

AbbVie

AbbVie-ImmunoGen Early Deal Closure Improves Near-Term Growth Outlook

Reiterate Rating: NEUTRAL | PO: 172.00 USD | Price: 172.98 USD

ImmunoGen deal closure adds Elahere sales earlier

In-line with regulatory filings last week, AbbVie completed procedures to acquire ImmunoGen. The acquisition closing comes ahead of schedule as AbbVie previously described timeline for deal closure as “mid-2024.” Further, closing of the transaction, while widely expected, lifts remaining overhang related to potential FTC risk. We’d note that there was no post-close call, but 2024 guidance contemplates both deal closures and EPS guidance of \$11.05-11.25 was maintained, so our OpEx estimates are largely unchanged (see [our AbbVie 4Q23 post-call note](#)). However, AbbVie lowered 1Q24 EPS guidance to \$2.26-2.30 from prior \$2.30-2.34 (BofA: \$2.40). Given timing of the ImmunoGen deal closing, we’ve moved up recognition of Elahere revenues to 1Q24 (vs. prior expectation for mid-2024) and added pivekimab sunirine (PVEK) to our pipeline forecast (beginning 2025). Consensus estimates for Elahere in 2024 are \$436M (BofA: \$459M) and \$1.4B in 2030 (BofA \$1.7B), which is below the “multi-billion” outlook described by management. We raise our PO to \$172 (from \$167) on revenue from Elahere beginning 1Q24 and additional pipeline value from ImmunoGen, which incrementally improves line-of-sight on AbbVie’s near-term growth outlook (increasing the P/E multiple to 13x; 2024-2029 CAGR to 4.2% from 4.1%).

Outlook on Elahere and PICCOLO Study Update

Although full data for the PICCOLO study will be disclosed by mid-2024, we’d note that the data is not registration-enabling and thus has limited topline impact with label expansion into the platinum-sensitive population expansion a ways away (2028-2030 inflection). However, data could support guideline inclusion and may lead to modest uptake in the PSOC population. That said, we could see upside to current Elahere sales estimates in the near-term, not on overall patient population growth, but potentially on commercial execution as AbbVie has a salesforce in women’s health to leverage.

Opportunity in 1L BPDCN is modest

As highlighted by AbbVie on the company’s most recent call, pivotal PVEK data for 1L BPDCN will be presented 2024 (likely 2H24) with filing and launch timing as early as 2H25 (based on a priority review process). While unmet need in BPDCN is high, the overall patient population is limited with a total addressable market of ~1,200 in the US and EU and potential peak sales <\$200M in 2030 from BPDCN, by our estimates.

We maintain our 2024 EPS forecast. Abbreviations on page 3.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	13.77	11.10	11.20	11.90	13.05
GAAP EPS	6.62	2.66	2.36	3.12	4.56
EPS Change (YoY)	8.4%	-19.4%	0.9%	6.3%	9.7%
Consensus EPS (Bloomberg)			11.22	12.00	13.43
DPS	5.64	5.98	6.28	6.59	6.79
Valuation (Dec)					
P/E	12.6x	15.6x	15.4x	14.5x	13.3x
GAAP P/E	26.1x	65.0x	73.3x	55.4x	37.9x
Dividend Yield	3.3%	3.5%	3.6%	3.8%	3.9%
EV / EBITDA*	9.8x	14.3x	14.1x	13.3x	12.4x
Free Cash Flow Yield*	7.9%	5.7%	6.7%	7.7%	8.7%

* For full definitions of *IQmethod*SM measures, see page 6.

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Timestamp: 12 February 2024 09:38AM EST

12 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	167.00	172.00
2024E Rev (m)	54,506.6	54,760.8
2025E Rev (m)	57,665.8	57,837.4
2026E Rev (m)	60,516.5	60,786.7
2024E EBITDA (m)	26,838.9	26,912.8
2025E EBITDA (m)	28,295.4	28,374.6
2026E EBITDA (m)	30,361.3	30,446.7

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Stock Data

Price	172.98 USD
Price Objective	172.00 USD
Date Established	12-Feb-2024
Investment Opinion	B-2-7
52-Week Range	130.96 USD - 175.91 USD
Mkt Val (mn) / Shares Out (mn)	305,403 USD / 1,765.5
Free Float	99.9%
Average Daily Value (mn)	927.79 USD
BofA Ticker / Exchange	ABBV / NYS
Bloomberg / Reuters	ABBV US / ABBV.N
ROE (2024E)	65.9%
Net Dbt to Eqty (Dec-2023A)	193.6%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).



iQprofileSM AbbVie

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	22.1%	18.1%	18.2%	19.0%	20.1%
Return on Equity	149.9%	90.4%	65.9%	54.8%	49.1%
Operating Margin	52.0%	45.6%	46.2%	46.2%	47.3%
Free Cash Flow	24,248	17,321	20,518	23,404	26,421

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	0.9x	1.1x	1.1x	1.2x
Asset Replacement Ratio	0.1x	0.4x	0.3x	0.3x	0.3x
Tax Rate	13.0%	15.8%	15.7%	15.0%	15.0%
Net Debt-to-Equity Ratio	313.4%	193.6%	130.5%	83.8%	56.8%
Interest Cover	14.8x	14.9x	12.4x	14.4x	19.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	58,054	54,318	54,761	57,837	60,787
% Change	3.4%	-6.4%	0.8%	5.6%	5.1%
Gross Profit	49,441	45,672	45,725	48,699	51,486
% Change	5.9%	-7.6%	0.1%	6.5%	5.7%
EBITDA	38,650	26,468	26,913	28,375	30,447
% Change	5.1%	-31.5%	1.7%	5.4%	7.3%
Net Interest & Other Income	(1,913)	(1,477)	(1,669)	(1,817)	(1,441)
Net Income (Adjusted)	24,483	19,680	19,858	21,078	23,091
% Change	8.5%	-19.6%	0.9%	6.1%	9.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	24,606	19,641	19,939	21,168	23,189
Depreciation & Amortization	8,467	1,675	1,591	1,654	1,725
Change in Working Capital	2,503	(3,498)	(77)	614	715
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(10,633)	98	(440)	438	1,237
Capital Expenditure	(695)	(595)	(495)	(470)	(445)
Free Cash Flow	24,248	17,321	20,518	23,404	26,421
% Change	10.3%	-28.6%	18.5%	14.1%	12.9%
Share / Issue Repurchase	(1,225)	284	285	284	(3,000)
Cost of Dividends Paid	(10,043)	(10,640)	(11,161)	(11,707)	(12,047)
Change in Debt	(12,433)	(3,519)	(4,571)	(3,564)	(4,554)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	9,201	8,811	10,863	15,614	18,033
Trade Receivables	11,254	9,208	9,025	9,687	10,448
Other Current Assets	8,008	9,367	9,095	9,754	10,520
Property, Plant & Equipment	4,935	4,889	4,806	4,710	4,604
Other Non-Current Assets	105,407	103,856	102,335	100,704	98,943
Total Assets	138,805	136,130	136,125	140,469	142,548
Short-Term Debt	4,136	4,752	4,416	4,761	4,424
Other Current Liabilities	25,402	19,176	18,169	19,449	20,976
Long-Term Debt	59,135	55,000	50,765	46,856	42,639
Other Non-Current Liabilities	32,845	30,859	28,787	26,386	23,328
Total Liabilities	121,518	109,788	102,136	97,452	91,367
Total Equity	17,254	26,309	33,955	42,984	51,148
Total Equity & Liabilities	138,772	136,097	136,092	140,436	142,515

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Pharmaceuticals

Company Description

AbbVie is a research-based global pharmaceutical business which has been spun off from Abbott (ABT). AbbVie develops and markets drugs in areas such as immunology, virology, and oncology.

Investment Rationale

We rate ABBV a Neutral: 1) transition period moving away from reliance on Humira that will require growth from newly launched drugs and Allergan to maintain top-line levels 2) opportunities to create upside in non-Humira sales that are still to be seen, 3) significant competition in the I&I market where newly launched blockbusters Rinvoq & Skyrizi will need to capture market share

Stock Data

Average Daily Volume

5,363,576

Quarterly Earnings Estimates

	2023	2024
Q1	2.46A	2.40E
Q2	2.91A	2.78E
Q3	2.95A	2.92E
Q4	2.79A	3.14E

Abbreviations:

FTC: Federal Trade Commission

PSOC: platinum sensitive ovarian cancer

BPDCN: blastic plasmacytoid dendritic cell neoplasm

1L: first-line

Price objective basis & risk

AbbVie (ABBV)

Our \$172 price objective (PO) is based on a 50/50 blended valuation of our DCF and 2025 non-GAAP EPS estimate P/E multiple of 13x (giving a value of \$155). Our 13x P/E multiple lags peers (18.0x) due to concentration risk of the company's assets and LOE concerns to limit significant growth in the future. We assume a 7% WACC and a -1% terminal growth in our estimates to arrive at our \$189 DCF valuation.

Downside risks are underachievement of key growth drivers, clinical pipeline failure(s), and reduced cash flow generation to pay down debt or dividend.

Analyst Certification

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agiros Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmo Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA



US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXR	RXR US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA
RSTR				
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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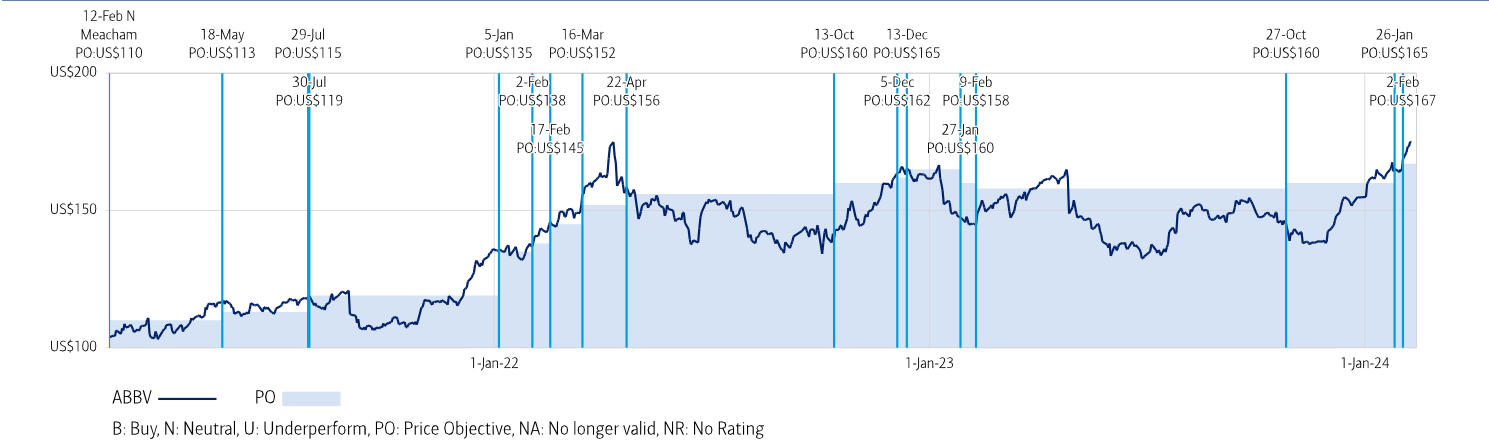
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AbbVie (ABBV) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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