

AbbVie, Inc.

US CORE HOLDING*

Recommended since 22.11.24

22.11.2024



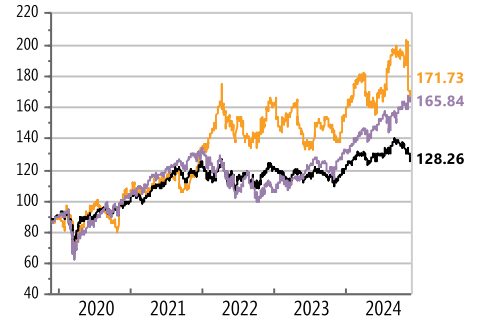
Country US	Market capitalization (bn) USD 303,5	Perf. since reco. (%)
Sector Health Care	Free float 99,9%	AbbVie, Inc. 0,0
Factset ABBV-US	Closing price USD 171,73	Sector 0,0
ISIN US00287Y1091	ESG Risk score* 26,1 Medium risk	



*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Founded in 2013, following a spin-off from Abbott, AbbVie is an American biopharmaceutical company, specializing in immunology (48% of sales - Humira, Skyrizi, Rinvoq), neuroscience (14% - Botox), oncology (11% - Imbruvica, Venclexta), aesthetic medicine (10% - Botox, Juvederm) and ophthalmology (4%). Sales are relatively concentrated in the USA (77% of sales). The company has 50,000 employees.



Source: Factset

Market - competition - positions - barriers to entry

AbbVie is a leader in immunology and aesthetic treatments. Its presence in aesthetics, inherited from Allergan in 2020, sets it apart from its peers. Barriers to entry include innovation, with a high R&D budget (14%) ; the clinical development process ; the complexity of molecules and formulations ; the regulatory environment.

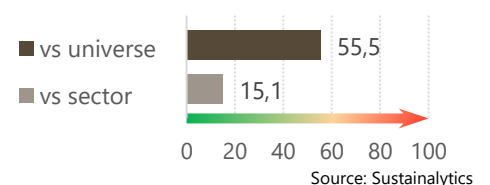
Investment case

- Historically present in immunology, with the marketing of Humira (rheumatoid arthritis, psoriasis, inflammatory bowel disease), Abbvie has been able to preserve its leadership and sustain the growth of its franchise beyond patent expiry in 2023. Humira has been replaced by two new-generation treatments, Skyrizi and Rinvoq, which will enable an extension of indications over time. While Humira sales have been halved (\$9.6bn in 2024e vs. \$21.2bn in 2022), this compression is offset by the ramp-up of the two treatments, for which AbbVie anticipates sales of over \$27bn in 2027, leading to franchise growth of 6%/year.
- The launches of Imbruvica in 2015 (mantle cell lymphoma, chronic lymphocytic leukemia), developed in partnership with J&J, and Venclexta (chronic lymphocytic leukemia), developed in partnership with Roche, have extended AbbVie's expertise to oncology. We expect sales to grow by 6-7%/year for the franchise : with a decline in Imbruvica sales (intensification of competition, IRA) more than offset by growth for Venclexta (extension of indications) and the launches of Elahere (ovarian cancer - antibody-drug conjugate inherited from the ImmunoGen acquisition) and Epkinly (lymphoma).
- The acquisition of Allergan in 2020 (\$63bn) has diversified AbbVie's business into aesthetic medicine (Botox, Juvederm to reduce wrinkles), neuroscience (50% of Botox sales are therapeutic : treatment of migraine, urinary incontinence linked to neurological disease...) and ophthalmology (Ozurdex for diabetic macular edema, Ganfort for glaucoma). Management anticipates sales of \$9bn in 2029 for its Aesthetics franchise, i.e. +10%/year. We are confident that it will maintain its leadership, but more cautious about the franchise's potential over this horizon, given the intensification of competition, with growth of 7-8%/year.
- While sales growth is assured by 2030 (+6%/year), managing the expiration of Skyrizi and Rinvoq patents in 2033 will be crucial. AbbVie is pursuing a targeted M&A strategy to strengthen its pipeline, and has just finalized two promising acquisitions, ImmunoGen (specializing in antibody-drug conjugates) and Cerevel (neurological and psychiatric diseases), enabling it to extend its expertise in oncology and neuroscience, and whose R&D developments could contribute to growth (if successful) over the next decade.
- The stock has lost 16% since early November, due to a clinical failure, representing a buying opportunity. In view of its solid fundamentals and visible growth to 2030, we expect the stock to outperform its peers in the short to medium term.

ESG - risks and key points

- AbbVie's level of ESG risk is medium and essentially linked to its presence in the US market (77% of sales), which is likely to generate more litigation and concerns about drug prices. In the past, the Group has been involved in numerous controversies, particularly in terms of pricing strategy.
- Its performance in managing ESG issues is in line with the sector average.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in	USD
Current price	Value Bordier Scenario
172	242

Our scenario assumes US 10-year interest rates at 3.5% ; sales growth of 6%/year to 2030, then a decline of 7%/year at the end of the period (2030-35), to reflect the expiry of the Skyrizi and Rinvoq patents in 2033; EBITDA margin up to 50% until 2030 (+400bp vs 2024), then a contraction to 45% at the end of the period.

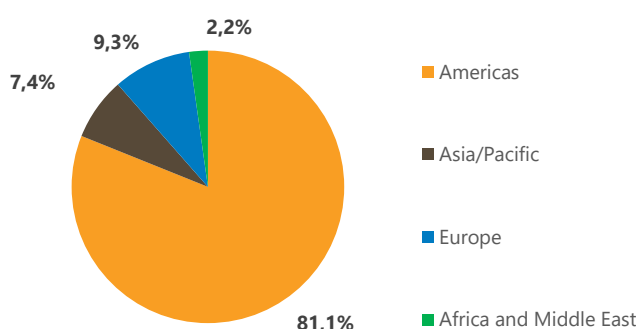
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2023	2024e	2025e	2026e	2027e
Sales revenue	54 318	55 513	59 122	63 260	67 688
Sales growth %	-6,4%	2,2%	6,5%	7,0%	7,0%
<i>o/w organic</i>	-6,4%	2,2%	6,5%	7,0%	7,0%
EBIT adjusted	24793	24703	27196	30048	32829
<i>% of sales</i>	45,6%	44,5%	46,0%	47,5%	48,5%
Net income	19 726	19 469	21 447	23 844	26 431
Adjusted EPS	11,13	10,98	12,10	13,45	14,91
<i>Adjusted EPS growth</i>	-19,7%	-1,3%	10,2%	11,2%	10,9%
Capex/Sales	1,4%	1,5%	2,0%	2,0%	2,0%
<i>Free cash-flow</i>	22 062	20 273	21 386	23 519	26 083
FCF/Sales	40,6%	36,5%	36,2%	37,2%	38,5%
<i>Dividend per share</i>	5,99	6,64	7,90	9,39	10,49
Dividend yield	3,5%	3,9%	4,6%	5,5%	6,1%
ROCE - WACC	27,2%	23,6%	28,8%	34,9%	41,9%
ROE (%)	46,5%	101,9%	90,1%	82,0%	75,2%
Net debt/Ebitda	181,3%	218,2%	164,1%	118,0%	80,2%

Source: Factset, Bordier estimates

Sales breakdown - 12/2023



Ratios

	S&P 500		
	AbbVie, Inc.	Sector	Market
PE (x)***		Household Products	S&P 500
	2023	13,9	22,5
	2024e	15,6	21,1
	2025e	14,2	17,4
P/B (x)***	2023	26,4	5,1
	2024e	22,3	4,9
	2025e	16,6	4,4
	Beta (2Y, daily) vs market:		

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2024 - CEO Robert A. Michael

Key shareholders (if any):

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Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

None

Agenda

12-16 Jan. 2025 : JP Morgan Healthcare Conference

29 Jan. 2025 : Q4 results

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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