



AbbVie (ABBV)

Updated November 2nd, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$204	5 Year CAGR Estimate:	1.3%	Market Cap:	\$360B
Fair Value Price:	\$142	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	01/15/25
% Fair Value:	144%	5 Year Valuation Multiple Estimate:	-7.0%	Dividend Payment Date:	02/14/25
Dividend Yield:	3.2%	5 Year Price Target	\$181	Years Of Dividend Growth:	53
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 third quarter earnings results on October 30. The company was able to generate revenues of \$14.5 billion during the quarter, which was 4% more 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 by 37% due to growing competition from biosimilars and market share losses.

AbbVie earned \$3.00 per share during the third quarter, which was 2% 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 \$0.08. AbbVie's guidance for 2024's adjusted earnings-per-share was updated during the earnings call; the company expects to earn \$10.90 - \$10.94 on a per-share basis this year. This means that earnings per share will be down slightly compared to 2023. The company's earnings-per-share guidance accounts for the expected sales decline of Humira this year, while higher costs for research and development, and thus lower expected margins, also play a role in the expected earnings-per-share decline of around 2% for the current year.

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	\$10.92	\$13.94
DPS	\$1.66	\$2.02	\$2.28	\$2.56	\$3.59	\$4.28	\$4.72	\$5.20	\$5.64	\$5.92	\$6.56	\$7.98
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. In the following years, up until 2022, earnings rose rapidly on the back of AbbVie's success with Humira, Imbruvica, and other blockbuster drugs.

But in 2023, Humira has gone off patent in the US, which is why profits started to decline in that year. AbbVie's next-generation drugs that mostly target the same indications (ulcerative colitis, rheumatoid arthritis, and so on) as Humira, Skyrizi and Rinvoq, have shown strong revenue growth over the last couple of years, however. AbbVie's management and the analyst community believe that company-wide revenues in 2024 will be slightly higher than they were in 2023, mostly due to growth for Rinvoq and Skyrizi, with another revenue increase being expected for 2025. At least from a revenue perspective, AbbVie has thus passed the nadir. We believe that earnings will improve again in the coming years, although earnings-per-share growth will be a lot lower compared to 2013-2022, which is why we forecast a mid-single-digit earnings-per-share growth rate from here.

¹ In Millions

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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	18.7	13.0
Avg. Yld.	3.0%	3.3%	3.8%	3.4%	4.8%	4.8%	4.5%	3.8%	3.7%	3.7%	3.2%	4.4%

AbbVie's share price has risen since our last update, now standing in the low-\$200s. AbbVie will not grow at the same rate it grew at a decade ago going forward, which is why the current valuation of almost 19x earnings seems elevated. AbbVie thus trades ahead of our fair value estimate right now. AbbVie's shares offer a yield of 3.2% today, which is solid but below the average seen over the last decade.

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%	60.1%	57.3%

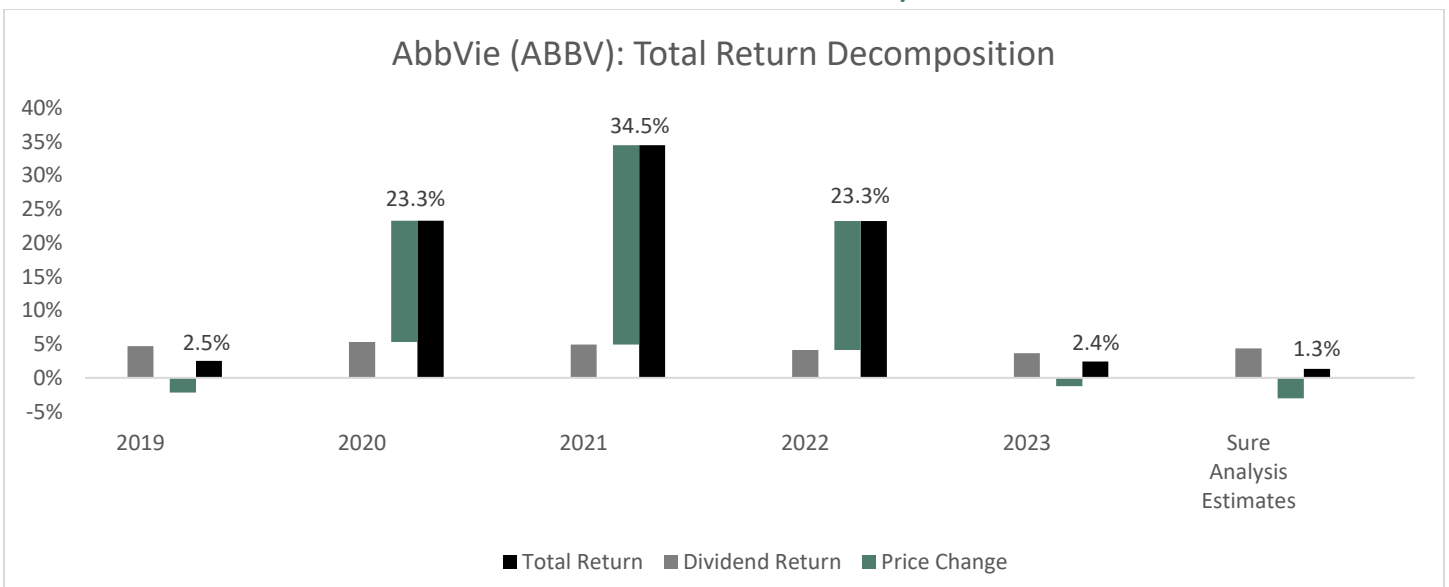
AbbVie started to pay dividends in 2013. Since then, the payout has risen quickly. This was possible due to a combination of strong earnings-per-share growth and an increase in AbbVie's dividend payout ratio. AbbVie does not have a very long dividend growth track record on its own, but we believe that 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 Great Recession data, 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. During the COVID pandemic, AbbVie saw its earnings-per-share grow in both 2020 and 2021, underlining the defensive business model even during times of significant macro headwinds.

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 over the last decade. We believe that the growth outlook is still positive in the long run, thanks to a deep pipeline, strong growth from newer drugs such as Skyrizi and Rinvoq, and the Allergan acquisition that has broadened AbbVie's exposure, although future earnings and dividend growth will be lower than in the past. 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	19960	22859	25638	28216	32753	33266	45804	56197	58054	54318
Gross Profit	15534	18359	19806	21174	25035	25827	30417	38751	40640	33903
Gross Margin	77.8%	80.3%	77.3%	75.0%	76.4%	77.6%	66.4%	69.0%	70.0%	62.4%
SG&A Exp.	7724	6387	5881	6295	7399	6942	11299	12349	15260	12872
D&A Exp.	786	836	1189	1501	1765	2017	6471	8521	8467	8698
Operating Profit	3763	7687	9540	9872	6807	13368	12739	19048	18814	13535
Op. Margin	18.9%	33.6%	37.2%	35.0%	20.8%	40.2%	27.8%	33.9%	32.4%	24.9%
Net Profit	1774	5144	5953	5309	5687	7882	4616	11542	11836	4863
Net Margin	8.9%	22.5%	23.2%	18.8%	17.4%	23.7%	10.1%	20.5%	20.4%	9.0%
Free Cash Flow	2937	7003	6562	9431	12789	12772	16790	21990	24248	22062
Income Tax	595	1501	1931	2418	(490)	544	-1224	1440	1632	1377

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	27513	53050	66099	70786	59352	89115	150565	146529	138805	134711
Cash & Equivalents	8348	8399	5100	9303	7289	39924	8449	9746	9201	12814
Acc. Receivable	3735	4730	4758	5088	5384	5428	8822	9977	11254	11155
Inventories	1124	1719	1444	1605	1605	1813	3310	3128	3579	4099
Goodwill & Int.	7375	32877	44313	43344	36896	34253	116000	108330	99595	87903
Total Liabilities	25771	49105	61463	65689	67798	97287	137468	131093	121518	124314
Accounts Payable	1401	1597	1407	1474	1546	1452	2276	2882	2934	3688
Long-Term Debt	14977	31671	36842	37368	40310	66728	86056	76684	63271	59385
Total Equity	1742	3945	4636	5097	(8446)	(8172)	13076	15408	17254	10360
LTD/E Ratio	8.60	8.03	7.95	7.33	(4.77)	(8.17)	6.58	4.98	3.67	5.73

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.3%	12.8%	10.0%	7.8%	8.7%	10.6%	3.9%	7.8%	8.3%	3.6%
Return on Equity	56.9%	180.9%	138.7%	109.1%			187.5%	80.9%	72.3%	35.1%
ROIC	9.9%	19.7%	15.4%	12.6%	15.3%	17.4%	5.9%	12.1%	13.7%	6.5%
Shares Out.	1590	1610	1590	1590	1550	1490	1780	1780	1780	1770
Revenue/Share	12.40	13.96	15.72	17.60	21.19	22.42	27.38	31.62	32.65	30.64
FCF/Share	1.82	4.28	4.02	5.88	8.27	8.61	10.04	12.37	13.64	12.44

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

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