AbbVie, a research-based biopharmaceutical company, was spun off from Abbott Laboratories in January 2013. The company is based in suburban Chicago. The shares are a component of the S&P 500.

Analyst's Notes

Analysis by Jasper Hellweg, April 30, 2025

ARGUS RATING: BUY

- BUY as company poised for above-average EPS growth
- Immunology products Skyrizi and Rinvoq have succeeded Humira as key growth engines. During the first quarter, global Skyrizi sales rose 72% on an operational basis to $3.43 billion, and Rinvoq sales rose 60%, to $1.72 billion.
- While Humira sales still represent 8% of the company's total revenues, 1Q25 was just the second time that Rinvoq sales were higher, coming in at 13% of total revenues, and only the third time that Skyrizi sales were higher, now representing 26% of the company's total sales.
- Looking ahead, AbbVie expects to generate adjusted EPS of $12.09-$12.29 in 2025, representing growth of 19%-21% versus 2024.
- Our target price of $220 implies a total return, including the dividend, of roughly 16%.

INVESTMENT THESIS

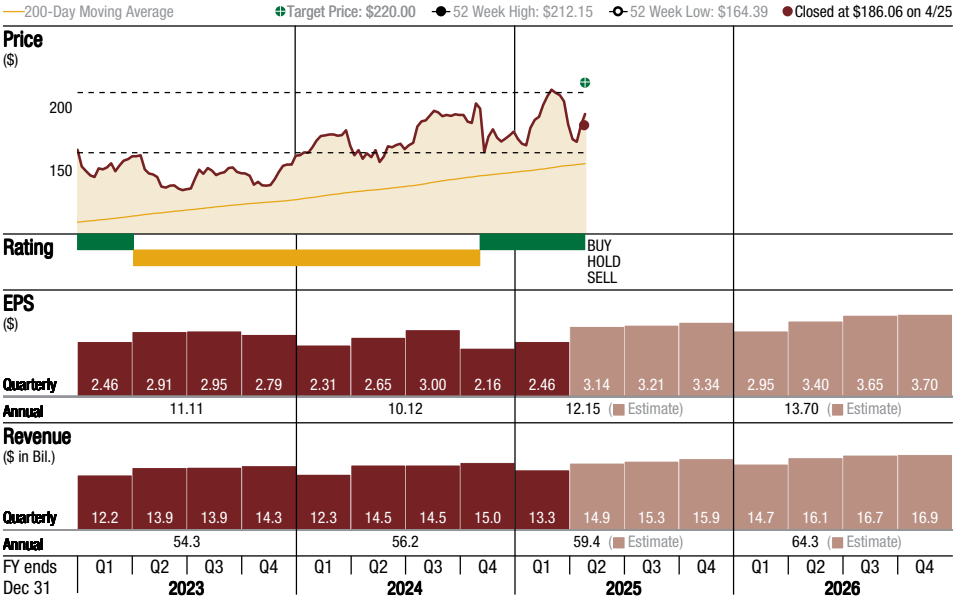
Our rating on Focus List selection AbbVie Inc. (NYSE: ABBV) is BUY. Two of the company's key immunology products, Skyrizi and Rinvoq, have succeeded Humira as growth drivers. During 1Q25, global sales of Skyrizi rose 72% on an operational basis, to $3.43 billion, while Rinvoq sales rose 60% to $1.72 billion. While Humira sales still represent 8% of the company's total revenues, 1Q25 was just the second time that Rinvoq sales were higher, coming in at 13% of total revenues, and only the third time that Skyrizi sales were higher, now representing 26% of the company's total sales. Other products within the company's portfolio also continue to produce solid returns, leading to growth across the Neuroscience and Oncology portfolios. Management expects ABBV to generate 19%-21% adjusted EPS growth in 2025. On a longer-term view, management has previously stated that it expects combined Skyrizi and Rinvoq revenues in 2027 to reach more than $31 billion. This guidance assumes Skyrizi revenues for 2027 of more than $20 billion and Rinvoq revenues of more than $11 billion. Our target price of $220 implies a total return, including the dividend, of roughly 16%.

RECENT DEVELOPMENTS

Over the last three months, ABBV shares have outperformed the S&P 500, rising 11% compared to an 8% decline for the market. Over the past year, the stock has also

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$195.10
Target Price	$220.00
52 Week Price Range	$153.58 to $218.66
Shares Outstanding	1.77 Billion
Dividend	$6.56

Sector Overview

Sector	Healthcare
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	11.20%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	95.3%
Return on Equity	646.3%
Net Margin	7.3%
Payout Ratio	0.54
Current Ratio	0.66
Revenue	$57.37 Billion
After-Tax Income	$4.20 Billion

Valuation

Current FY P/E	16.06
Prior FY P/E	19.28
Price/Sales	6.02
Price/Book	103.78
Book Value/Share	$1.88
Market Capitalization	$345.13 Billion

Forecasted Growth

1 Year EPS Growth Forecast	20.06%
5 Year EPS Growth Forecast	10.00%
1 Year Dividend Growth Forecast	5.81%

Risk

Beta	0.53
Institutional Ownership	72.04%

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Analyst's Notes ...Continued

outperformed the market, rising 21% versus a gain of 1% for the S&P 500. Over the past five years, the stock has gained 132% versus an advance of 97% for the S&P 500. The beta on ABBV is below the peer average.

AbbVie released its 1Q25 results on April 25, beating the consensus estimates for both earnings and revenue. Adjusted EPS rose to $2.46 from $2.31, beating the consensus estimate by $0.06. Management noted that these results included an unfavorable impact of $0.13 per share related to 1Q25 acquired IPR&D and milestone expenses. Revenue rose 8.4% on a reported basis (9.8% on an operational basis) to $13.3 billion, beating the consensus by $422 million. The adjusted gross margin was 84.1%, up 120 basis points from 1Q24. The adjusted operating margin was 42.3%, up 10 basis points year over year.

Within the company's Immunology portfolio, Skyrizi and Rinvoq are succeeding Humira as growth engines. During the first quarter, global Skyrizi sales rose 72% on an operational basis to $3.43 billion, driven by 76% growth in the U.S. market and 52% in the International market. Meanwhile, Rinvoq sales rose 60% to $1.72 billion, driven by 68% growth in the U.S. and 43% growth in the International market. Conversely, global Humira sales fell 50% on an operational basis to $1.12 billion, driven by a 58% decline in the U.S. and a 20% decline in the International market. The decline in Humira sales was due to the arrival of biosimilar competition. While Humira sales still represent 8% of the company's total revenues, the first quarter of 2025 was only the second time that Rinvoq sales were higher, coming in at 13% of total revenues, and only the third time that Skyrizi sales were higher, now representing 26% of total revenues. Given the significant growth potential of Skyrizi and Rinvoq, as well as the continued impact of Humira's patent expiration, we expect that the company's reliance on its formerly highest revenue-generating product will continue to decline.

Among the company's Oncology portfolio, which saw operational sales growth of 8% to $1.63 billion, growth was propelled largely by Venclexta (up 12% globally to $665 million), as well as the recently approved Elahere and Epkinly. Growth in this portfolio was partially offset by a 12% operational decline in the performance of Imbruvica, which saw sales fall to $738 million.

The Aesthetics portfolio, which came with the Allergan acquisition, includes Botox and Juvederm. Botox is also used therapeutically to treat migraine. Botox Therapeutic revenue grew 17% in 1Q25 on an operational basis, while Botox Cosmetic revenue fell 11%. Other key products that came with the Allergan transaction include neuroscience products Vraylar (up 10% to $765 million), Ubrelvy (up 18% to $240 million), and Qulipta (up 48% to $193 million).

AbbVie's share price is supported in part by pipeline developments. On April 29, the FDA approved Rinvoq for the treatment of adults with giant cell arteritis (GCA). This follows the April 8 approval by the European Commission for the same indication. GCA is an autoimmune disease that causes

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	45,804	56,197	58,054	54,318	56,334
COGS	15,387	17,446	17,414	20,415	16,904
Gross Profit	30,417	38,751	40,640	33,903	39,430
SG&A	11,299	12,349	15,260	12,872	14,752
R&D	7,755	8,046	6,510	7,675	12,791
Operating Income	11,363	17,924	18,814	13,535	11,894
Interest Expense	2,280	2,384	2,044	1,684	2,160
Pretax Income	3,398	12,989	13,477	6,250	3,716
Income Taxes	-1,224	1,440	1,632	1,377	-570
Tax Rate (%)	—	11	12	22	—
Net Income	4,616	11,542	11,836	4,863	4,278
Diluted Shares Outstanding	1,673	1,777	1,778	1,773	1,773
EPS	2.72	6.45	6.63	2.72	2.39
Dividend	4.72	5.20	5.64	5.92	6.20
GROWTH RATES (%)					
Revenue	37.7	22.7	3.3	-6.4	3.7
Operating Income	-12.5	57.7	5.0	-28.1	-12.1
Net Income	-41.4	150.0	2.5	-58.9	-12.0
EPS	-48.5	137.1	2.8	-59.0	-12.1
Dividend	10.3	10.2	8.5	5.0	4.7
Sustainable Growth Rate	1.3	-11.8	23.7	-27.7	-63.7
VALUATION ANALYSIS					
Price: High	$109.15	$136.83	$175.91	$168.11	$207.32
Price: Low	$62.55	$101.81	$128.26	$130.96	$153.58
Price/Sales: High-Low	4.0 - 2.3	4.3 - 3.2	5.4 - 3.9	5.5 - 4.3	6.5 - 4.8
P/E: High-Low	40.1 - 23.0	21.2 - 15.8	26.5 - 19.3	61.8 - 48.1	86.7 - 64.3
Price/Cash Flow: High-Low	10.9 - 6.2	10.8 - 8.0	13.8 - 10.1	11.7 - 9.1	22.3 - 16.5

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	9,201	12,814	5,524
Working Capital ($ in Millions)	-1,075	-4,839	-13,167
Current Ratio	0.96	0.87	0.66
LT Debt/Equity Ratio (%)	342.7	503.8	1,814.7
Total Debt/Equity Ratio (%)	366.7	573.2	2,019.4
RATIOS (%)			
Gross Profit Margin	70.0	62.4	70.0
Operating Margin	32.4	24.9	21.1
Net Margin	20.3	8.9	7.5
Return On Assets	8.3	3.5	3.1
Return On Equity	72.1	34.9	61.9
RISK ANALYSIS			
Cash Cycle (days)	76.1	84.7	89.3
Cash Flow/Cap Ex	35.9	29.4	19.3
Oper. Income/Int. Exp. (ratio)	7.0	3.8	2.3
Payout Ratio	122.7	73.7	160.3

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Analyst's Notes ...Continued

inflammation of the temporal and other cranial arteries, the aorta, and other large and medium arteries. If left untreated, the disease can lead to debilitating symptoms and potentially severe outcomes, such as blindness, aortic aneurysm, or stroke. The approvals were supported by Phase 3 results demonstrating sustained remission, with 46.4% of patients receiving Rinvoq in combination with a 26-week steroid taper regimen achieving sustained remission from week 12 to week 52, compared to 29.0% of patients receiving placebo in combination with a 52-week steroid taper regimen. This marks the ninth approved indication for Rinvoq in the U.S., across rheumatology, gastroenterology, and dermatology, and the eighth approved indication for Rinvoq in the EU.

On April 24, AbbVie announced the submission of a Biologics License Application (BLA) to the FDA for trenibotulinumtoxinE (TrenibotE) for the treatment of moderate to severe glabellar lines. TrenibotE is a first-in-class botulinum neurotoxin serotype E characterized by a rapid onset of action as early as 8 hours after administration (earliest assessment time) and shorter duration of effect of 2-3 weeks. If approved, TrenibotE will be the first serotype E neurotoxin offering patients the opportunity to experience a neurotoxin with rapid clinical effect for a shorter duration of time as a trial before getting treatment with Botox Cosmetic.

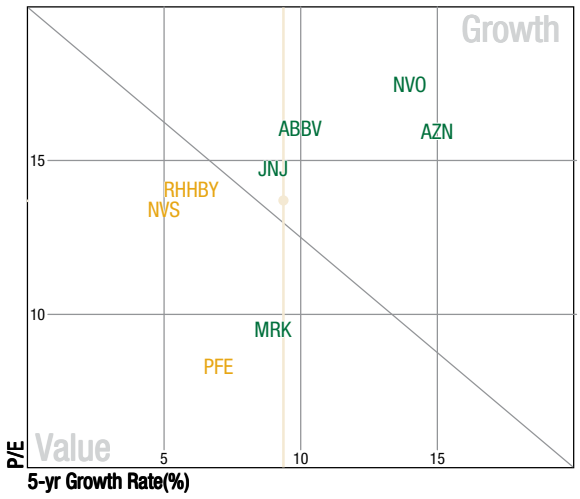
Earlier, on February 7, the FDA approved Emblaveo as the first and only fixed-dose, intravenous, monobactam/Ã¡-lactamase inhibitor combination antibiotic. It is approved in combination with metronidazole, for patients 18 years and older who have limited or no alternative options for the treatment of complicated intra-abdominal infections, including those caused by the following susceptible Gram-negative microorganisms: Escherichia coli, Klebsiella pneumoniae, Klebsiella oxytoca, Enterobacter cloacae complex, Citrobacter freundii complex, and Serratia marcescens. Gram-negative bacterial infections are among the most challenging for healthcare professionals to control due to high antimicrobial resistance (AMR). When AMR develops, medicines intended to treat these infections become ineffective, increasing the risk of morbidity and mortality. AMR is considered an urgent global public health threat and, according to reporting in The Lancet, could lead to over 39 million deaths worldwide by 2050.

Meanwhile, the company has also established partnerships as a means to grow its business. On March 3, AbbVie and Gubra A/S, a company specializing in preclinical contract research services and peptide-based drug discovery within metabolic and fibrotic diseases, announced a license agreement to develop GUB014295, a potential best-in-class, long-acting amylin analog for the treatment of obesity. Currently in a Phase 1 clinical trial, GUB014295 is an agonist that specifically activates amylin and calcitonin receptors. Amylin, a satiety hormone, has been identified as a potential therapeutic target for the treatment of obesity given its role in activating signals to the brain that result in appetite suppression and the reduction of food intake, while also acting as an inhibitory signal to delay gastric emptying. Under the terms of the agreement, AbbVie will lead development and commercialization activities of

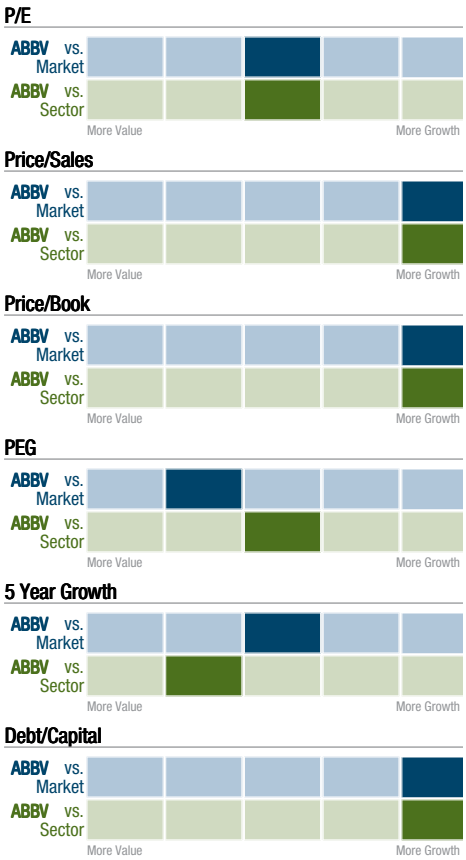
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare ABBV versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how ABBV stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how ABBV might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
JNJ	Johnson & Johnson	376,093	9.0	14.8	24.4	4.8	BUY
ABBV	AbbVie Inc	345,128	10.0	16.1	7.3	12.8	BUY
NVS	Novartis AG	239,739	5.0	13.4	24.2	5.3	HOLD
RHHBY	Roche Holding AG	229,148	6.0	14.1	13.7	5.2	HOLD
NVO	Novo Nordisk	225,274	14.0	17.5	34.8	18.4	BUY
AZN	AstraZeneca PLC	222,640	15.0	16.0	14.1	13.3	BUY
MRK	Merck & Co Inc	214,397	9.0	9.5	27.3	9.5	BUY
PFE	Pfizer Inc.	138,440	7.0	8.3	12.6	3.7	HOLD
Peer Average		**248,857**	**9.4**	**13.7**	**19.8**	**9.1**	



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Analyst's Notes ...Continued

GUB014295 globally. Gubra will receive $350 million in total upfront payment and will be eligible to receive up to $1.875 billion in development, commercial and sales milestone payments with tiered royalties on global net sales. This partnership marks AbbVie's entrance into the obesity field.

Among its other partnership developments, on February 12, AbbVie and Xilio Therapeutics, Inc., a clinical-stage biotechnology company discovering and developing tumor-activated immuno-oncology therapies for people living with cancer, announced a collaboration and option-to-license agreement to develop novel tumor-activated, antibody-based immunotherapies, including masked T-cell engagers, leveraging Xilio's proprietary technology. Xilio has developed a proprietary, clinically-validated platform technology for tumor-activated biologics. The company is advancing a pipeline of novel, clinical and pre-clinical immunotherapies, including masked multispecific molecules designed to achieve tumor-selective activation by leveraging masking and other unique components that are optimized for the specific target. This allows focused activity within the tumor microenvironment with the goal of minimizing systemic adverse events. Under the terms of the agreement, Xilio will receive $52.0 million in total upfront payments, including a $10 million equity investment, and will be eligible to receive up to approximately $2.1 billion in total contingent payments for option-related fees and milestones plus tiered royalties.

EARNINGS & GROWTH ANALYSIS

Along with the 1Q25 results, AbbVie raised its earnings guidance for 2025. The company now expects to generate adjusted EPS of $12.09-$12.29, representing growth of 19%-21% from 2024, raised from its earlier guidance of $11.99-$12.19 that it communicated in early-April. Management noted that its guidance includes a $0.13 per share impact related to acquired IPR&D and milestone expenses incurred through the first quarter of 2025, but does not include any impact from IPR&D and milestone expenses that have been or may yet be incurred following the close of the first quarter. Management also noted that its guidance is based on the existing trade environment and does not reflect any trade policy shifts, including pharmaceutical sector tariffs that could impact its business. From a longer-term standpoint, management has previously shared its expectations for a high single-digit compound annual revenue growth rate through 2029, using 2024 as the base year in the compound annual growth rate calculation. It has shared an outlook for combined Skyrizi and Rinvoq 2027 revenues of more than $31 billion, which assumes Skyrizi revenues of more than $20 billion and Rinvoq revenues of more than $11 billion in 2027. Additionally, AbbVie has shared that it expects a high single-digit compound annual revenue growth rate for aesthetics through 2029, which assumes 2025 as the base year in the compound annual growth rate calculation.

Based on the company's first quarter results and management's revised guidance, we are reiterating our 2025 adjusted EPS estimate $12.15, implying growth of about 20% for the year. Meanwhile, given advances in the company's pipeline and recent regulatory developments, we are raising our 2026 adjusted EPS estimate to $13.70 from $13.45, implying growth of 13% from our 2025 estimate.

FINANCIAL STRENGTH & DIVIDEND

We rate AbbVie's financial strength as Medium, the midpoint on our five-point scale.

AbbVie pays a dividend. In October 2024, the company raised its dividend by 5.8% to a quarterly payment of $1.64 per share, for an annualized payout of $6.56. Based on the stock's current price, the dividend holds a yield of approximately 3.4%. Our dividend estimates are $6.56 for 2025 and $6.92 for 2026.

MANAGEMENT & RISKS

Robert A. Michael serves as AbbVie's Chairman and CEO. He succeeded Richard A Gonzalez in the role of CEO in July 2024 and in the role of Chairman in February 2025. Mr. Michael previously served as the company's president and chief operating officer. Scott T. Reents serves as Executive Vice President and CFO.

AbbVie faces a range of risks. The development of new drugs from initial discovery to approval for commercial distribution may take several years and cost hundreds of millions of dollars. Only a small percentage of drugs make it all the way from discovery to commercialization.

As noted above, Humira now faces the risk of competition from biosimilars, which will impact the product's profitability.

The company faces integration risks as it folds in acquired companies and assets. These include larger acquisitions, such as Allergan, and smaller tuck-in acquisitions. There is also the risk that tariffs or trade wars will impact the company's operations, as highlighted in the company's earnings guidance.

COMPANY DESCRIPTION

AbbVie, a research-based biopharmaceutical company, was spun off from Abbott Laboratories in January 2013. The company is based in suburban Chicago. The shares are a component of the S&P 500.

VALUATION

ABBV shares trade at 16-times our 2025 EPS estimate, below the average multiple for our coverage universe of large-cap biotech/pharmaceutical stocks. Given the rapid growth of immunology products Skyrizi and Rinvoq, their status as new growth drivers that more than offset the declining sales of Humira, and growth across the rest of the portfolio, we believe that the stock is attractively valued at current levels. Consequently, we are reiterating our BUY rating on the stock. Our target price of $220 implies a total return, including the dividend, of roughly 16%.

On April 30, BUY-rated ABBV closed at $195.10, up $1.59.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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