



AbbVie (ABBV)

Updated May 10th, 2022 by Jonathan Weber

Key Metrics

Current Price:	\$152	5 Year CAGR Estimate:	4.7%	Market Cap:	\$270B
Fair Value Price:	\$140	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	07/13/22 ¹
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	08/16/22
Dividend Yield:	3.7%	5 Year Price Target	\$159	Years Of Dividend Growth:	50
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

AbbVie is a biotechnology company focused on developing and commercializing drugs for immunology, oncology and virology. AbbVie was spun off by Abbott Laboratories in 2013. The company has a rather short stand-alone history. Nevertheless, AbbVie has become one of the largest players in the biotechnology industry, especially following the closing of its acquisition of formerly independent pharma company Allergan.

AbbVie reported its first quarter earnings results on April 29. The company was able to generate revenues of \$13.5 billion during the quarter, which was 4% more than AbbVie's revenues during the previous year's quarter. AbbVie generated slightly lower revenues than the analyst community had forecasted, as it missed the top line consensus by \$70 million. AbbVie's revenues were positively impacted by healthy growth from some of its drugs, including Skyrizi and Rinvoq, while the impact of the Allergan acquisition was less pronounced compared to previous quarters, as the closing of that acquisition has been fully lapped by now.

AbbVie earned \$3.16 per share during the first quarter, which was 9% more than the company's earnings-per-share during the previous year's quarter. AbbVie's earnings-per-share beat the consensus analyst estimate by \$0.02. AbbVie's guidance for 2022's adjusted earnings-per-share was lowered slightly during the earnings call, the company now expects to earn \$13.92 - \$14.12 on a per-share basis this year. This would still represent a sizeable increase versus 2021, which had also been a record year already, despite the impact of the pandemic. The company's earnings-per-share guidance excludes non-cash charges for intangible asset amortization related to the Allergan takeover.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	---	\$3.14	\$3.32	\$4.29	\$4.82	\$5.60	\$7.91	\$8.94	\$10.56	\$12.70	\$14.02	\$15.86
DPS	---	\$0.80	\$1.66	\$2.02	\$2.28	\$2.56	\$3.59	\$4.28	\$4.72	\$5.20	\$5.64	\$7.20
Shares²	---	1590	1590	1610	1590	1590	1550	1490	1780	1780	1800	1750

AbbVie's explosive earnings-per-share growth started shortly after the company was spun off from Abbott Laboratories in 2013. Since then, earnings-per-share have grown by 15% annually. 2018 was a year of outsized earnings-per-share growth, partially driven by a lower tax rate, but also by ongoing growth from some of the company's largest drugs.

AbbVie's efforts in shielding Humira from competition through 2023 (in the US) and its substantial R&D investments for next-generation drugs should allow the company to keep revenues growing over the coming years. Humira's patent expiry in the US is still a couple of years away, which gives AbbVie enough time to bring new drugs to the market. AbbVie's new, improved drugs that target the same indications as Humira have a good chance at capturing much of Humira's current revenue stream. AbbVie's management believes that company-wide revenues in 2025 will be higher than they were in 2020, despite the fact that Humira's revenues will nearly disappear in the mid-2020s. The acquisition of Allergan, which has closed in 2020, will also drive future revenue growth and diversify the company further, which will soften the blow from the eventual generic competition for Humira, the world's best-selling drug.

¹ Estimated date

² In Millions

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	13.9	16.7	14.4	12.6	13.4	11.6	10.0	9.9	10.7	10.8	10.0
Avg. Yld.	---	3.7%	3.0%	3.3%	3.8%	3.4%	4.8%	4.8%	4.5%	3.8%	3.7%	4.5%

AbbVie's share price has increased since our last update, which followed solid gains in previous quarters. The increased leverage due to the Allergan deal and the Humira patent expiry in the foreseeable future result in some risks, which is why we believe that a price-to-earnings multiple of around 10 seems fair. AbbVie trades in line with our fair value estimate at the current price. AbbVie's shares offer a yield of close to 4% at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	25.5%	50.0%	47.1%	47.3%	45.7%	45.4%	47.9%	44.7%	40.9%	40.2%	45.4%

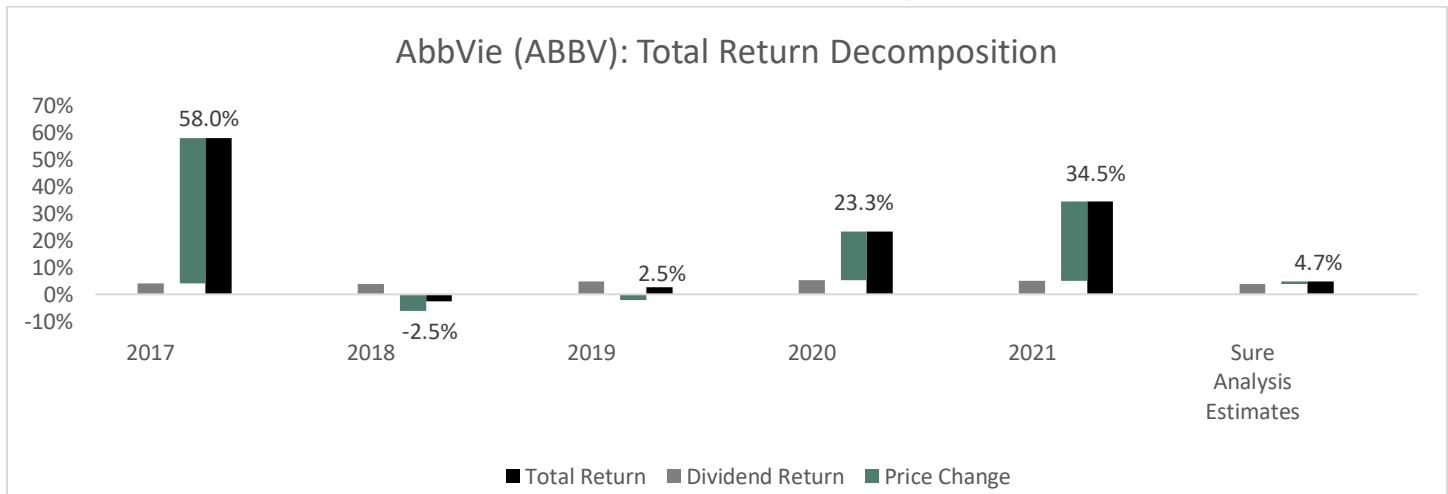
AbbVie started to pay dividends in 2013, and since then, the payout has risen quickly. This was possible due to a combination of strong earnings-per-share growth and an increase in AbbVie's dividend payout ratio. AbbVie does not have a very long dividend growth track record on its own, but we believe that its dividend looks relatively safe.

The healthcare industry, and especially the drug industry, is not very cyclical. AbbVie was not a standalone company during the last financial crisis, so there is no recession track record, but since sick people require treatment whether the economy is strong or not, it is highly likely that AbbVie will continue to perform well during recessions. AbbVie's Humira patent protection in the US will expire in a couple of years, but Humira will remain a major cash cow for now. Thanks to next-generation drugs and the takeover of Allergan, there is a good chance that the patent expiration will not be too much of a headwind. Investors should note that the Humira patent situation provides some uncertainty nevertheless.

Final Thoughts & Recommendation

AbbVie is a leading biotech and pharma company that has grown both its profits as well as its dividend at a strong pace in the past. The Humira patent situation could pressure revenues in 2023-2025, but we believe that the outlook is still positive, thanks to a deep pipeline, strong growth from new drugs, and the Allergan acquisition that allows for the capturing of some synergies over the coming years. Shares trade above our fair value estimate today. The total return outlook isn't great, which is why we rate AbbVie a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	18380	18790	19960	22859	25638	28216	32753	33266	45804	56197
Gross Profit	13872	14209	15534	18359	19806	21174	25035	25827	30417	38751
Gross Margin	75.5%	75.6%	77.8%	80.3%	77.3%	75.0%	76.4%	77.6%	66.4%	69.0%
SG&A Exp.	4989	5352	7724	6387	5881	6295	7399	6942	11299	12349
D&A Exp.	1150	897	786	836	1189	1501	1765	2017	6471	8521
Operating Profit	6105	6002	3763	7687	9540	9872	6807	13368	12561	18886
Op. Margin	33.2%	31.9%	18.9%	33.6%	37.2%	35.0%	20.8%	40.2%	27.4%	33.6%
Net Profit	5275	4128	1774	5144	5953	5309	5687	7882	4616	11542
Net Margin	28.7%	22.0%	8.9%	22.5%	23.2%	18.8%	17.4%	23.7%	10.1%	20.5%
Free Cash Flow	6012	5776	2937	7003	6562	9431	12789	12772	16790	21990
Income Tax	450	1204	595	1501	1931	2418	(490)	544	(1224)	1440

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	27008	29198	27513	53050	66099	70786	59352	89115	150565	146529
Cash & Equivalents	5901	9595	8348	8399	5100	9303	7289	39924	8449	9746
Acc. Receivable	4298	3854	3735	4730	4758	5088	5384	5428	8822	9977
Inventories	1091	1150	1124	1719	1444	1605	1605	1813	3310	3128
Goodwill & Int.	8453	8167	7375	32877	44313	43344	36896	34253	116000	108330
Total Liabilities	23645	24706	25771	49105	61463	65689	67798	97287	137468	131093
Accounts Payable	556	933	1401	1597	1407	1474	1546	1452	2276	2882
Long-Term Debt	15672	14723	14977	31671	36842	37368	40310	66728	86056	76684
Total Equity	3363	4492	1742	3945	4636	5097	(8446)	(8172)	13076	15408
LTD/E Ratio	4.66	3.28	8.60	8.03	7.95	7.33	(4.77)	(8.17)	6.58	4.98

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	22.7%	14.7%	6.3%	12.8%	10.0%	7.8%	8.7%	10.6%	3.9%	7.8%
Return on Equity	69.0%	105.1%	56.9%	180.9%	138.7%	109.1%			188.3%	81.0%
ROIC	34.0%	21.6%	9.9%	19.7%	15.4%	12.6%	15.3%	17.4%	5.9%	12.1%
Shares Out.	---	1590	1590	1610	1590	1590	1550	1490	1780	1780
Revenue/Share	11.66	11.71	12.40	13.96	15.72	17.60	21.19	22.42	27.38	31.62
FCF/Share	3.81	3.60	1.82	4.28	4.02	5.88	8.27	8.61	10.04	12.37

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

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