Abbott Laboratories

bordier 1844

US Satellite* Recommended since 21.11.2024 **21.11.2024**

Country	US	Market capitalization (bn)	USD	203,9	Perf. since reco. (%)		
Sector	Health Care	Free float	99,3%		Abbott Laboratories	0,0	
Factset	ABT-US	Closing price	USD	115,93	Sector	0,0	
ISIN	US0028241000	ESG Risk score*	22,2	Medium risk			

Profile

Founded in 1888, Abbott is a diversified medical devices company. Its business is divided into four divisions : 1/ Medical Devices (42% of sales), which includes medical devices dedicated to cardiovascular diseases (cardiac arrhythmias, coronary artery disease, heart valve disease...), diabetes management (CGM: continuous glucose monitoring) and neuromodulation (for movement disorders and chronic pain).) ; 2/ Diagnostics (25% of sales) - instruments and tests ; 3/ Nutrition (20% of sales) - for children and adults ; and 4/ Established Pharmaceuticals (13% of sales) - generic/biosimilar products for emerging markets.

Strengths/opportunities

- Leading positions (top 3-4) in most of its segments, whether in cardiac rhythm management, heart valves, continuous glucose monitoring or diagnostics.
- Diversified portfolio, offering solid growth over time and well-positioned relative to competitors.

Weaknesses/threats

- Competitive developments to be monitored.
- Risk of recall/litigation in case of defective products.
- Ongoing litigation in infant nutrition - the financial risk is estimated by the market at $1-5bn (i.e. less than 3% of market capitalization).

Investment case

- Abbott benefits from dominant positions (top 3-4) in most of its segments and a diversified portfolio, enabling it to generate historically solid growth (+7%/year over 2013-24).
- Over the 2022-24 period, the stock has underperformed the healthcare sector for three major reasons: 1/ the normalization of sales linked to COVID tests (after recording exceptional growth in 2021 : +22.9%), leading to downward EPS revisions over the period ; 2/ post-pandemic sector rotation ; and 3/ the risk linked to the infant formula litigation. The normalization of COVID sales is coming to an end, with a residual impact of -2.8% over the first nine months of the year, and although the litigation risk remains, it has now been integrated by the market, with a financial cost estimated at between $1bn and $5bn (i.e. less than 3% of market capitalization).
- Growth will accelerate from Q4 onwards, driven by the Medical Devices division (+13% in 2024). Management expects EPS to rise by 13% in Q4, a trend that will continue in 2025, with a first estimate of 10% growth. The company should be able to generate EPS growth averaging 10-12% per annum over 2024-27.

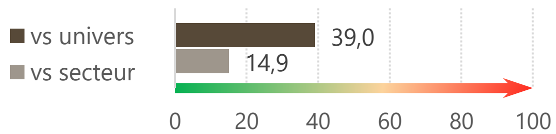
Valuation

The valuation is reasonable, with an 2025 PE at a 20% discount to its peers. The growth recovery justifies a return to an in-line valuation, implying a price target of $140.

USD	12/2023	12/2024e	12/2025e
Sales revenue (mio)	40 109	42 009	45 019
Sales growth	*-8,1%*	*4,7%*	*7,2%*
EBIT adjusted (mio)	8 910	9 335	10 407
% of sales	*22,2%*	*22,2%*	*23,1%*
Net income (mio)	7 802	8 194	9 012
Net income growth	*-17,6%*	*5,0%*	*10,0%*
FCF/Sales	12,6%	18,7%	19,5%
Net debt/Ebitda	0,9x	0,5x	0,2x
Dividend yield	1,9%	1,9%	2,0%
PE	26,1x	24,8x	22,5x
P/BV	5,2x	5,0x	4,8x

Factset estimates

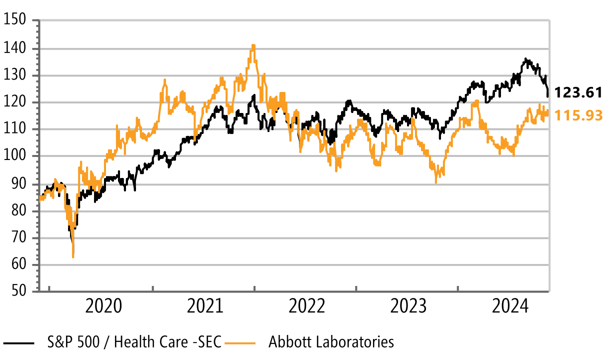
ESG risk vs. universe & sector (percentile)*



ESG - risks and key points

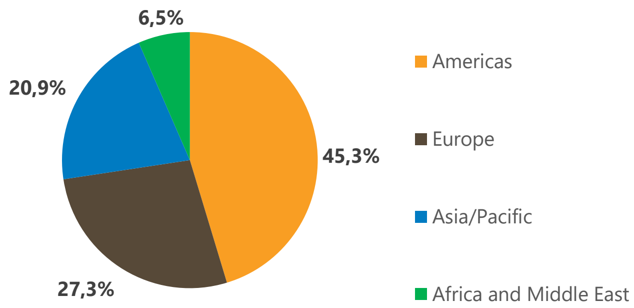
- Abbott's ESG risk level is medium. Its strong performance in corporate governance and ESG issues management helps to reduce overall risk.
- Abbott has been involved in several controversies. The latest being infant formula (ongoing litigation).
- The risk of litigation/recall of defective products is higher than the sector average, due to its presence in the USA (39% of sales) and the marketing of higher-risk products.

5-year performance vs sector



Source: FactSet

Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

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.

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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