



Company Analysis | AbbVie Inc. (ABBV)

Aug 2024

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Company Overview

1. Company Profile

AbbVie, Inc. is a biopharmaceutical company focused on developing and selling drugs for various conditions. These include chronic autoimmune diseases (rheumatology, gastroenterology, dermatology), oncology (blood cancers), virology (HCV, HIV), neurological disorders (Parkinson's), metabolic diseases (thyroid, cystic fibrosis complications), and pain related to endometriosis. The company's primary product is Humira, administered via injection. Founded on October 19, 2011, it is headquartered in North Chicago, IL.

Symbol	ABBV	Sector	LIFE SCIENCES
Asset Type	Common Stock	Industry	PHARMACEUTICAL PREPARATIONS
Exchange	NYSE	Address	North Chicago, IL, US
Currency	USD	Fiscal Year End	December
Country	USA	Latest Quarter	2024.6.30

Company Overview

AbbVie, Inc (ABBV) Stock

ABBV Close Price \$187.52, YTD 21.32% (Reference Date: Aug 07, 2024)

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TradingView

Business Analysis

*References: JP Morgan, Deutsche Bank Securities, Guggenheim Securities

1. Revenue Sources

Operational Trends

AbbVie has experienced fluctuations in revenue growth, primarily influenced by the performance of its flagship product in its immunology portfolio, Humira, and the growing contributions from newer drugs like Skyrizi and Rinvoq.

- **Revenue Trends (2023-2024):** AbbVie's revenue for 2023 was \$54.3 billion, a 6.4% decrease from 2022. However, projections for 2024 indicate a slight recovery with expected revenues of \$55.8 billion, a 2.7% year-over-year increase.
- **Revenue Composition:**
 - **Humira**
 - Humira's sales are declining due to biosimilar competition, particularly in the US. Despite its declining sales, Humira remains a significant part of AbbVie's portfolio. The erosion in Humira's market share is due to the entry of biosimilars. In Q2 2024, Humira (including co-branded with Cordavis) script volume is down 19% year-to-date.

- For the second quarter of 2024, Humira's sales were \$2.814 billion, a 30% year-over-year decline.
- **Skyrizi and Rinvoq**
 - These newer immunology drugs have shown robust growth. Skyrizi's and Rinvoq's combined sales are significantly contributing to offsetting the decline in Humira revenues. Their strong performance is driven by new indications and broader market acceptance.
 - **Skyrizi:** Sales reached \$2.727 billion in Q2 2024, marking a 45% increase from the previous year.
 - **Rinvoq:** Achieved sales of \$1.430 billion in Q2 2024, representing a 56% increase year-over-year.

2. Major Partners

AbbVie collaborates with several strategic partners to enhance its product development and distribution capabilities.

Key partnerships include:

- **CVS Health & Cordavis:** Co-branding of Humira to maintain market share in the face of biosimilar competition.

3. Major Competitors

AbbVie faces significant competition in the pharmaceutical sector, especially in the immunology and oncology markets. Major competitors include:

- Amgen, Biocon, Boehringer Ingelheim, CVS Health (through Cordavis), UnitedHealth/OptumRx
- **UnitedHealth/OptumRx:** Potentially following CVS's and Cigna's footsteps in biosimilar adoption, which could impact Humira sales.

Latest Movements

**References: Google News*

Positive Factors

- **Strategic Acquisitions:** Completion of Cerevel Therapeutics acquisition bolsters AbbVie's pipeline, especially in the neuroscience sector.
- **Financial Performance:** Strong Q2 financial performance, with notable growth in immunology, oncology, and neuroscience.
- **Product Development:** Positive outlook on new drugs, particularly the successors to Humira, showing potential for market growth.
- **Profit Outlook:** Raised profit outlook due to expanding market share in gastroenterology and strong sales from new products like Skyrizi and Rinvoq.

Negative Factors

- **Regulatory Challenges:** Recent rejections by the FDA for new drug applications could slow down the introduction of new products.
- **Market Competition:** Increasing competition from biosimilars affecting Humira's market share.
- **R&D Expenses:** Elevated research and development expenses impacting profit margins.

Key Articles

- Final Trades: KKR & Co, Leidos Holdings, AbbVie, and the IYH (CNBC, August 5, 2024 [Read More](#))
- AbbVie, Leidos, KKR And More On CNBC's 'Final Trades' (Benzinga, August 6, 2024 [Read More](#))
- AbbVie's Q2 2024 Financial Highlights: Growth in Immunology, Oncology, and Neuroscience (geneonline, August 6, 2024 [Read More](#))
- AbbVie Completes Acquisition of Cerevel Therapeutics (Yahoo Finance, August 1, 2024 [Read More](#))
- AbbVie boosts profit outlook as Humira successors branch into gastroenterology market (FiercePharma, July 25, 2024 [Read More](#))
- AbbVie Jumps As Its New Golden Goose Almost Edges Out Humira (Investor's Business Daily, July 25, 2024 [Read More](#))

Key Highlights

**References: JP Morgan, Deutsche Bank Securities, Guggenheim Securities*

Upside Opportunities

Rising Demand for Immunology Therapies

- The global immunology market is expanding, driven by increasing prevalence of autoimmune diseases. AbbVie's products, Skyrizi and Rinvoq, are well-positioned to capitalize on this trend due to their demonstrated efficacy and expanding indications.
- Skyrizi and Rinvoq have shown substantial growth, with year-over-year increases of 45% and 56%, respectively, in the second quarter of 2024. This robust performance is expected to continue, bolstered by new indications and market expansion.

Aesthetic Portfolio

- Despite some near-term challenges, the aesthetics segment (including Botox and Juvederm) remains a lucrative market due to the growing demand for cosmetic treatments. Strategic marketing and geographic expansion can further drive growth in this segment.

Pipeline Development

- AbbVie has a strong pipeline with several promising candidates, including emraclidine for schizophrenia and other assets from the Cerevel acquisition. Successful development and commercialization of these candidates can significantly boost revenues.
- The acquisition of Cerevel and other strategic deals provide AbbVie with new growth avenues, especially in neuroscience and other high-growth therapeutic areas.

Efficient Capital Allocation

- AbbVie's focus on strategic investments and efficient capital allocation supports sustained growth. The company's robust free cash flow allows for continued investments in R&D and acquisitions, ensuring long-term competitive advantage.

Downside Risks

Humira Erosion

- The ongoing erosion of Humira's market share due to biosimilar competition is a significant risk. Humira sales have been declining, and this trend is expected to continue, potentially impacting overall revenue growth.

Regulatory and Clinical Setbacks

- Any delays or failures in the approval of pipeline products or new indications for existing products can pose a risk. Regulatory setbacks for key products like Skyrizi, Rinvoq, and others in the pipeline could hinder growth prospects.

Macroeconomic Challenges

- The aesthetics segment is particularly vulnerable to economic downturns as it relies on discretionary consumer spending. Economic volatility can negatively affect the sales of Botox, Juvederm, and other aesthetic products.

Intense Competition

- The pharmaceutical industry is highly competitive, with numerous players vying for market share. Increased competition from biosimilars and new entrants can pressure AbbVie's pricing and market position.

Summary

AbbVie Inc. remains a strong player in the biopharmaceutical industry, with a well-diversified portfolio and significant growth opportunities in immunology, oncology, aesthetics, and neuroscience.

- Despite the challenges posed by Humira's biosimilar erosion, AbbVie's strategic focus on high-growth therapeutic areas, along with the performance of key drugs like Skyrizi and Rinvoq
- The growth in Skyrizi and Rinvoq, along with promising pipeline candidates, highlights the company's resilience and potential for long-term value creation.
- The company's strategic focus on R&D and efficient capital allocation further supports its competitive positioning and ability to generate sustainable returns.
- The company's strategic acquisitions provide a solid foundation for future growth.

Fundamentals

FINANCIAL PERFORMANCE

*References: Alpha Vantage

Key Metrics

Market Capitalization	\$325,555,782,000
EBITDA	\$26,249,001,000
PERatio	61.66
PEGRatio	0.50
Book Value	4.54
Dividend Per Share	6.13
Dividend Yield	0.034
EPS	2.99
Revenue Per Share TTM	31.12

Income Statement

Profit Margin	9.7%
Operating Margin TTM	35.1%
Return on Assets TTM	7.7%
Return on Equity TTM	56.2%
Revenue TTM	\$54,999,998,000
Gross Profit TTM	\$41,527,000,000
Diluted EPS TTM	2.99
Quarterly Earnings Growth YOY	-32.4%
Quarterly Revenue Growth YOY	4.3%

Valuation

Analyst Target Price	\$195.84
Trailing PE	61.66
Forward PE	17.09
Price to Sales Ratio TTM	5.92
Price to Book Ratio	40.66
EV to Revenue	6.94
EV to EBITDA	41.72

Trading

Beta	0.62
52 Week High	193.91
52 Week Low	132.11
50 Day Moving Average	170.42
200 Day Moving Average	163.64
Shares Outstanding	1,765,870,000
Dividend Date	2024.8.15

EARNINGS & GROWTH

*References: Seeking Alpha, Alpha Vantage, Investopedia

Recent EPS Earnings

Over the past year, AbbVie has consistently exceeded EPS estimates.

Quarterly Earnings	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
Reported Date	2024.7.25	2024.4.26	2024.2.2	2023.10.27	2023.7.27	2023.4.27
Reported EPS	2.65	2.31	2.79	2.95	2.91	2.46
Estimated EPS	2.57	2.23	2.77	2.86	2.81	2.46
Surprise	0.08	0.08	0.02	0.09	0.10	0.00
Surprise Percentage	3.11%	3.59%	0.72%	3.15%	3.56%	0.00%

* GAAP

P/EPS Estimate & EPS Growth Rate

While the 2024 year-end consensus for expected EPS shows a slight decline compared to last year, EPS is anticipated to grow by over 10% starting next year.

Consensus	P/EPS	EPS Growth Rate
2023 Actual	16.72	
2024 Estimated	17.08	-2.11%
2025 Estimated	15.38	11.03%
2026 Estimated	13.77	11.67%
2027 Estimated	12.47	10.40%

PEERS COMPARISON

*References: Alpha Vantage

Overall, AbbVie is superior in several key value metrics compared to its peer companies, making it potentially attractive to value-focused investors. However, given its lower performance in some growth metrics, growth-focused investors should consider this in their evaluation.

- **Profitability Perspective:** AbbVie demonstrates strong operational efficiency with a high Operating Margin and substantial EBITDA. However, its Profit Margin is lower than the peer average, suggesting room for improvement in converting revenue into net profit.
- **Growth Perspective:** AbbVie's lower Forward PE ratio indicates that it is potentially undervalued relative to its future earnings growth compared to its peers. This suggests investor expectations of strong future earnings.
- **Value Perspective:** AbbVie's PE ratio is slightly above the peer average, suggesting its valuation in terms of earnings is in line with its peers. But, AbbVie's significantly lower PEG ratio indicates a potentially more attractive valuation when considering its growth prospects. This implies that AbbVie might be undervalued relative to its expected growth compared to its peers.

지표	AbbVie (ABBV)	Amgen (AMGN)	Eli Lilly (LLY)	Merck (MRK)
Main Sector	Biotechnology	Biotechnology	Pharmaceuticals	Pharmaceuticals
Market Capitalization	\$325,555,782,000	\$174,459,388,000	\$698,047,988,000	\$284,684,517,000
EBITDA	\$26,249,001,000	\$11,658,000,000	\$13,373,700,000	\$33,055,001,000
PERatio	0.50	2.52	1.30	0.10
Dividend Per Share	6.13	8.64	4.69	3.00
Dividend Yield	3.36%	2.77%	0.65%	2.74%
Profit Margin	9.7%	12.7%	17.1%	22.0%
Operating Margin TTM	35.1%	13.3%	31.2%	38.8%
Quarterly Earnings Growth YOY	-32.4%	-52.4%	66.4%	68.5%
Quarterly Revenue Growth YOY	4.3%	22.0%	26.0%	7.2%
Trailing PE	61.66	46.53	114.68	20.80
Forward PE	17.09	17.27	58.82	14.27
Price To Book Ratio	40.66	35.67	56.54	7.23

* GAAP

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