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Recommendation: **BUY**

UConn Student Managed Fund

ABBVIE (NYSE: ABBV)

November 30, 2021

Target Price: \$162.20	Market Cap (\$B): \$205.97M	P/E Ratio (TTM): 13.88
Current Price: \$116.51	Dividend Yield: 4.88	EV/EBITDA: 10.81
Stop loss: \$87.38	Beta: 0.94	EBITDA Margin: 27.62%
52 Week High/Low: \$101.55/\$21.53	ROE: 52.25%	Gross Margin: 69.18%

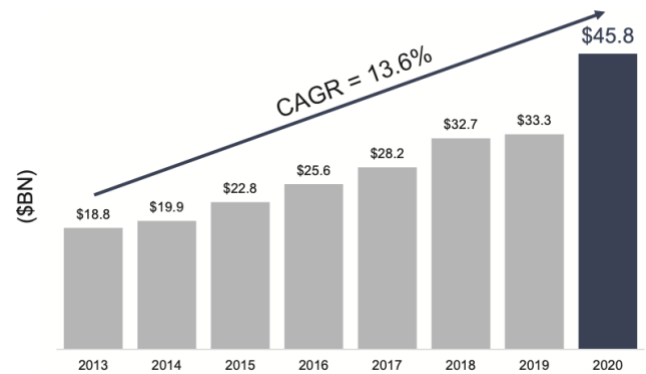
Company Overview

Today, our 48,000 employees around the world focus on discovering and delivering transformational medicines and products in several key therapeutic areas: immunology, oncology, neuroscience, eye care, virology, and women's health, as well as through our Allergan Aesthetics portfolio.

We care deeply for patients and customers, their families, our employees, and our communities. We strive to always do the right thing, pursuing the highest standards in quality, compliance, safety, and performance. We embrace diverse backgrounds and perspectives and treat everyone equally, with dignity and respect, allowing us all to achieve our best.

Our commitment to health doesn't stop with our medicines. Each day, we work to deliver sustainable solutions that improve the health of our business and the health of humankind.

Adjusted Net Revenues*



AbbVie by the Numbers in 2020¹

60+
conditions treated

Our supply chain spans
129
countries and all 50 U.S. states.

30+
brands

57M
people are treated with AbbVie products globally

220+
research partnerships

\$45.8B
in net revenues

175+
countries where our products help people and patients

Investment Thesis

AbbVie's injectable biologic Humira brought in nearly \$20 billion in sales in 2020, with \$16 billion in the U.S. alone. A year earlier, sales of the drug were \$19.17 billion.

While AbbVie intends to keep Humira biosimilars at bay in the U.S. until 2023, several competitors have filed IP lawsuits against the firm. In 2020, the United States District Court for the Northern District of Illinois dismissed 12 consolidated cases with prejudice, but the plaintiffs appealed the dismissal. More recently, Alvotech has filed a lawsuit accusing AbbVie of attempting to protect Humira with "an outrageous number of patents of dubious validity," according to a court filing.

Announced 8.5% dividend increase starting in February 2022. Their dividend has grown over 250% since inception (2013)

AbbVie purchasing Allergan in 2020 was a way for the company to not rely so much on its top selling drug Humira. As a way to diversify its drug portfolio.

Industry Outlook

The pharmaceutical industry is expected to increase to \$1.5 trillion by 2023.

Approximately 38% of industry experts expect big data to have the greatest impact in the pharmaceutical industry.

More than 450 medications were withdrawn over the past 25 years as a result of adverse reactions. This is one of the reasons why precision medicine is expected to be such an integral part of the change in the industry.

There are 66 biologic patents in the United States that will expire from 2022 to 2025. As a result, the FDA anticipates an increasing number of biosimilar applications.

Pharmaceutical companies can speed up to \$100 million per year on recalls that are linked to labeling mistakes.

Investment Risk

Public health outbreaks, epidemics, or pandemics, such as the coronavirus (COVID-19), have had, and could in the future have, an adverse impact on AbbVie's operations and financial condition.

The expiration or loss of patent protection and licenses may adversely affect AbbVie's future revenues and operating earnings.

AbbVie's major products could lose patent protection earlier than expected, which could adversely affect AbbVie's future revenues and operating earnings.

A third party's intellectual property may prevent AbbVie from selling its products or have a material adverse effect on AbbVie's future profitability and financial condition.

Financial Performance

Reports Full-Year Diluted EPS of \$2.72 on a GAAP Basis; Adjusted Diluted EPS of \$10.56

Delivers Full-Year Net Revenues of \$45.804 Billion on a GAAP Basis, an Increase of 37.7 Percent on a Reported Basis; Adjusted Net Revenues Were \$45.784 Billion

Full-Year Global Net Revenues from the Immunology Portfolio Were \$22.153 Billion, an Increase of 13.2 Percent on a Reported Basis, or 13.4 Percent on an operational Basis; U.S. Humira Net Revenues Were \$16.112 Billion, an Increase of 8.4 Percent; Internationally, Humira Net Revenues Were \$3.720 Billion, a Decrease of 13.6 Percent on a Reported Basis, or 12.5 Percent on an Operational Basis, Due to Biosimilar Competition; Global Skyrizi Net Revenues Were \$1.590 Billion; Global Rinvoq Net Revenues Were \$731 Million

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	55,169,000	45,804,000	33,266,000	32,753,000	28,216,000
Cost of Revenue	17,810,000	15,387,000	7,439,000	7,718,000	7,040,000
Gross Profit	37,359,000	30,417,000	25,827,000	25,035,000	21,176,000
> Operating Expense	19,899,000	17,856,000	12,459,000	18,228,000	11,257,000
Operating Income	17,460,000	12,561,000	13,368,000	6,807,000	9,919,000
> Net Non Operating Interest Inc...	-2,431,000	-2,280,000	-1,509,000	-1,144,000	-1,004,000
> Other Income Expense	-7,818,000	-6,883,000	-3,433,000	-466,000	-1,188,000
Pretax Income	7,211,000	3,398,000	8,426,000	5,197,000	7,727,000
Tax Provision	-331,000	-1,224,000	544,000	-490,000	2,418,000
> Net Income Common Stockhold...	7,465,000	4,556,000	7,842,000	5,657,000	5,283,000

Valuation Assumptions & Key Financials

We recommend a BUY rate for ABBV based on a target price of \$162.20 per share. This target price reflects a 35.00% margin of safety based on its closing price of \$116.51 on October 26, 2021. We calculated WACC as 5.52%, assuming a terminal growth rate of 2% and a 11x exit EV/EBITDA.

Perpetuity Growth Method - Value per Share		Terminal EBITDA Method	
Free Cash Flow at Year 2025	21,767.22	Terminal EBITDA at year 2025	30,808
WACC	5.52%	WACC	5.52%
Perpetuity Growth Rate	2.00%	Exit Enterprise Value / EBITDA	11
Terminal Value	630,872.48	Terminal Value	338,889.14
Present Value of Perpetuity (@ WACC)	482,259.95	Present Value of Terminal Value (@ WACC)	259,058.15
(+) Present Value of Free Cash Flows (@ WACC)	79,601.97	(+) Present Value of Free Cash Flows (@ WACC)	79,601.97
(=) Current Enterprise Value	561,861.92	(=) Current Enterprise Value	338,660.12
(-) Long Term Debt	78,386.00	(-) Long Term Debt	78,386
(+) Cash and Marketable Securities	8,479.00	(+) Cash and Marketable Securities	8,479
(=) Equity Value	491,954.92	(=) Equity Value	268,753.12
Shares outstanding	1,767.90	Shares outstanding	1,767.90
Estimated Value per Share (USD)	278.27	Estimated Value per Share (USD)	152.02
Current Price (USD)	116.51	Current Price (USD)	116.51
Estimated Upside	161.76	Estimated Upside	35.51
	MOS= 139%		MOS= 30%

ESG Considerations

Since our inception in 2013, AbbVie and the AbbVie Foundation have invested more than \$120 million in philanthropic programs that purposefully support diverse communities.

Sustainability

ESG Risk Rating Assessment



Highest Controversy Level (1 = Low, 5 = Severe)

3 Significant

Incidents: Customer

ESG Risk Rating



Top 3 Material ESG Issues

Product Governance Overall

Access to Basic Services Overall

Business Ethics Overall

ESG Risk Rating is as of Nov 03, 2021. Highest Controversy Level is as of Nov 08, 2021. Sustainalytics Subindustry: Pharmaceuticals. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: [sustainalytics.com/esg-ratings/](https://www.sustainalytics.com/esg-ratings/).