0	12.2	13.2	18.7	16.0	13.9	7.6	15.1	16.1	14.0
% Return on Assets	9.4	NA	NA	NA	11.5	9.5	5.3	11.6	11.6	10.8
% Return on Equity	23.1	NA	NA	NA	26.9	22.7	12.1	23.5	23.2	23.2

# 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. On the other hand, some orthopedic product makers believe that procedure rates for their products may be stabilizing in certain categories.

We believe the new medical device tax required by the health care reform law and that took effect this year 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 the impact of health care reform as manageable. Many equipment makers have implemented cost reduction initiatives to help offset the levy.

We expect 2013 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 currency exchange to continue to affect growth. In addition, until recently, we had seen sales gains in equipment that hospitals believe can differentiate them from one another and/or offer a possible high return on investment. We now think U.S. hospitals have become more cautious regarding their capital budgets amid the

shift in some procedures from inpatient to outpatient settings and pending 2014 health care reform rules.

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.

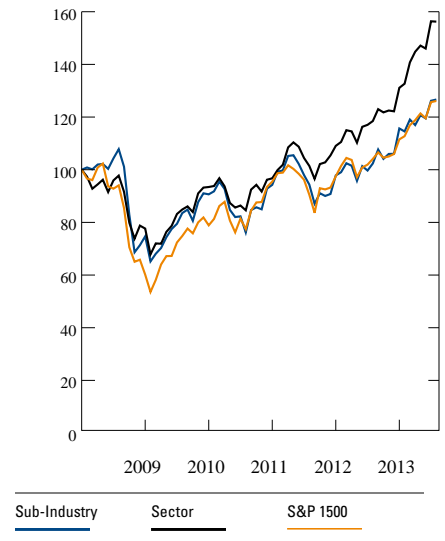
Year to date to July 19, the S&P Health Care Equipment Index was up 18.0%, versus a 19.0% increase in the S&P 1500 Composite Index. In 2012, the sub-industry index rose 16.8%, versus a 13.7% increase in the 1500. The gains so far in 2013 suggest to us that investors have been relatively pleased with the health care equipment makers' performance. Still, it is the second slowest advancer in the Health Care group of indices year to date, due, we believe, to the aforementioned headwinds.

--Phillip M. Seligman

## Stock Performance

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

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 : 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>55,778</b>	<b>35.89</b>	<b>72.47/31.64</b>	<b>0.19</b>	<b>1.6</b>	<b>14</b>	<b>41.40</b>	<b>A</b>	<b>99</b>	<b>15.0</b>	<b>40.0</b>
CareFusion Corp	CFN	8,122	36.95	39.38/26.00	NA	Nil	22	43.60	NR	31	10.0	17.6
DexCom Inc	DXCM	1,857	27.09	27.96/12.03	0.89	Nil	NM	NA	NR	79	NM	8.1
Edwards Lifesciences	EW	8,209	72.67	110.79/62.34	0.43	Nil	21	77.20	B+	95	15.4	11.3
Globus Medical	GMED	1,574	17.13	19.93/10.26	NA	Nil	25	NA	NR	94	19.1	NA
HeartWare International	HTWR	1,217	85.31	99.68/74.77	-0.29	Nil	NM	NA	NR	69	NA	NA
Insulet Corp	PODD	1,621	34.08	34.40/18.50	1.45	Nil	NM	17.00	NR	14	NM	63.9
MAKO Surgical	MAKO	637	15.03	19.62/10.00	0.49	Nil	NM	NA	NR	70	NM	NA
Masimo Corp	MASI	1,448	24.85	25.94/19.03	0.75	Nil	23	27.70	NR	71	12.6	NA
NxStage Medical	NXTM	725	13.00	14.64/10.15	0.62	Nil	NM	NA	NR	40	NM	NA
Sirona Dental Sys	SIRO	3,998	70.36	75.81/49.65	1.54	Nil	30	71.00	NR	83	13.7	7.0
Sunshine Heart	SSH	16,794	8.83	9.80/4.85	NA	Nil	NM	NA	NR	80	NA	NA
Teleflex Inc	TFX	3,176	77.25	87.46/62.02	0.74	1.8	27	73.40	B+	44	NM	35.1
Tornier NV	TRNX	825	19.45	20.49/14.53	1.78	Nil	NM	NA	NR	10	NA	20.8
Volcano Corp	VOLC	1,169	22.11	30.15/16.37	0.25	Nil	NM	11.30	NR	59	2.1	48.4

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 17, 2013**

10:54 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 36.33\*\*\*): We keep our 12-month target price at \$40 and our 2013 EPS estimate at \$2.04. Q2 adjusted EPS of \$0.46, vs. \$0.43, is \$0.02 above our estimate. Sales, including 1.7% adverse forex, rose 2.5% with robust 8.4% growth in Nutritional products, aided by 18.4% international growth, and 7.6% growth in Diagnostics. However, Pharmaceutical products rose only 0.2% as sales in developed markets fell 3.4%, and medical devices sales were flat, as we anticipated. We view the results as solid, amid a challenging macro environment but believe expanding emerging market sales will drive growth. /Jeffrey Loo, CFA

**April 18, 2013**

UP 0.17 to 37.45... ABT announces Tecnis Toric 1-Piece intraocular lens (IOL) has received FDA approval and is launching in the U.S. for the treatment of cataract patients with pre-existing corneal astigmatism.

**April 17, 2013**

11:14 am ET ... S&P REITERATES HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 37.2899\*\*\*): We are encouraged by ABT's guidance for double-digit EPS growth in 2013. We raise our 2013 EPS estimate \$0.04 to \$2.04, which is at the upper end of ABT's guidance range. We also increase our target price by \$4 to \$40, on revised P/E and DCF assumptions. Although developed markets remain challenged by constrained pricing and utilization, emerging markets remain robust, with operational sales in those markets up 15% in Q1. Sales of nutritional products were strong in Q1, lifted by 19 new product launches. We see margin improvement in nutrition and diagnostics units this year. /H. Saftlas

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**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 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

**November 29, 2012**

ABT announces that its Board has approved the separation of its research-based pharmaceuticals business, which will be known as AbbVie Inc., and declared a special dividend distribution of all the outstanding shares of AbbVie common stock. For every 1 share of ABT held, ABT holders will get 1 share of AbbVie common stock.

**November 29, 2012**

11:33 am ET ... RETRANSMIT - S&P REITERATES BUY OPINION ON SHARES OF ABBOTT (ABT 64.87\*\*\*): ABT's board approves the spin-off of its research-based pharmaceutical business named AbbVie Inc. ABT shareholders will receive one share of AbbVie (NYSE symbol ABBV) for each share of ABT held. The distribution will be on Jan. 1, 2013, to stockholders of record on Dec. 12. Our \$76 target for the presently combined firm remains unchanged. We see shareholder values of legacy Abbott and AbbVie enhanced by the split, with investors now able to better focus on the growth potentials of each firm. ABBV plans to pay a \$1.60 annual dividend, and ABT a \$0.56 annual dividend. /H. Saftlas

**October 17, 2012**

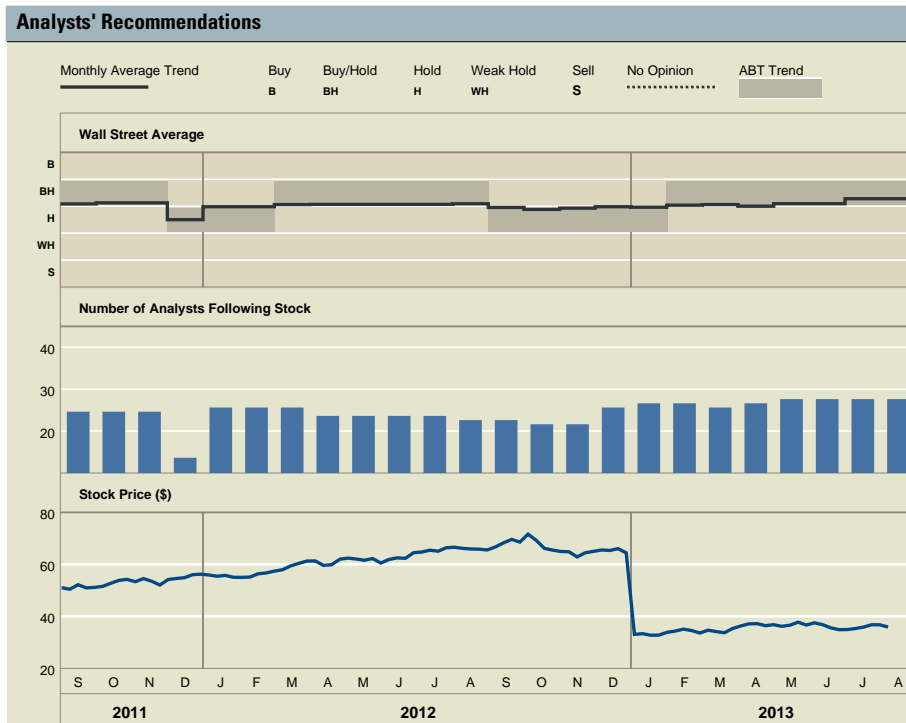
03:14 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 69.11\*\*\*): We are raising our target price by \$2 to \$76, following robust Q3 non-GAAP EPS and enhanced valuations that we see for the planned split of ABT into two separate companies, effective Jan 1, 2013. Helped by better gross margins, Q3 EPS rose 10% to \$1.30, \$0.02 above our forecast. Operating sales rose 4.1%, but were down slightly after negative forex. We raise our 2012 estimate \$0.03 to \$5.08. We like the R&D pipeline of the new AbbVie pharmaceuticals company, which also plans to pay a \$1.60 annual dividend. The legacy Abbott unit is expected to pay a \$0.56 annual dividend. /H. Saftlas

**July 18, 2012**

11:53 am ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 66.25\*\*\*): We are raising our target price by \$4 to \$74, following robust Q2 operational results, and enhanced valuations that we see for the planned split-up of ABT into two separate companies. Q2 non-GAAP EPS climbed 9.8%, to \$1.23 (\$0.02 above our estimate), with sales gains in Humira arthritis treatment, Xience stent, and nutritional more than offsetting negative forex comparisons. Q2 sales rose 2.0%, after a 4.7% hit from a stronger dollar. The split-up is to be accomplished later this year with the spinoff of the R&D-based drug business to be called AbbVie. The dividend yields 3.0%. /H. Saftlas

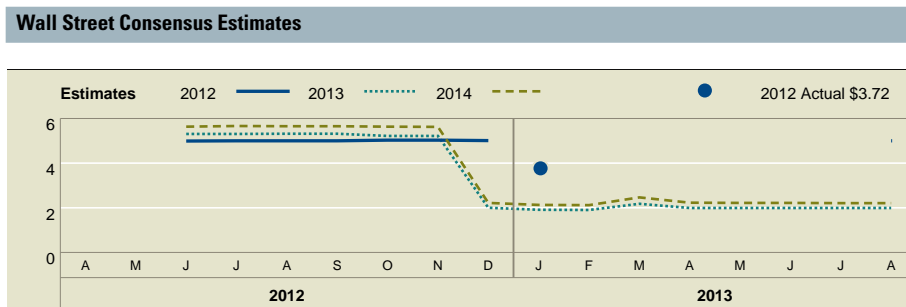


# Abbott Laboratories



Of the total 35 companies following ABT, 28 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	10	36	10	8
Buy/Hold	3	11	3	3
Hold	13	46	13	14
Weak Hold	0	0	0	1
Sell	1	4	1	1
No Opinion	1	4	1	1
<b>Total</b>	<b>28</b>	<b>100</b>	<b>28</b>	<b>28</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	2.23	2.55	2.06	26	16.1
2013	2.01	2.05	1.94	27	17.9
<b>2014 vs. 2013</b>	<b>▲ 11%</b>	<b>▲ 24%</b>	<b>▲ 6%</b>	<b>▼ -4%</b>	<b>▼ -10%</b>
Q3'14	0.56	0.58	0.54	12	64.1
Q3'13	0.52	0.54	0.50	22	69.0
<b>Q3'14 vs. Q3'13</b>	<b>▲ 8%</b>	<b>▲ 7%</b>	<b>▲ 8%</b>	<b>▼ -45%</b>	<b>▼ -7%</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

- Over 30 firms follow this stock; not all firms are displayed.
- Argus Research Company
  - Atlantic Equities LLP
  - Axia Financial research
  - BMO Capital Markets, U.S. Equity Research
  - Barclays
  - BofA Merrill Lynch
  - Brean Capital LLC
  - Citigroup Inc
  - Cowen and Company, LLC
  - Credit Suisse
  - Daiwa Capital Markets America Inc.
  - Daiwa Securities Capital Markets Co. Ltd.
  - Davenport & Company
  - Day By Day
  - Deutsche Bank
  - Erste Group Bank AG
  - First Global Stockbroking (P) Ltd.
  - Gabelli & Company, Inc.
  - Goldman Sachs
  - Hilliard Lyons
  - JP Morgan
  - Jefferies LLC
  - Leerink Swann LLC
  - Morgan Keegan & Company
  - Morgan Stanley
  - Morningstar Inc.
  - Noble Financial Group
  - RBC Capital Markets
  - Raymond James & Associates
  - S&P Capital IQ Equity Research

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that ABT will earn \$2.01. For the 2nd quarter of fiscal year 2013, ABT announced earnings per share of \$0.30, representing 15% of the total annual estimate. For fiscal year 2014, analysts estimate that ABT's earnings per share will grow by 11% to \$2.23.

## 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

#### Abbott Laboratories

	Raw Score	Max Value
Proprietary S&P Measures	47	115
Technical Indicators	32	40
Liquidity/Volatility Measures	15	20
Quantitative Measures	55	75
<b>IQ Total</b>	<b>149</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

# Abbott Laboratories

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).**



## Required Disclosures

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

The Trade Detector research report was published after March 31, 2013. Ranking distributions will be provided as of June 30, 2013.

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S&P Capital IQ keeps certain activities of its business units separate from each other

# Abbott Laboratories

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