

AbbVie Inc. Ticker: ABBV Sector: Biotechnology Industry: Pharmaceuticals	Intrinsic Value: \$103.9 Current Price: \$55.57 Stop Loss: \$46.86 2016 EPS Est: \$4.83	TTM P/E: 12.9 Forward P/E: 10.80 Beta: 1.43 Industry PE: 26.3	Market Cap: \$97.316B Dividend Yield: 3.5% 52 Wk Range: \$50.71-\$68.12
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Business Summary:

AbbVie Inc is a research-based biopharmaceutical company. The Company is engaged in the discovery, development, manufacture and sale of a broad line of pharmaceutical products for treating chronic autoimmune diseases, virology and neurological disorders. AbbVie developed adalimumab, which is marketed under the trade name Humira, a biopharmaceutical treatment for autoimmune diseases that has exceeded \$14 billion in global sales. AbbVie's portfolio of medicines also includes AndroGel, Creon, Duodopa and Duopa, Kaletra, Lupron, Niaspan, Norvir, Sevoflurane, Synagis, Synthroid, TriCor and Trilipix, Viekira and Zemlar

Industry Trends: The industry outlook for Bio technology is positive for the next 12 months given the number of drugs in the pipeline in late stages of clinical trials. The FDA approved 45 new drugs compared to 41 in the previous year and although this trend will moderate in the coming years, the outlook is still positive with companies working on biomarker research. In 2012 the FDA introduced the breakthrough therapy designation intending to speed up development of promising programs. There is also a favorable M&A climate within the biotech industry which is also a positive sign.

Investment Thesis: Armed with a best-in-class immunology drug Humira, AbbVie is well-positioned to drive strong cash flows to support the company's next generation of pipeline drugs. At over 50% of total sales and a higher portion of earnings (due to higher margin revenue), Humira is well positioned to drive much of AbbVie's performance over the next three years. With approvals in rheumatoid arthritis, psoriasis, and Crohn's disease, Humira should continue to grow in these markets as penetration rates are below 25% on average. With leading efficacy and a favorable side-effect profile, we expect Humira to continue to post double-digit growth over the next couple of years.

Risk Factors:

Several of AbbVie's pipeline products are partnered with other drug companies, which partly limits the profit potential of the new drugs. The side effects emerging on hepatitis C drug Viekira could weigh on the company's ability to penetrate the important market.

5 Year Stock Performance and competitor comparison:



Name (BICS Best Fit)	Sales Growth Yoy (%)	EBITDA Margin (%)	Op Margin	Return On Equity
Average	4.68%	32.43%	24.68%	33.19%
100) ABBVIE INC	14.52%	44.33%	39.90%	129.59%
101) NOVO NORDISK A/S-B	21.53%	46.25%	43.43%	88.56%
102) BRISTOL-MYERS SQUIBB CO	4.29%	30.45%	25.27%	27.55%
103) ASTELLAS PHARMA INC	10.06%	23.18%	20.51%	16.14%
104) ELI LILLY & CO	1.75%	25.92%	18.07%	19.99%
105) MITSUBISHI TANABE PHARMA	4.00%	26.46%	23.09%	8.76%
106) PFIZER INC	-1.13%	42.39%	29.68%	19.12%
107) CHUGAI PHARMACEUTICAL CO LTD	8.18%	20.52%	15.91%	9.09%
108) MERCK & CO. INC.	-6.48%	49.87%	24.40%	14.90%
109) ASTRAZENECA PLC	-6.93%	29.25%	20.81%	23.75%
110) TAKEDA PHARMACEUTICAL CO LTD	1.66%	18.16%	10.40%	7.62%

Key Valuation Assumption (Bloomberg)

- Optimistic Est Revenue Growth: 14%
- Realistic Est Revenue Growth: 8%
- Pessimistic Est Revenue Growth: 2%
- WACC: 7.2% (Bloomberg)
- Terminal Growth Rate: 3.0%
- Cost of Equity: 9.2%
- Cost of Debt: 1.9%
- Weight of Equity: 73.1%
- Weight of Debt: 26.9%
- Tax Rate: 30.0%
- Free cash flow (initial): \$7003 million**
- Growth Assumption: 8%**
- Intrinsic Value: \$103.3**

CSR Characteristics

- ESG Disclosure: 64.61/51.44
- Environmental Disclosure Score: 46.9/26.73
- Social Disclosure Score: 39.18/19.3
- Governance Disclosure Score: 62.8/57.14

Prepared by Vikram Kaimal 11/1/16. Information from Morningstar, Yahoo, Google, Valueline, Bloomberg