



Abbott Laboratories (ABT)

Updated January 26th, 2022, by Eli Inkrot

Key Metrics

Current Price:	\$120	5 Year CAGR Estimate:	2.0%	Market Cap:	\$214 B
Fair Value Price:	\$95	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	01/13/22
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.6%	Dividend Payment Date:	02/15/22
Dividend Yield:	1.6%	5 Year Price Target	\$121	Years Of Dividend Growth:	50
Dividend Risk Score:	A	Retirement Suitability Score:	B	Last Dividend Increase:	4.4%

Overview & Current Events

Abbott Laboratories, founded in 1888, is one of the largest medical appliances & equipment manufacturers in the world, comprised of four segments: Nutrition, Diagnostics, Established Pharmaceuticals and Medical Devices. With a market capitalization of \$214 billion, Abbott Laboratories provides products in over 160 countries and employs 113,000 people. The company generated \$43 billion in sales and \$9.4 billion in profit in 2021.

On December 10th, 2021, Abbott Laboratories declared a \$0.47 quarterly dividend, marking a 4.4% year-over-year increase. This was the company's 392nd consecutive payment and 50th straight year of increasing its dividend.

On January 26th, 2022, Abbott Laboratories reported Q4 and full year 2021 results for the period ending December 31st, 2021. For the quarter the company generated \$11.468 billion in sales (58% outside of the U.S.) representing a 7.2% increase compared to Q4 2020. Results were up across the board with Diagnostics, Established Pharmaceuticals, Medical Devices and Nutrition sales increasing 2.9%, 4.9%, 15.1% and 5.5% respectively. Adjusted earnings-per-share equaled \$1.32 compared to \$1.45 in Q4 2020.

For the year Abbott Laboratories generated sales of \$43.075 billion, a 24.5% increase compared to 2020. Results were once again up across the board with Diagnostics, Established Pharmaceuticals, Medical Devices and Nutrition sales increasing 44.8%, 9.6%, 21.9% and 8.5% respectively. Adjusted earnings-per-share equaled \$5.21, ahead of prior guidance, compared to \$3.65 in 2020.

Abbott Laboratories also provided 2022 guidance, anticipating at least \$1.50 in adjusted EPS for Q1 2022 and at least \$4.70 in adjusted EPS for the year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$4.99	\$2.01	\$2.28	\$2.15	\$2.20	\$2.50	\$2.88	\$3.24	\$3.65	\$5.21	\$4.75	\$6.06
DPS	\$2.01	\$0.56	\$0.88	\$0.96	\$1.04	\$1.06	\$1.12	\$1.28	\$1.44	\$1.80	\$1.88	\$2.64
Shares¹	1,577	1,548	1,508	1,473	1,473	1,744	1,756	1,781	1,786	1,789	1,785	1,770

The above table shows a significant gap between the 2012 and 2013 numbers, both for earnings-per-share as well as for dividends per share. Before and after that jump, both earnings-per-share and dividends have been growing relatively consistently. This gap is explained by the fact that Abbott Laboratories spun off its biotech business (which is now publicly traded as AbbVie with the ticker ABBV) in 2013.

AbbVie has been a very successful standalone company. When it was still owned by Abbott Laboratories it was a major growth driver. However, since the spin-off Abbott Laboratories' earnings-per-share growth rate has still been very solid. During the last five years in particular earnings growth has been quite strong.

With its strong position in growth markets such as diagnostics - Abbott Laboratories is the market leader in point-of-care diagnostics - and cardiovascular medical devices, Abbott Laboratories should be able to generate attractive long-term growth rates for both earnings-per-share and dividends. The ongoing COVID-19 pandemic puts a large unknown on

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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short-term demand across the globe. However, we believe that Abbott will be resilient in this environment – especially considering the COVID-19 diagnostics tests. We are forecasting 5% growth coming off \$4.75 in EPS for 2022.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	12.6	17.8	18.0	21.5	18.4	19.4	22.3	24.9	26.3	22.6	25.3	20.0
Avg. Yld.	3.2%	1.6%	2.1%	2.1%	2.1%	2.2%	1.7%	1.6%	1.5%	1.5%	1.6%	2.3%

Abbott Laboratories' price-to-earnings ratio expanded after the spin-off of AbbVie, which is not surprising, as AbbVie had been the somewhat riskier part of the business. In addition, shares were coming off recession lows. Abbott Laboratories as a med-tech pure play is a low-risk investment, but its current valuation seems elevated, nevertheless. We believe that shares are trading above fair value, pegged at 20 times earnings, implying the potential for a valuation headwind from this point.

Abbott Laboratories has declared 392 consecutive dividends and increased its payout for 50 straight years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	40%	28%	39%	45%	47%	42%	39%	40%	39%	35%	40%	43%

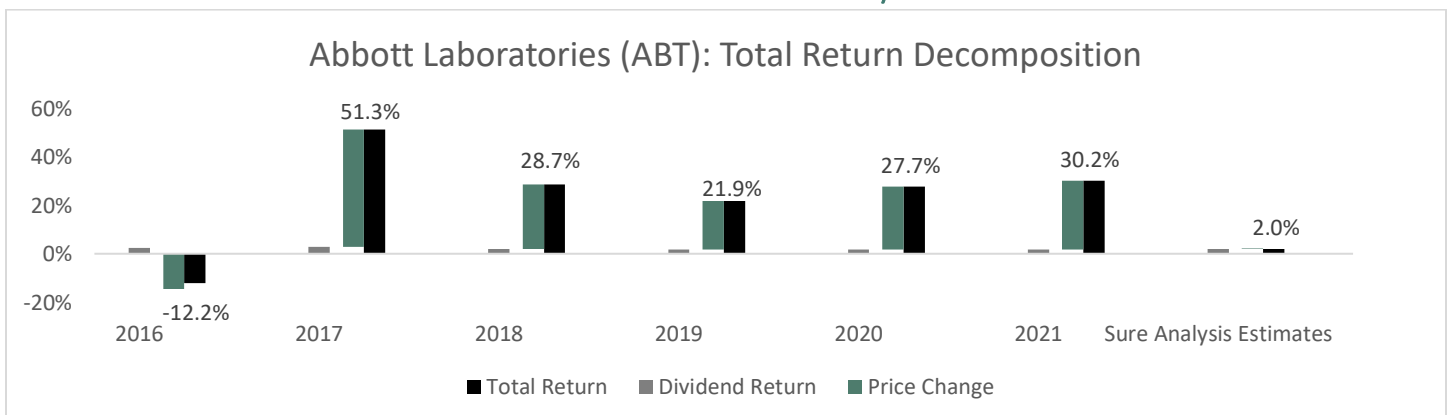
Abbott Laboratories' dividend payout ratio has never been above 50% throughout the last decade. Coupled with the fact that the company's earnings-per-share did not decline during the last financial crisis – it actually continued to grow – Abbott Laboratories' dividend looks very safe.

After the spin-off of AbbVie, Abbott Laboratories has proven to be a very stable performer with a solid outlook. The markets that Abbott Laboratories addresses are not cyclical as medical devices and diagnostics are needed whether the economy is doing well or not. This explains why Abbott Laboratories performed so well during the last financial crisis. Moreover, for future recessions, we believe Abbott Laboratories will most likely not be vulnerable. The company is a leader in the markets it addresses, such as in point-of-care diagnostics, which provides competitive advantages due to Abbott Laboratories' scale and global reach. This is especially true given the current global pandemic.

Final Thoughts & Recommendation

Shares are up 5% in the last year. Abbott Laboratories is a fundamentally strong company that addresses attractive and growing markets. However, the current valuation leaves something to be desired. We are projecting total return potential of 2.0% per annum, stemming from 5% growth and a 1.6% starting dividend yield offset by a valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	21407	19050	19657	20247	20405	20853	27390	30578	31904	34610
Gross Profit	11390	10151	10464	11029	11658	11759	14981	17872	18673	19600
Gross Margin	53.2%	53.3%	53.2%	54.5%	57.1%	56.4%	54.7%	58.4%	58.5%	56.6%
SG&A Exp.	7365	6735	6372	6530	6785	6736	9182	9744	9765	9696
D&A Exp.	3044	2782	1719	1548	1472	1353	3021	3278	3014	3327
Operating Profit	1629	1360	2133	2599	2867	3026	1564	3650	4532	5357
Op. Margin	7.6%	7.1%	10.9%	12.8%	14.1%	14.5%	5.7%	11.9%	14.2%	15.5%
Net Profit	4728	5963	2576	2284	4423	1400	477	2368	3687	4495
Net Margin	22.1%	31.3%	13.1%	11.3%	21.7%	6.7%	1.7%	7.7%	11.6%	13.0%
Free Cash Flow	7479	7519	2179	2598	1856	2082	4435	4906	4498	5724
Income Tax	110	-457	53	797	577	350	1878	539	390	497

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	60277	67235	42953	41207	41247	52666	76250	67173	67887	72550
Cash & Equivalents	6813	10802	3475	4063	5001	18620	9407	3844	3860	6838
Acc. Receivable	7684	7613	3986	3586	3418	3248	5249	5182	5425	6414
Inventories	3284	3793	2693	2643	2599	2434	3601	3796	4316	5012
Goodwill & Int.	25695	24362	15507	16265	15200	12222	45493	42196	40220	38530
Total Liabilities	35751	40422	17686	19568	19921	31949	45152	36451	36586	39540
Accounts Payable	1721	1797	1026	1064	1081	1178	2402	2975	3252	3946
Long-Term Debt	15415	20476	6561	7830	9001	22006	27924	19566	18139	18750
Total Equity	24440	26721	25171	21526	21211	20538	30897	30524	31088	32780
D/E Ratio	0.63	0.77	0.26	0.36	0.42	1.07	0.90	0.64	0.58	0.57

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	7.8%	9.4%	4.7%	5.4%	10.7%	3.0%	0.7%	3.3%	5.5%	6.4%
Return on Equity	20.1%	23.3%	9.9%	9.8%	20.7%	6.7%	1.9%	7.7%	12.0%	14.1%
ROIC	11.6%	13.7%	6.5%	7.5%	14.8%	3.8%	0.9%	4.3%	7.4%	8.9%
Shares Out.	1,570	1,577	1,548	1,508	1,473	1,473	1,744	1,760	1,781	1786
Revenue/Share	13.66	11.97	12.49	13.26	13.55	14.06	15.66	17.28	17.91	19.38
FCF/Share	4.77	4.72	1.38	1.70	1.23	1.40	2.54	2.77	2.53	3.21

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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