

Abbvie (ABBV) – Long PT: \$194.66



Today's Price: \$106.70
 Dividend Yield: 4.9%
 Market Cap: \$188.4B
 Industry: Pharmaceuticals
 Headquarters: Chicago, IL

An R&D focused biopharmaceutical dividend aristocrat with foundational strength and potential for massive growth

Business Overview

Abbvie is a leading developer and manufacturer of innovative pharmaceutical drugs in the domestic and global market. They offer treatments in rheumatology, gastroenterology, dermatology, oncology, virology, and other severe health conditions.
Revenue Segmentation: 80.6% Americas, 9.6% Europe, 7.6% Asia/Pacific, 2.1% Africa/Middle East

Thesis Points

1. Diversified business operations: AbbVie has demonstrated consistent market leadership in a diversified spectrum of drug markets as well as regular R&D investment in areas of high growth potential. Effective stop loss plans have been implemented to reduce revenue dependence on Humira; drugs such as Rinvoq and Skyrizi hold potential for providing large sustainable revenue growth.

2. Long term growth prospects: AbbVie has increased its R&D spending by 48.65% over the last 4 years, drastically bolstering its non-core product offerings in neuroscience and hematologic oncology. This strong R&D focus has yielded 14 major approvals since 2013 which generated a combined \$9B in sales in 2019 and more than \$10B in 2020, and is expected to grow in the future. Additionally, the company has fostered consistent success in penetration into oncology space, observing 5 FDA breakthrough technologies a first class malignancy drug. The company boasts a 4.9% dividend yield with consecutive increases since 2013. Lastly, AbbVie has a great track record of M&A activity, with recent acquisitions of Allergan (Botox) and Luminera (aesthetics) holding tremendous promise.

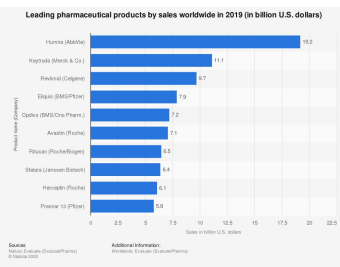
3. Market Dominance: Abbvie is the preeminent producer in the aesthetics space, occupying more than 50% market share in 4 out of 5 major areas of the industry. Their strong cosmetic drug lineup grants them a stronghold over an industry projected to grow from \$85 billion to \$125 billion over the next 7+ years. Additionally, AbbVie dominates the migraine and antipsychotics markets by offering atypical drugs that cater to a variety of ailments and symptoms



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Industry Overview

Abbvie is a significant player in the pharmaceutical industry, with a heavy emphasis on the U.S. market. In the global pharmaceuticals market, the U.S. accounted for 48.7% of the revenue. The industry has large barriers to entry and is poised to continue growth as treatments for severe health conditions will constantly be in demand. Other competitors include Roche Holding, Amgen, Johnson & Johnson, and Glaxosmithkline. Abbvie outperforms its competitors and dominates the market with its blockbuster drug Humira, alongside its other innovative treatments and company acquisitions. The pharmaceutical industry has continued to thrive even amongst the pandemic, relative to other industries which were more negatively affected by the loss of consumer demand.



Additional Commentary – Valuation/Risks/News

Valuation: AbbVie has recently expanded its product portfolio to diversify operations beyond Humira reliance. Rinvoq and Skyrizi are expected to achieve higher returns than Humira currently provides, and we assumed that they will significantly ramp up sales in its other market segments. As a result, they will expand revenue growth tremendously over the next 5 years
Risks: AbbVie faces the risk of losing patent protection for its most successful product: Humira. To mitigate this, the company has made large efforts to expand into the hematological oncology and neuroscience sector. Additionally, their 2 notable offerings, Rinvoq and Skyrizi have surpassed several billion dollars within their first 2 years in market. Additionally, there may be concerns about the company's large debt and high R&D spending. However, Abbvie's high spending supports the development of successful drugs that can sustain the corporation for years to come

