



Rating  
**Buy**

North America  
United States

Health Care  
Biotechnology

Company  
**AbbVie Inc Alert**

Reuters  
ABBV.N

Bloomberg  
ABBV UN

Exchange  
NYS

Ticker  
ABBV

Date  
4 February 2015

**Company Update**

Price at 3 Feb 2015 (USD)	61.65
Price target	80.00
52-week range	69.71 - 46.46

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## New GILD HCV gross-to-net/ volume color have minimal impact on ABBV

**GILD color on HCV gross-to-net & volume has minimal impact on ABBV for '15**

On the 4Q14 EPS call we got surprising color regarding GILD's blended gross-to-net discount for Sovaldi/ Harvoni of 46%. Mgmt commentary also suggested that they see 250k pts treated by the US system in '15. Using these figures we would assume a larger addressable patient pool for both ABBV and GILD (but the same 20% ABBV, 80% GILD mkt share break up) and higher gross-to-net discount we see 2015 US sales at \$1.68B vs. \$1.815B (what we currently model). We currently assume a net-cost of \$58k/ 12 wks of Viker Pak treatment. If these assumptions played out for ABBV, our 2015 EPS would be negatively impacted by \$0.05/sh to \$4.34/sh, which is still within guidance of \$4.25-4.45/sh. Our DCF is impacted negatively by \$3, if we assume higher volume and higher gross-to-net discounting long-term.

**We do not believe that ABBV's gross-to-net discount will be as high as 46%, given they likely have much less penetration than GILD in the non-retail space (e.g., VA, Medicaid, Medicare)**

We are comfortable with our current gross-to-net discount of ~25% and believe that any increase in volume may be upside to our numbers. We do not believe that significant volume gains are very likely for ABBV and are comfortable with our current annual patient assumptions. We also note that ABBV is typically conservative in their guidance and have beaten and raised in the past.

**Stock & option liquidity data**

Market cap (USD)	99,256.5
Shares outstanding (m)	1,610.0
Free float (%)	100
Volume (3 Feb 2015)	1,837,693
Option volume (und. shrs., 1M avg.)	239,573

Source: Deutsche Bank

**Key data**

FYE 12/31	2013A	2014E	2015E
1Q EPS	0.68	0.71A	0.83
2Q EPS	0.82	0.83A	1.07
3Q EPS	0.82	0.89A	1.21
4Q EPS	0.82	0.89	1.28
FY EPS (USD)	3.15	3.32	4.39
P/E (x)	13.4	18.6	14.1

Source: Deutsche Bank

\* Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

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