

AbbVie

Our Conference Takeaways

Maintain Rating: NEUTRAL | PO: 160.00 USD | Price: 162.31 USD

Could growth inflection come in 2024?

The AbbVie presentation this year focused largely on the company's strategy to grow against Humira erosion through a combination of internal and external assets. Just yesterday, AbbVie announced the commercial launch of Produopa (ABBV-951) for Parkinson Disease (previously delayed due to CMC issues). Our top takeaways: 1) parity access for Humira in 2024 better than expected and management seeing \$7B "consensus sales" (current consensus is actually \$8.9B) as beatable, 2) aesthetics growth accelerated in 4Q with dermal filler uptake improving (reiterating >\$9B sales by 2029); 3) robust Skyrizi / Rinvoq growth due to IBD launches even with low-single digit price erosion; and 4) eyecare business may hit an inflection with phase 3 gene therapy readout for wAMD in 1H25 through the Regenxbio (covered by Alec Stranahan) partnership. While we think updates today make us incrementally more positive on ABBV going into the 4Q call on February 2nd, we don't think we are quite there yet on growth inflection in 2024 versus in 2025 as we think upside is highly concentrated to a handful of products and deal closures. Furthermore, consensus 2024e sales and EPS estimates of \$53.5B / \$11.21 (vs. BofA \$52.8B / \$10.95) imply that the Street has already priced in some positive momentum this year. Indeed, we've seen ABBV share movement today following the presentation come down to +1% from earlier highs of +2-3% (DRG: +0%). Maintain Neutral, \$160 PO

Maintaining I&I sales key to setting floor EPS

AbbVie management remains confident in the growth of the I&I franchise through Skyrizi and Rinvoq, adding that they still see IBD, especially Skyrizi's 2024 approval and launch in UC, as the strongest drivers in the near-term. While we agree with management's outlook on IBD and AbbVie's commercial capabilities, we think management may be underappreciating the impact of pipeline assets on the competitive landscape and are optimistic with "robust growth" through the early part of the next decade. That said, we thought comments on price stability (low single-digit erosion) with Skyrizi / Rinvoq could support upside to our 2024e estimates (BofA \$15.1B vs. cons \$15.4B). Separately, we think it remains to be seen if Humira parity access in 2024 being better than expected truly translates to maintaining floor EPS of \$11.00 but we are incrementally more positive on I&I outlook. We'd also note that we are above the \$7B floor highlighted today, despite being well below consensus on US Humira sales in 2024 at \$7.2B with -48% erosion versus consensus at \$8.9B and -38% erosion.

Thesis Impact

Prior to comments at today's presentation, we were more cautious on ABBV into 2024 on pricing / reimbursement in I&I, and on macro uncertainty continuing to pressure aesthetics growth. That said, while commercial execution is important on setting floor EPS in 2024, we maintain that there is still some uncertainty related to impact of ImmunoGen / Cerevel to long-term growth. While we expect to get more details on the 4Q call, we'd characterize updates from AbbVie's internal pipeline assets in 2024 as modest with just navitoclax, Teliso-V, and label expansion front of mind.

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Stock Data

Price	162.31 USD
Price Objective	160.00 USD
Date Established	27-Oct-2023
Investment Opinion	B-2-7
52-Week Range	130.96 USD - 166.28 USD
Mkrt Val (mn) / Shares Out (mn)	286,485 USD / 1,765.0
Free Float	99.9%
Average Daily Value (mn)	911.56 USD
BofA Ticker / Exchange	ABBV / NYS
Bloomberg / Reuters	ABBV US / ABBV.N
ROE (2023E)	91.5%
Net Dbt to Eqty (Dec-2022A)	313.4%
ESGMeter™	High

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Abbreviations:

I&I: inflammation and immunology
IBD: inflammatory bowel disease
UC: ulcerative colitis
LOE: loss of exclusivity
CMC: chemistry, manufacturing, and controls
wAMD: wet age-related macular degeneration

Price objective basis & risk

AbbVie (ABBV)

Our \$160 price objective (PO) is based on a 50/50 blended valuation of our DCF and 2024 non-GAAP EPS estimate P/E multiple of 12x (giving a value of \$132). Our 12x P/E multiple lags peers (18.0x) due to concentration risk of the company's assets and LOE concerns to drive significant growth in the future. We assume a 7% WACC and a -1% terminal growth in our estimates to arrive at our \$188 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.

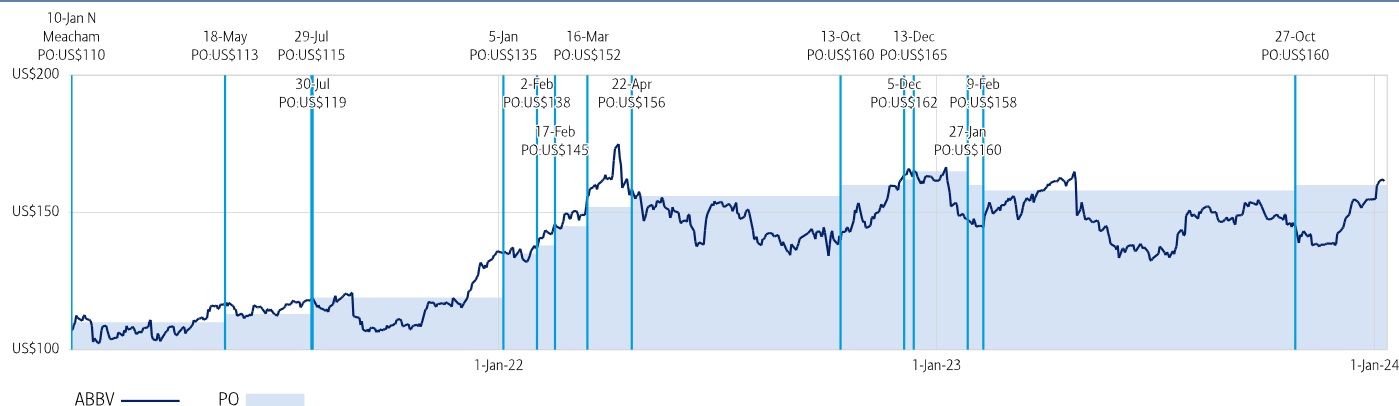
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AbbVie (ABBV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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%

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