



AbbVie (ABBV)

Updated February 2nd, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$169	5 Year CAGR Estimate:	2.5%	Market Cap:	\$299B
Fair Value Price:	\$134	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	01/12/24
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.6%	Dividend Payment Date:	02/15/24
Dividend Yield:	3.7%	5 Year Price Target	\$155	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Sell

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 fourth quarter earnings results on February 2. The company was able to generate revenues of \$14.3 billion during the quarter, which was 5% less than AbbVie's revenues during the previous year's quarter. AbbVie generated revenues that were ahead of what the analyst community had forecasted. AbbVie's revenues were positively impacted by compelling growth from some of its newer drugs, including Skyrizi and Rinvoq, while Humira sales declined due to the patent expiration, which hurt AbbVie's revenues meaningfully.

AbbVie earned \$2.79 per share during the fourth quarter, which was 22% less than the company's earnings-per-share during the previous year's quarter. AbbVie's earnings-per-share missed the consensus analyst estimate by \$0.01.

AbbVie's guidance for 2024's adjusted earnings-per-share was introduced during the earnings call; the company expects to earn \$11.05 - \$11.25 on a per-share basis this year. This means that earnings per share will be relatively flat compared to 2023. The company's earnings-per-share guidance accounts for the expected sales decrease of Humira this year, as Humira has gone off patent in the US in early 2023, which has caused competitors to bring their biosimilar products to the market. This, in turn, results in lower sales for this important drug for AbbVie.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$3.32	\$4.29	\$4.82	\$5.60	\$7.91	\$8.94	\$10.56	\$12.70	\$13.77	\$11.11	\$11.15	\$12.93
DPS	\$1.66	\$2.02	\$2.28	\$2.56	\$3.59	\$4.28	\$4.72	\$5.20	\$5.64	\$5.92	\$6.20	\$7.91
Shares¹	1590	1610	1590	1590	1550	1490	1780	1780	1780	1770	1760	1700

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 closed in 2020, is also driving future revenue growth and diversifying the company further, which will soften the blow from the generic competition for Humira, which started in early 2023.

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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	16.7	14.4	12.6	13.4	11.6	10.0	9.9	10.7	11.8	14.4	15.2	12.0
Avg. Yld.	3.0%	3.3%	3.8%	3.4%	4.8%	4.8%	4.5%	3.8%	3.7%	3.7%	3.7%	5.1%

AbbVie's share price has risen meaningfully since our last update, rising to the high \$160s. The increased leverage due to the Allergan deal and the Humira patent expiry pose some risks going forward, but management believes that the company will get back to growth soon. AbbVie trades ahead of our fair value estimate at the current price. AbbVie's shares offer a yield of 3.7% today, which is solid and relatively in line with the historic average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	50.0%	47.1%	47.3%	45.7%	45.4%	47.9%	44.7%	40.9%	43.0%	53.3%	55.6%	61.2%

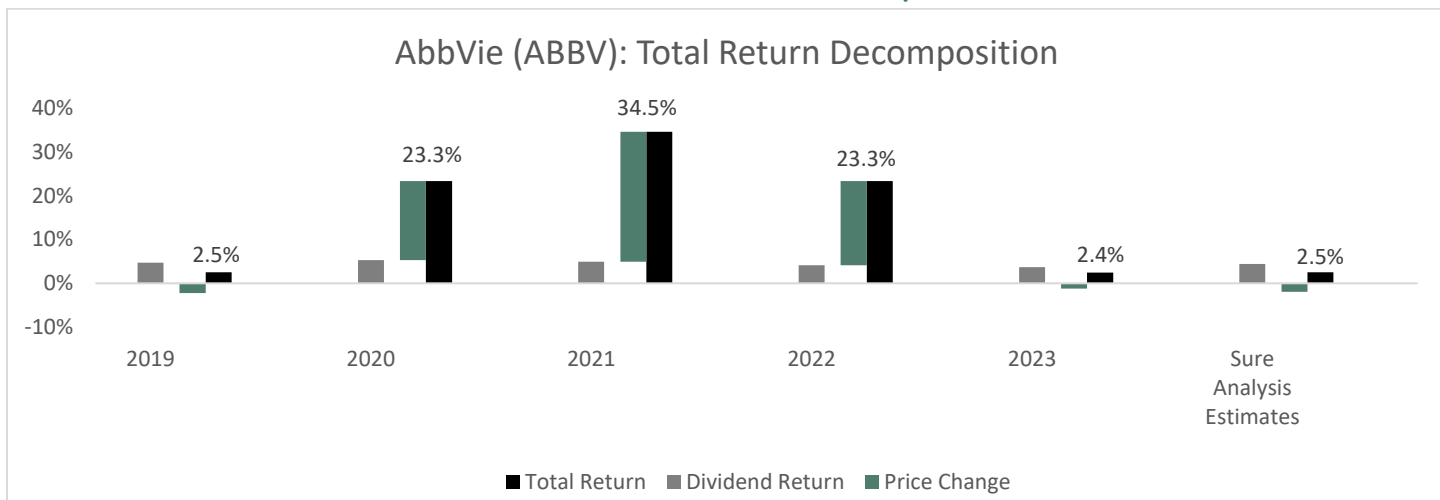
AbbVie started to pay dividends in 2013. Since then, the payout has risen quickly. This was possible due to a combination of strong earnings-per-share growth and an increase in AbbVie's dividend payout ratio. AbbVie does not have a very long dividend growth track record on its own, but we believe that 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 major biotech and pharma company that has grown both its profits as well as its dividend at an attractive pace in the past. The Humira patent expiration is pressuring revenues in 2023-2024, but we believe that the growth outlook is still positive in the long run, thanks to a deep pipeline, strong growth from new drugs, and the Allergan acquisition that has broadened AbbVie's exposure. Shares trade ahead of our fair value estimate today. The total return outlook is not compelling, which is why we rate AbbVie a sell at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	18790	19960	22859	25638	28216	32753	33266	45804	56197	58054
Gross Profit	14209	15534	18359	19806	21174	25035	25827	30417	38751	40640
Gross Margin	75.6%	77.8%	80.3%	77.3%	75.0%	76.4%	77.6%	66.4%	69.0%	70.0%
SG&A Exp.	5352	7724	6387	5881	6295	7399	6942	11299	12349	15260
D&A Exp.	897	786	836	1189	1501	1765	2017	6471	8521	8467
Operating Profit	6002	3763	7687	9540	9872	6807	13368	12561	18886	18814
Op. Margin	31.9%	18.9%	33.6%	37.2%	35.0%	20.8%	40.2%	27.4%	33.6%	32.4%
Net Profit	4128	1774	5144	5953	5309	5687	7882	4616	11542	11836
Net Margin	22.0%	8.9%	22.5%	23.2%	18.8%	17.4%	23.7%	10.1%	20.5%	20.4%
Free Cash Flow	5776	2937	7003	6562	9431	12789	12772	16790	21990	24248
Income Tax	1204	595	1501	1931	2418	(490)	544	(1224)	1440	1632

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	29198	27513	53050	66099	70786	59352	89115	150565	146529	138805
Cash & Equivalents	9595	8348	8399	5100	9303	7289	39924	8449	9746	9201
Acc. Receivable	3854	3735	4730	4758	5088	5384	5428	8822	9977	11254
Inventories	1150	1124	1719	1444	1605	1605	1813	3310	3128	3579
Goodwill & Int.	8167	7375	32877	44313	43344	36896	34253	116000	108330	99595
Total Liabilities	24706	25771	49105	61463	65689	67798	97287	137468	131093	121518
Accounts Payable	933	1401	1597	1407	1474	1546	1452	2276	2882	2934
Long-Term Debt	14723	14977	31671	36842	37368	40310	66728	86056	76684	63271
Total Equity	4492	1742	3945	4636	5097	(8446)	(8172)	13076	15408	17254
LTD/E Ratio	3.28	8.60	8.03	7.95	7.33	(4.77)	(8.17)	6.58	4.98	3.67

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	14.7%	6.3%	12.8%	10.0%	7.8%	8.7%	10.6%	3.9%	7.8%	8.3%
Return on Equity	105.1%	56.9%	180.9%	138.7%	109.1%			188.3%	81.0%	72.5%
ROIC	21.6%	9.9%	19.7%	15.4%	12.6%	15.3%	17.4%	5.9%	12.1%	13.7%
Shares Out.	1590	1590	1610	1590	1590	1550	1490	1780	1780	1780
Revenue/Share	11.71	12.40	13.96	15.72	17.60	21.19	22.42	27.38	31.62	32.65
FCF/Share	3.60	1.82	4.28	4.02	5.88	8.27	8.61	10.04	12.37	13.64

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

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