Abbott Laboratories

GICS Sector Health Care
Sub-Industry Health Care Equipment

Summary
This diversified health care products company is now focused on nutriments, 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)

<table>
<thead>
<tr>
<th>52-Wk Range</th>
<th>$47.88 – 37.11</th>
<th>S&amp;P Oper. EPS 2015E</th>
<th>2.20</th>
<th>Market Capitalization(B)</th>
<th>$71.148</th>
<th>Beta</th>
<th>0.34</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailing 12-Month EPS</td>
<td>$4.49</td>
<td>S&amp;P Oper. EPS 2016E</td>
<td>2.44</td>
<td>Yield (%)</td>
<td>2.04</td>
<td>S&amp;P 3-Yr. Proj. EPS CAGR(%)</td>
<td>NA</td>
</tr>
<tr>
<td>Trailing 12-Month P/E</td>
<td>31.6</td>
<td>P/E on S&amp;P Oper. EPS 2015E</td>
<td>21.4</td>
<td>Dividend Rate/Share</td>
<td>$0.96</td>
<td>S&amp;P Quality Ranking</td>
<td>A-</td>
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<tr>
<td>$10K Invested 5 Yrs Ago</td>
<td>NA</td>
<td>Common Shares Outstanding (M)</td>
<td>1,509.0</td>
<td>Institutional Ownership (%)</td>
<td>69</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Price Performance

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

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 the deal to close in early 2015.

- We see 2015 sales, including recently acquired CFR Pharmaceuticals, growing 3.3%, to $22.9 billion. We see sales driven by robust growth in emerging markets, about 40% of sales, tempered by modest growth in developed countries. We see operating margins growing 130 basis points to 19.9% on leverage.

- Our 2015 EPS estimate is $2.20.

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 (as ABT has recovered from 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 modest growth in 2015.

- Risks to our recommendation and target price include greater-than-expected pricing pressures, and greater-than-expected adverse foreign currency impact.

- Our 12-month target price of $44 applies a slight premium-to-peers P/E-to-growth ratio of 1.8X, using our 2015 EPS estimate, warranted, in our view, by ABT’s leadership position in several end-markets.

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This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek independent financial advice regarding the suitability and/or appropriateness of making an investment or implementing the investment strategies discussed in this document and should understand that statements regarding future prospects may not be realized.

Investors should note that income from such investments, if any, may fluctuate and that the value of such investments may rise or fall. Accordingly, investors may receive back less than they originally invested. Investors should seek advice concerning any impact this investment may have on their personal tax position from their own tax advisors. Please note the publication date of this document. It may contain specific information that is no longer current and should not be used to make an investment decision. Unless otherwise indicated, there is no intention to update this document.
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 (30.3% of 2013 sales), diagnostics (20.6%), 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 immunosassay 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 nutrionals.

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 (30%). 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.

Abbott 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.
Quantitative Evaluations

S&P Capital IQ
Fair Value
Rank
Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value
$49.20
Analysis of the stock’s current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that ABT is slightly undervalued by $2.05 or 4.3%.

Investability Quotient
Percentile
ABT scored higher than 99% of all companies for which an S&P Capital IQ Report is available.

Volatility
Neutrality
Since April, 2015, the technical indicators for ABT have been NEUTRAL.

Insider Activity
Unfavorable
Neutral
Favorable

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S.$)


Tangible Book Value
3.49 6.24 1.50 NM NM NM NM NM NM NM 2.89
Cash Flow
2.12 2.61 5.49 4.96 4.68 5.04 4.21 3.50 2.13 3.02
Earnings
1.12 1.50 3.72 3.01 2.96 3.69 3.03 2.31 1.12 2.16
S&P Capital IQ Core Earnings
NA 1.53 3.85 3.82 3.05 3.60 2.86 2.31 1.16 2.01
Dividends
0.88 0.70 2.01 1.88 1.72 1.56 1.41 1.27 1.16 1.09
Payout Ratio
79% 47% 54% 42% 46% 55% 50% 50% 50% 50%
Prices, High
46.50 38.81 72.47 56.44 56.79 57.39 61.09 59.50 49.87 50.00
Prices, Low
35.65 31.64 53.96 45.07 44.59 41.27 45.75 48.75 39.18 37.50
P/E Ratio, High
42 26 19 16 16 16 16 16 16 16
P/E Ratio, Low
42 26 19 19 19 19 19 19 19 19

Income Statement Analysis (Million U.S.$)

Revenue
20,247 21,848 39,874 38,851 35,167 30,765 29,750 29,600 29,000 29,000 28,000
Operating Income
4,397 4,441 11,595 11,119 8,954 8,688 8,316 7,378 6,419 5,738
Depreciation
1,509 1,719 2,783 3,044 2,624 2,090 1,839 1,855 1,569 1,359
Interest Expense
150 157 592 448 448 520 528 593 416 241
Pretax Income
2,518 2,521 6,263 5,199 5,713 7,194 8,566 4,747 2,276 4,620
Effective Tax Rate
31.7% 5.47% 4.79% 9.04% 19.0% 20.1% 19.2% 19.3% 24.6% 27.0%
Net Income
1,721 2,283 5,963 4,729 4,649 5,746 4,734 3,606 1,717 3,372
S&P Capital IQ Core Earnings
NA 2,413 6,122 4,739 4,739 4,739 4,739 4,739 4,739 4,739

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

Cash
4,460 8,098 15,174 8,097 5,451 9,932 5,080 2,821 521 2,894
Current Assets
15,261 19,247 31,323 23,769 22,318 23,314 17,043 14,043 11,282 11,386
Total Assets
41,275 42,953 67,235 60,277 59,462 52,417 42,419 39,714 36,178 29,141
Current Liabilities
10,532 9,507 13,280 15,480 17,262 13,049 11,952 9,103 7,416 7,416
Long Term Debt
3,408 3,388 18,085 12,040 12,560 11,484 8,712 9,489 7,010 4,572
Common Equity
21,526 25,171 26,721 24,440 22,389 22,856 17,480 17,778 14,054 14,415
Total Capital
25,102 28,664 45,207 37,583 37,169 34,594 26,193 27,266 21,064 19,570
Capital Expenditures
1,077 1,145 1,795 1,492 1,015 1,089 1,288 1,656 1,338 1,207
Cash Flow
3,230 4,102 8,746 7,772 7,250 7,835 6,573 5,461 3,276 4,731
Current Ratio
1.5 2.0 2.4 1.5 1.3 1.8 1.5 1.5 0.9 1.5
% Long Term Debt of Capitalization
13.6% 11.8% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0%
% Net Income of Revenue
8.5% 10.9% 15.0% 12.2% 13.2% 18.7% 16.0% 13.9% 7.6% 15.1%
% Return on Assets
4.1% 4.3% 9.4% NA NA NA NA NA NA NA
% Return on Equity
7.3% 9.1% 23.1% NA NA NA NA NA NA NA

Data as originally reported in Company reports; bef. results of disc oper/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.

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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 2015 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.

In 2014, the S&P Health Care Equipment sub-index, partially aided by acquisitions, increased 23.6%, following a 25.8% rise in 2013. The S&P 1500 Composite Index rose 10.9% in 2014, following its 30.1% rise in 2013.

--Jeffrey Loo, CFA

### Sub-Industry: Health Care Equipment Peer Group*

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>S(M)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>ABT</td>
<td>71,148</td>
<td>47.15</td>
<td>47.88/37.11</td>
<td>0.34</td>
<td>2.0</td>
<td>32</td>
<td>49.20</td>
<td>A-</td>
<td>99</td>
<td>8.5</td>
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<tr>
<td>DexCom Inc</td>
<td>DXCM</td>
<td>5,124</td>
<td>67.89</td>
<td>68.49/28.09</td>
<td>0.44</td>
<td>Nil</td>
<td>NM</td>
<td>42.20</td>
<td>C</td>
<td>78</td>
<td>NM</td>
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<td>Edwards Lifesciences</td>
<td>EW</td>
<td>15,279</td>
<td>141.68</td>
<td>150.41/77.16</td>
<td>0.64</td>
<td>Nil</td>
<td>NM</td>
<td>122.80</td>
<td>B+</td>
<td>97</td>
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<td>Globus Medical</td>
<td>GMED</td>
<td>2,322</td>
<td>25.28</td>
<td>26.00/17.45</td>
<td>0.03</td>
<td>Nil</td>
<td>NM</td>
<td>26.00</td>
<td>NA</td>
<td>72</td>
<td>19.8</td>
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<td>HeartWare International</td>
<td>HTWR</td>
<td>1,549</td>
<td>94.47</td>
<td>97.60/69.05</td>
<td>-0.07</td>
<td>Nil</td>
<td>NM</td>
<td>94.47</td>
<td>NA</td>
<td>62</td>
<td>NM</td>
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<tr>
<td>Innovag AG ADS</td>
<td>INNL</td>
<td>2,167</td>
<td>7.30</td>
<td>9.51/4.45</td>
<td>NA</td>
<td>Nil</td>
<td>NM</td>
<td>9.51</td>
<td>NA</td>
<td>20</td>
<td>NM</td>
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<tr>
<td>Insulet Corp</td>
<td>PODD</td>
<td>1,717</td>
<td>30.49</td>
<td>47.97/27.02</td>
<td>0.95</td>
<td>Nil</td>
<td>NM</td>
<td>15.20</td>
<td>NA</td>
<td>45</td>
<td>NM</td>
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<tr>
<td>Masimo Corp</td>
<td>MASI</td>
<td>2,037</td>
<td>34.97</td>
<td>35.09/19.30</td>
<td>0.74</td>
<td>Nil</td>
<td>NM</td>
<td>24.10</td>
<td>NA</td>
<td>73</td>
<td>12.5</td>
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<tr>
<td>Nevro Corp</td>
<td>NVRO</td>
<td>1,336</td>
<td>53.70</td>
<td>53.97/23.13</td>
<td>NA</td>
<td>Nil</td>
<td>NM</td>
<td>53.70</td>
<td>NA</td>
<td>86</td>
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<tr>
<td>NxStage Medical</td>
<td>NXTM</td>
<td>1,151</td>
<td>18.61</td>
<td>19.19/10.89</td>
<td>0.55</td>
<td>Nil</td>
<td>NM</td>
<td>18.61</td>
<td>NA</td>
<td>40</td>
<td>NM</td>
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<td>Sirona Dental Sys</td>
<td>SIRQ</td>
<td>5,306</td>
<td>92.05</td>
<td>93.51/73.05</td>
<td>1.21</td>
<td>Nil</td>
<td>NM</td>
<td>92.05</td>
<td>NA</td>
<td>80</td>
<td>NM</td>
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<td>Sunshine Heart</td>
<td>SSH</td>
<td>8,787</td>
<td>4.82</td>
<td>6.90/3.49</td>
<td>0.06</td>
<td>Nil</td>
<td>NM</td>
<td>4.82</td>
<td>NA</td>
<td>27</td>
<td>NM</td>
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<td>Teleflex Inc</td>
<td>TFX</td>
<td>5,021</td>
<td>121.15</td>
<td>123.09/99.56</td>
<td>1.11</td>
<td>1.1</td>
<td>30</td>
<td>108.00</td>
<td>B+</td>
<td>97</td>
<td>10.4</td>
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<td>Tomir NV</td>
<td>TRNX</td>
<td>1,285</td>
<td>26.23</td>
<td>28.53/16.68</td>
<td>1.37</td>
<td>Nil</td>
<td>NM</td>
<td>26.23</td>
<td>NA</td>
<td>38</td>
<td>NA</td>
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<td>ZELTIQ Aesthetics</td>
<td>ZLTQ</td>
<td>1,070</td>
<td>31.45</td>
<td>35.90/13.30</td>
<td>-0.06</td>
<td>Nil</td>
<td>NM</td>
<td>24.40</td>
<td>NA</td>
<td>73</td>
<td>0.9</td>
</tr>
</tbody>
</table>

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 Capital IQ Analyst Research Notes and other Company News

January 29, 2015
12:34 pm ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABS (ABT 44.83***): We keep our 12-month target price at $44, based on an in-line to peers 20X our 2015 EPS estimate of $2.20, down from $2.45, to account for pending divestiture of its developed markets generic business to Mylan that we see closing shortly. Q4 adjusted EPS of $0.62 vs. $0.48 is $0.06 below our estimate. Sales, including 4.6% adverse forex impact, grew 5.6% with solid broad based sales including 27% growth in emerging markets generics unit. We think the Mylan deal will provide ABT significant financial flexibility and we see ABT pursuing acquisitions to supplement organic growth. /Jeffrey Loo, CFA

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 4.8% 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 50.2****) 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 57.24****) $54B deal to buy Shire (SHPG NR), Medtronic’s (MDT 64.24****) $43B deal to buy Covidien (COV 88.25***), and Mylan’s (MYL 50.2****) $5B deal to buy Abbott Labs’ (ABT 43.5***$) 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

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 57.24****) $54B deal to buy Shire (SHPG NR), Medtronic’s (MDT 64.24****) $43B deal to buy Covidien (COV 88.25***), and Mylan’s (MYL 50.2****) $5B deal to buy Abbott Labs’ (ABT 43.5***$) 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

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 $0.08 ahead of our est. Sales grew 1.5% 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 business to Mylan (MYL 50.2****) 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 41.30***$) 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
Of the total 24 companies following ABT, 24 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of Recommendations</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>9</td>
<td>37</td>
<td>0</td>
<td>0</td>
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<td>Total</td>
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**Wall Street Consensus Estimates**

For fiscal year 2015, analysts estimate that ABT will earn US$ 2.16. For fiscal year 2016, analysts estimate that ABT’s earnings per share will grow by 11% to US$ 2.39.
Abbott Laboratories

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.

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- A+ Highest
- A High
- A- Above Average
- B+ Average
- B Lower
- C Lowest
- D In Reorganization
- NR Not Ranked

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S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CV - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

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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-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.

STARS Ranking system and definition:

- 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
- FPO - 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
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<td>37.7%</td>
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<td>51.8%</td>
<td>48.4%</td>
<td>45.0%</td>
<td>50.4%</td>
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<tr>
<td>Sell</td>
<td>10.7%</td>
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<td>21.2%</td>
<td>14.4%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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