

Company: AbbVie	Ticker: ABBV Current Price: \$151.87	Industry: Biotechnology	
Target Price: \$181.28 Stop Loss: \$120 52 Week High/Low: \$175.91/\$115.01	TTM P/E: 19.37x Forward P/E: 12.8x EPS: 7.65	Beta: 0.66 Credit Rating: BBB+ Rating Outlook: Stable	Market Cap: \$262.87B Avg Vol: \$5.27Ma Dividend Yield: 4.07%
Company Background:			
<p>AbbVie Inc. discovers, develops, manufactures, and sells pharmaceuticals in the worldwide. The company offers HUMIRA, a therapy administered as an injection for autoimmune and intestinal Behçet's diseases; SKYRIZI to treat moderate to severe plaque psoriasis in adults; RINVOQ, a JAK inhibitor for the treatment of moderate to severe active rheumatoid arthritis in adult patients; IMBRUVICA to treat adult patients with chronic lymphocytic leukemia (CLL), small lymphocytic lymphoma (SLL), and VENCLEXTA, a BCL-2 inhibitor used to treat adults with CLL or SLL; and MAVYRET to treat patients with chronic HCV genotype 1-6 infection. It also provides CREON, a pancreatic enzyme therapy for exocrine pancreatic insufficiency; Synthroid used in the treatment of hypothyroidism; Linzess/Constella to treat irritable bowel syndrome with constipation and chronic idiopathic constipation; Lupron for the palliative treatment of advanced prostate cancer, endometriosis and central precocious puberty, and patients with anemia caused by uterine fibroids; and Botox therapeutic. In addition, the company offers ORILISSA, a nonpeptide small molecule gonadotropin-releasing hormone antagonist for women with moderate to severe endometriosis pain; Duopa and Duodopa, a levodopa-carbidopa intestinal gel to treat Parkinson's disease; Lumigan/Ganfort, a bimatoprost ophthalmic solution for the reduction of elevated intraocular pressure (IOP) in patients with open angle glaucoma (OAG) or ocular hypertension; Ubrelyv to treat migraine with or without aura in adults; Alphagan/ Combigan, an alpha-adrenergic receptor agonist for the reduction of IOP in patients with OAG; and Restasis, a calcineurin inhibitor immunosuppressant to increase tear production, as well as other eye care products. AbbVie Inc. has a research collaboration with Dragonfly Therapeutics, Inc. The company was incorporated in 2012 and is headquartered in North Chicago, Illinois.</p>			
Industry Outlook:			
<p>We have a positive outlook on the biotechnology sub-industry (biotech), a historically defensive sub-industry, that has held up better on overall stock performance (year to date through September 30) than the broader market index. We expect to see solid drug sales growth driven by the continued adoption of many new and innovative therapies, a favorable M&A environment, and a low prevalence of patent expirations in 2022, although that rises in 2023. We also expect drugmakers to benefit from a return to normalcy since lower in-person physician visits during the pandemic had a negative impact on prescription growth. We believe that Covid-related activity will evolve to an endemic stage, versus a pandemic stage, which may lengthen the revenue stream, but likely at a more subdued level.</p>			
Investment Thesis:			
<p>Under three recent recessions in the USA, the healthcare sector and consumer sector beat the S&P 500. Therefore, I try to find a strong stock in the healthcare sector. Below is my methodology to help me find a good value stock with growth space even under recession.</p> <ul style="list-style-type: none"> • High Dividend or distribution yield • Moderate Dividend Payout Ratio • Options Available • High Current Ratio • Low Long-Term Debt to Equity 			
Investment Risks:			
<ul style="list-style-type: none"> • Unfavorable regulatory rulings • Litigation risk • Worse-than-expected uptake of high-growth drugs • Weak Humira sales and heavily reliant on it: ABBV is heavily reliant on one drug, Humira, which accounted for 37% of 2021 adjusted sales 			
3-5 Takeaways from last quarter investor call transcripts			

- Reports Third-Quarter Diluted EPS of \$2.21 on a GAAP Basis, an Increase of 24.2 Percent; Adjusted Diluted EPS of \$3.66, an Increase of 29.3 Percent; These Results Include an Unfavorable Impact of \$0.02 Per Share related to Acquired IPR&D and Milestones Expense
- Delivers Third-Quarter Net Revenues of \$14.812 Billion, an Increase of 3.3 Percent on a Reported Basis and 5.4 Percent Operationally
- U.S. Humira Net Revenues Were \$4.956 Billion, an Increase of 7.4 Percent; Internationally, Humira Net Revenues Were \$603 Million, a Decrease of 25.9 Percent on a Reported Basis, or 16.8 Percent on an Operational Basis, Due to Biosimilar Competition

Financial Performance

	2017	2018	2019	2020	2021
Revenue	28216	32733	33266	45804	56197
Operating Profit	12027	14593	15730	21976	28215
Net Income	9011	12282	13324	17781.5	22696
Revenue Growth%	10.39%	16.01%	1.63%	37.69%	22.69%
EBITDA%	42.62%	44.58%	47.29%	47.98%	50.21%
Operating Profit%	42.62%	44.58%	47.29%	47.98%	50.21%
Net Income Margin	31.94%	37.52%	40.05%	38.82%	40.39%
D/E	72.90%	109.80%	106.80%	77.40%	69%
EPS	3.30	3.66	5.28	2.72	6.45
PE ratio	17.70%	15.90%	10.40%	10.30%	10.80%
Current Ratio%	1.28	0.98	3.18	0.84	0.79
ROE%	109.10	NA	-94.90	187.70	81.00
ROA%	9.38	11.45	12.00	8.19	8.22
Dividend Per share	2.63	3.95	4.39	4.84	5.31
FCF Per Share	5.91%	8.30	8.62	10.07	12.42

Discounted Cash Flow

	2018-2021	2022-2031
Avg Revenue growth	20%	3%
Avg Gross Margin	49%	50%
Avg EBITDA Margin	46%	37.50%
Avg NOPLAT Margin	32%	32%
Avg FCF/Margin	34.45%	37.02%
Tax Rate	13%	10%
WACC		5.09%
Terminal Growth Rate		1%
Analyst Opinion		
S&P Net Advantage	Buy	Target \$168
Morning Star	Hold	Target \$120

Relative Valuation

Valuation Assumptions		Conservative Case	
WACC	6.1%	Revenue 2022	2.9%
TGR	0.5%	Revenue 2031	-0.1%
		EBIT 2022	41.7%
		Taxes	20.0%
		D&A	8.7%
		CapEx 2031	1.7%
		WACC	6.1%
		TGR	0.5%
Base Case		Optimistic Case	
Revenue 2022	4.9%	Revenue 2022	6.9%
Revenue 2031	4.5%	Revenue 2031	3.9%
EBIT	50.0%	EBIT 2022	52.7%
Taxes	10.0%	Taxes	9.0%
D&A	9.2%	D&A	9.7%
CapEx 2031	1.0%	CapEx 2031	0.3%
WACC	5.1%	WACC	4.1%
TGR	1.0%	TGR	1.5%
Share Price	181.28	Margin of Safety	20.3%
Current Price	144.41		

Total Return %

	ABBV	S&P 500
YTD	13.67%	-19.06%
2021	32.40%	28.71%
Last 3 Years	27.52%	9.02%
Last 5 Years	14.72%	9.94%