AbbVie Inc. (ABBV)

$95.51 (As of 08/12/20)

Price Target (6-12 Months): **$100.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/13/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: A | Growth: C | Momentum: C	

Summary

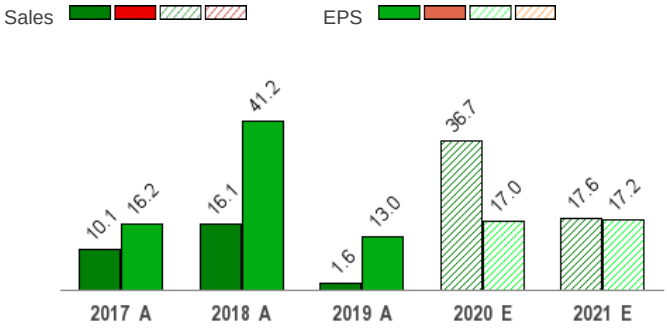
AbbVie beat Q2 estimates for earnings and sales. AbbVie's key drug, Humira continues to see strong demand trends in the United States. AbbVie has been successful in expanding labels of its cancer drugs, Imbruvica and Venclexta. It has an impressive late-stage pipeline. It gained approvals for two new drugs with significant potential, Skyrizi and Rinvoq, in 2019. Both are off to a strong start. Allergan's acquisition has diversified AbbVie's revenue base into new therapeutic areas, enhancing its long-term growth potential. AbbVie's shares have outperformed the industry this year so far. However, sales erosion due to direct biosimilar competition to Humira in international markets is a big headwind. Also, the decline in HCV drug Mavyret's sales is a concern.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$101.28 - $62.55**
20 Day Average Volume (sh)	**6,661,349**
Market Cap	**$168.6 B**
YTD Price Change	**7.9%**
Beta	**0.83**
Dividend / Div Yld	**$4.72 / 4.9%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Bottom 25% (190 out of 253)**
Last EPS Surprise	**4.5%**
Last Sales Surprise	**3.0%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**11/06/2020**
Earnings ESP	**0.0%**
P/E TTM	**10.3**
P/E F1	**9.1**
PEG F1	**1.6**
P/S TTM	**4.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	12,590 E	12,927 E	13,388 E	13,867 E	53,496 E
2020	8,619 A	10,425 A	12,847 E	13,591 E	45,471 E
2019	7,828 A	8,255 A	8,479 A	8,704 A	33,266 A

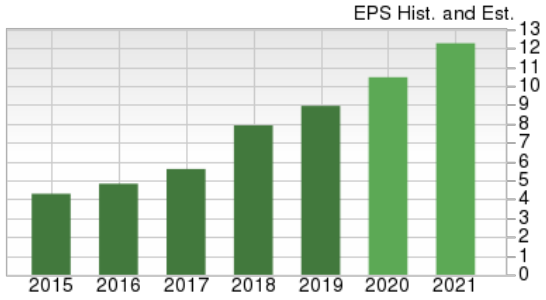
EPS Estimates

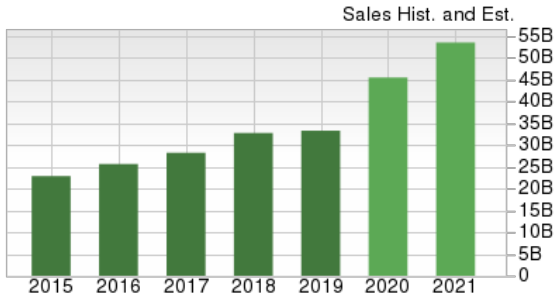
	Q1	Q2	Q3	Q4	Annual*
2021	$2.86 E	$2.93 E	$3.08 E	$3.13 E	$12.26 E
2020	$2.42 A	$2.34 A	$2.79 E	$2.92 E	$10.46 E
2019	$2.14 A	$2.26 A	$2.33 A	$2.21 A	$8.94 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/12/2020. The reports text is as of 08/13/2020.

Overview





North Chicago, IL-based AbbVie has become one of the top-most pharma companies after it acquired Botox maker Allergan in a cash-and-stock deal for $63 billion in May 2020. The deal is expected to transform AbbVie's portfolio and lower its dependence on Humira, its flagship product, which has already lost patent protection in Europe and is due to face biosimilar competition in the United States in 2023. AbbVie has one of the most popular cancer drugs in its portfolio, Imbruvica and its newest immunology drugs Skyrizi (risankizumab) and Rinvoq (upadacitinib) position it well for long-term growth.

AbbVie came into existence on Jan 1, 2013, after Abbott Laboratories divested its pharmaceutical division. It announced a definitive agreement to buy Allergan on Jun 24, 2019. AbbVie paid Allergan a price of $120.30 in cash and 0.8660 AbbVie shares per Allergan share. The deal closed in May 2020.

AbbVie enjoys leadership positions in key therapeutic areas including immunology, hematologic oncology, neuroscience, aesthetics, eye care and women's health.

Humira is approved for several autoimmune diseases like rheumatoid arthritis (RA), active psoriatic arthritis, active ankylosing spondylitis, Crohn's disease and others. Imbruvica (hematological cancers – approved for 11 indications in six distinct disease areas) became part of the company's portfolio following the Pharmacyclics acquisition. Humira and Imbruvica accounted for 58% and 14%, respectively, of AbbVie's total revenues in 2019.

Other drugs include Mavyret/Maviret (HCV), Venclexta (venetoclax) (oncology), AndroGel (low testosterone), Kaletra (HIV), Synthroid (hormone therapy for thyroid disease), Creon (pancreatic enzyme replacement therapy for conditions associated with cystic fibrosis and chronic pancreatitis), Duopa/Duodopa (advanced Parkinson's disease), Orilissa (endometriosis pain), Skyrizi (plaque psoriasis) and Rinvoq (RA). The company also has partnerships with companies like Roche and J&J.

In June 2016, AbbVie acquired cancer drugmaker, Stemcentrx in a cash and stock deal worth $5.8 billion.

AbbVie reported total sales of $33.3 billion in 2019, up 1.6%.

Reasons To Buy:

> AbbVie's key drug Humira'd demand trends are strong in united States. Imbruvica has multi-billion dollar potential. AbbVie has been successful in expanding approvals for its cancer drugs, Imbruvica and Venclexta.

- **Shares Outperforming Industry:** AbbVie shares have risen 7.9% this year so far, outperforming the industry's decrease of 0.6%

- **Humira U.S. Sales Going Strong:** AbbVie's flagship product, Humira, continues to drive revenues. Humira, an anti-inflammatory product, is the anti-tumor necrosis factor (TNF) drug of choice. Humira continues to witness strong demand trends despite new mechanisms of action and competition from indirect biosimilars. Currently approved for 12 indications, Humira sales have increased consistently backed by robust demand trends. The product continues to see strong growth in the dermatology and gastroenterology markets in the United States.

  Though biosimilar versions of Humira are already approved by the FDA, per settlements with several companies, biosimilar entry into the United States is scheduled for 2023, thus delaying direct biosimilar competition in the country.

- **Allergan Deal Adds Botox:** AbbVie's acquisition of Allergan significantly expanded and diversified its revenue base with new therapeutic areas, enhancing its long-term growth potential. The acquisition strengthened AbbVie's existing leadership position in immunology and hematological oncology while providing additional growth franchises in aesthetics and neuroscience.

  AbbVie's rationale behind the Allergan deal was to add a new blockbuster product to its portfolio, Allergan's Botox, ahead of generic competition for Humira. Humira generics are already denting revenues in Europe and are expected to be launched in the United States in 2023. AbbVie is heavily dependent on Humira and is looking to diversify its portfolio. Approved for therapeutic and aesthetic use, Botox is a key top-line driver for Allergan and looks fit to be the next revenue driver for AbbVie after Humira loses exclusivity. AbbVie expects to realize $2 billion in cost synergies by year three post closure of the Allergan acquisition.

- **Collaborations and Agreements to Strengthen Pipeline:** We are positive on AbbVie's efforts to strengthen its pipeline. The company has been actively pursuing partnership deals and collaborations for candidates across several therapeutic areas including oncology, immunology, neuroscience, cystic fibrosis and women's health. Some partners include Roche (Venclexta – oncology), J&J (Imbruvica – cancer) and Boehringer Ingelheim (Skyrizi– psoriasis) among others. We believe the company will continue pursuing such deals to grow its pipeline.

- **Growing Oncology Portfolio:** AbbVie believes that oncology will be its major growth driver over the next 10 years. The acquisition of Pharmacyclics in May 2015 added Imbruvica to AbbVie's portfolio and diversified the company's revenue base. AbbVie has built a substantial oncology franchise with Imbruvica and Venclexta, which generated combined revenues of nearly $5.5 billion in 2019. Strong double-digit growth is expected in 2020.

  Imbruvica, currently approved for 11 indications, has multi-billion dollar potential and AbbVie is exploring the potential to expand Imbruvica's label into solid tumors and autoimmune diseases. Several studies on Imbruvica are ongoing to evaluate the drug alone or in combination in different patient segments. AbbVie expects Imbruvica peak sales of more than $7 billion and revenues of about $5 billion in 2020. AbbVie is positioning Imbruvica as a "pipeline in a molecule" - the treatment is in several company-sponsored studies.

  AbbVie is also studying Venclyxto/Venclexta to expand the label to address the broader relapsed/refractory CLL patient population, expand into earlier lines of therapy, and broaden into other hematologic malignancies like multiple myeloma and AML. AbbVie expects to begin a phase III study on Venclexta in myelodysplastic syndrome or MDS in 2020. Label expansion approvals in the past couple of years have expanded the eligible patient population of Venclexta significantly, which is boosting sales from the drug.

- **Promising Pipeline:** AbbVie has a deep pipeline consisting of several interesting late-stage candidates. Key recent FDA approvals include that of Orilissa (elagolix) for management of pain associated with endometriosis, a common gynecologic disorder in July 2018, Skyrizi (risankizumab) for plaque psoriasis in April 2019 and Rinvoq (upadacitinib) for moderate-to-severe rheumatoid arthritis (RA) in August 2019. Skyrizi and Rinvoq have demonstrated differentiated clinical profiles versus Humira and are expected to lower AbbVie's dependence on Humira. Importantly, Skyrizi and Rinvoq are off to strong starts and AbbVie expects combined revenues of these two drugs to be approximately $2.0 billion in 2020. In 2020, AbbVie gained FDA approval for Oriahnn/elagolix for reducing heavy menstrual bleeding (HMB) in premenopausal women with uterine fibroids.

  Promising candidates include risankizumab (phase III for Crohn's disease and psoriatic arthritis, phase II for ulcerative colitis) upadacitinib (phase III for Crohn's disease, ulcerative colitis, axial spondyloarthritis, atopic dermatitis and giant cell arteritis; psoriatic arthritis – NDA filed in the second quarter of 2020), navitoclax (phase III for myelofibrosis to begin in 2020) ABBV-8E12 (phase II for early Alzheimer's disease), veliparib (phase III for frontline ovarian cancer and BRCA-mutated breast cancer), atogepant (phase III for prevention of episodic migraine) and ABBV-951 (phase III for Parkinson's disease).

- **Favorable Debt Profile:** As of Jun 30, 2020, AbbVie's debt/capital ratio was 85.6, less than 112.4 as of Mar 31, 2019. A lower ratio indicates lower financial risk. Also, as of Jun 30, 2020, AbbVie had $82.06 billion in long-term debt (plus finance lease obligations) and short-term debt/obligations of $5.37 billion on its balance sheet. Cash and cash equivalents totaled approximately $6.04 billion. Though the company is highly leveraged, its cash position is sufficient to pay its short-term debt in case of insolvency. Also, though AbbVie's debt level has increased significantly with the Allergan buyout, AbbVie is expected to reduce debt within a couple of years of closing. Meanwhile, Fitch has assigned BBB credit rating to AbbVie which indicates that the expectations of default risk are currently low. S&P Global Ratings has an issuer credit rating of BBB+ on AbbVie with a stable outlook. This means that the company has adequate capacity to meet its financial commitments, though adverse economic conditions may weaken this capacity.

Reasons To Sell:

> Sales erosion due to direct biosimilar competition to Humira in international markets is a big headwind.

- **Humira Biosimilars Can Erode Sales:** Several companies have made biosimilar versions of Humira. With Humira accounting for around 60% of AbbVie's sales, the entry of biosimilars would have a huge impact on the company's financials. Per settlements with nine manufacturers, Humira biosimilars are expected to be launched in the United States in 2023. In the international markets, AbbVie is facing direct biosimilar competition in Europe and other countries. Humira biosimilars were launched in the EU in October 2018 and are rapidly eroding international sales from the branded drug. Humira international sales declined 31.1% in 2019 and 14.9% in the first half of 2020 due to generic competition. Humira sales could also feel the impact of competition from biosimilar versions of other products like Remicade and Enbrel.

- **Declining Mavyret Sales:** Sales of AbbVie's relatively newer HCV medicine, Mavyret has declined since 2018 primarily driven by lower patient volumes in certain international markets and competitive dynamics in the United States.

- **Intense Competition for Key Products:** While Humira U.S. sales continue to be impressive, we are concerned about intense competition in the market in the form of Johnson & Johnson's Simponi and UCB's Cimzia among others. Increasing competition from new classes of drugs could lead to a slowdown in Humira's market share gains. Meanwhile, Kaletra faces intense competition in the HIV market from players like Gilead, Bristol-Myers, and Johnson & Johnson.

- **Pipeline and Regulatory Setbacks:** While we believe that AbbVie has an impressive pipeline, we note that clinical development involves a high degree of risk. Gaining approval for pipeline candidates has become more difficult given the tough regulatory environment. Development and regulatory setbacks for late-stage pipeline candidates would be a major disappointment for the company.

  Among more recent setbacks, in August 2019, AbbVie discontinued development of rovalpituzumab tesirine or Rova-T due to poor/no survival benefit observed for patients treated with Rova-T in three studies. Rova-T was added to AbbVie's portfolio, following the acquisition of Stemcentrx in June 2016. The failure of Rova-T has brought into question the viability of the Stemcentrx deal.

  In March 2019, the FDA placed a partial clinical hold on all studies evaluating Venclexta for the treatment of multiple myeloma. The decision was taken after, in the ongoing phase III BELLINI study, a higher proportion of deaths were observed in the Venclexta arm compared to the control arm of the study. In May 2019, a phase III study evaluating depatuxizumab mafodotin (Depatux-M) failed to show any survival benefit in patients with newly diagnosed glioblastoma, an aggressive form of brain cancer. As a result, AbbVie stopped enrollment in all ongoing Depatux-M studies.

Last Earnings Report

AbbVie Beats on Q2 Earnings & Sales

Quarter Ending	06/2020
Report Date	**Jul 31, 2020**
Sales Surprise	**2.99%**
EPS Surprise	**4.46%**
Quarterly EPS	**2.34**
Annual EPS (TTM)	**9.30**

AbbVie reported earnings of $2.34 per share for the second quarter of 2020, comfortably beating the Zacks Consensus Estimate of $2.24 and exceeding the guided range of $2.10-$2.16. Earnings rose 3.5% year over year.

Revenues of $10.43 billion beat the Zacks Consensus Estimate of $10.12 billion. Sales rose 26.3% on a reported basis and included a partial quarter of revenues from Allergan. However, on a comparable operational basis, sales declined 5.3% due to the negative impact of the COVID-19 pandemic.

The comparable operational growth rate includes full quarter, current year, and historical results for Allergan on a pro forma basis and are presented on a constant currency basis.

However, the company said that the impact of COVID-19 related business disruption on legacy AbbVie drugs was less severe than expected. However, for the legacy Allergan side of business, the company saw significant COVID-related impacts on BotoxTherapeutic and the aesthetics business. Overall, second-quarter sales were hurt by more than $900 million due to COVID-19. However, the company said that by the end of June, the total business had recovered to more than 90% of pre-COVID levels.

The Q1 inventory stockpiling benefits were largely reversed in the second quarter.

The total revenues included approximately $8.4 billion of legacy AbbVie sales, which performed above expectations due to continued robust performance in both hematology/oncology and immunology franchises. The Allergan portfolio contributed $2 billion to total revenues. Revenues include Allergan's product revenues from the date of the acquisition till quarter end.

Quarter in Details

In the immunology franchise, Humira sales declined 0.7% (down 0.2% on a comparable operational basis) to $4.84 billion as higher U.S. sales were offset by a decline in international markets.

Sales in the United States climbed 4.8% to $3.97 billion, driven by higher demand, which was partially offset by lower new patient starts due to COVID-19 impact. However, the negative impact of COVID-19 on Humira sales was lower than expected. Humira sales in the ex-U.S. markets were down 17.4% on a comparable operational basis and 19.9% on a reported basis to $863 million.

International sales were severely impacted by the launch of several direct biosimilar drugs in Europe and other international markets.

In 2020, Humira is expected to record revenue growth of approximately 8% in the United States versus 7% expected previously. International Humira sales are expected to approach $3.5 billion versus the previous expectation of $3.4 billion in 2020.

New immunology drugs Skyrizi and Rinvoq registered sales of $330 million and $149 million, respectively. In the previous quarter, Skyrizi and Rinvoq recorded sales of $300 million and $86 million, respectively. Strong sequential growth in sales of both drugs in the past couple of quarter reflects strong uptake. However, the company did witness modest delays to new patient starts for Skyrizi in the quarter due to COVID-19.

AbbVie expects Skyrizi global revenues of approximately $1.4 billion. Rinvoq global revenues are expected to be approximately $600 million versus $500 million expected previously.

AbbVie's oncology/hematology (including Imbruvica and Venclexta) sales rose 25.8% on an operational basis to $1.59 billion in the quarter, driven by strong growth of both Imbruvica and Venclexta.

Second-quarter net revenues from Imbruvica were $1.29 billion, up 17.2% year over year operationally. driven by continued penetration for patients with CLL. U.S. sales of Imbruvica grossed $1.06 billion, up 19% from the year-ago figure. AbbVie logged $233 million of international profit sharing with J&J, up 9.4% year over year.

Venclexta generated revenues of $303 million in the reported quarter, reflecting growth of 81.5% year over year on an operational basis, driven by continued share gains in first-line CLL and relapsed/refractory CLL indications.

In 2020, Imbruvica global revenues are expected to be approximately $5.5 billion while Venclexta global sales are expected to be approximately $1.3 billion.

In Aesthetics franchise, Botox Cosmetic net revenues were $226 million, a decrease of 43.1% on a comparable operational basis while Juvederm Collection of filler recorded sales of $113 million, down 60.4% on a comparable operational basis. Sales of both the products were hurt as aesthetics health care providers were closed during the initial phase of COVID-19. However, several aesthetics accounts reopened by the end of June and the company said that revenue trends are recovering due to considerable pent-up demand.

In 2020, AbbVie expects global aesthetics sales of approximately $2.4 billion, including approximately $1 billion from Botox Cosmetic and approximately $650 million from Juvederm.

In Neuroscience franchise, Botox Therapeutic net revenues decreased 22.3% on a comparable operation basis to $297 million as COVID-19 pandemic hurt sales of this physician administered product. However, Vraylar sales were up 70.4% to $192 million. Duodopa sales rose 4.6% to $118 million.

In 2020, AbbVie expects global neuroscience sales of approximately $3.5 billion, including approximately $1.4 billion from Botox Therapeutic and approximately $950 million from Vraylar.

In Eye Care, Restasis sales of $144 million declined 19.5% on a comparable operational basis. In Women's Health, Lo Loestrin's sales of $80 million declined 8.9% on a comparable operational basis. AbbVie's new drug Orilissa recorded sales of $31 million same as in the previous quarter.

In 2020, AbbVie expects global Eyecare sales of approximately $2.1 billion, including approximately $700 million from Restasis, assuming no generic competition in 2020.

Among other key drugs. Mavyret sales totaled $376 million in the quarter, down 51.4% on a comparable operational basis due to competitive pressure in the United States and lower patient volumes due to COVID-19 as well as lower patient volumes in certain international markets.

Costs Rise

Adjusted gross margin declined 10 bps to 82.8% in the quarter. Adjusted SG&A expenses increased 47.7% to $2.39 billion. R&D expenses were $1.3 billion in the second quarter, rising 8.1% year over year due to greater investments in the pipeline. Adjusted operating margin represented 47% of sales.

2020 Outlook

AbbVie said that the recovery trends from COVID-19 are faster-than expected with further recovery expected in the second half of 2020.

AbbVie issued new EPS guidance for 2020 to include results of Allergan from May 8 to Dec 31. The company now expects adjusted EPS to be in the range of $10.35-$10.45, reflecting growth of 16.3% at the midpoint. The guidance includes an 11% accretion on an annualized basis from Allergan deal.

AbbVie had previously issued EPS guidance for the standalone company (excluding Allergan impact) in the range of $9.61-$9.71 for 2020.

In 2020, AbbVie expects revenues of approximately $45.5 billion.

Adjusted gross margin is expected to be just above 82% of sales. Operating margin is expected to be approximately 48% of sales. While adjusted R&D is expected to be approximately $5.8 billion, SG&A expense is expected to be approximately $9.9 billion. Adjusted tax rate is expected to be just above 11% for the combined company.

Third-Quarter 2020 Outlook

Third-quarter earnings are expected between $2.73 and $2.74 per share. AbbVie expects adjusted revenues of approximately $12.8 billion. Adjusted operating margin is expected to be above 48% of sales

Recent News

Atogepant Meets Goal in Phase III Study – Jul 29

AbbVie's phase III study evaluating CGRP receptor antagonist, atogepant for migraine prevention met its primary endpoint of a statistically significant reduction from baseline in mean monthly migraine days, compared to placebo, for all doses evaluated across a 12-week treatment period. Based on data from this study as well as previous phase II/III study, the company will file regulatory applications in the United States and other countries.

Rinvoq Meets Goals in 3rd Atopic Dermatitis Study – Jul 28

AbbVie announced that Rinvoq (upadacitinib) showed significant improvement in skin clearance and itch in the third pivotal phase III study evaluating it for moderate-to-severe atopic dermatitis in adults and adolescents. The top-line data showed that both doses of upadacitinib (15 mg and 30 mg) plus topical corticosteroids (TCS) met all primary and secondary endpoints versus placebo plus TCS. The two primary endpoints marked at least a 75% improvement in the Eczema Area Severity Index (EASI 75) and a validated Investigator's Global Assessment for Atopic Dermatitis (vIGA-AD) of clear or almost clear (0/1) skin at week 16. As many as 65% of the patients given the 15 mg dose and 77% of those administered the 30 mg dose plus TCS achieved EASI 75 versus 26% in the placebo group. Meanwhile, 40% and 59% of patients given the 15 mg and 30 mg doses, respectively, achieved vIGA-AD 0/1 versus 11% for placebo. Additionally, more patients treated with upadacitinib plus TCS experienced a clinically meaningful reduction in itch.

Rinvoq Meets Goals in Second Atopic Dermatitis Study – Jul 21

AbbVie announced that Rinvoq showed significant improvement in skin clearance and itch in a second phase III study (Measure Up 2), evaluating it for moderate-to-severe atopic dermatitis in adults and adolescents. The top-line data showed that both doses of upadacitinib (15 mg and 30 mg) monotherapy met all primary and secondary endpoints versus placebo. The two primary endpoints marked at least a 75% improvement in the Eczema Area Severity Index (EASI 75) and a validated Investigator's Global Assessment for Atopic Dermatitis (vIGA-AD) of clear or almost clear (0/1) skin at week 16. 60% of the patients given the 15 mg dose and 73% of those administered the 30 mg dose achieved EASI 75 at week 16 versus 13% in the placebo group. Meanwhile 39% and 52% of patients given the 15 mg and 30 mg doses, respectively, achieved vIGA-AD 0/1 versus 5% for placebo. For both doses, patients experienced an early reduction in itch, which was maintained through week 16.

Valuation

AbbVie's shares have risen 7.9% in the year-to-date period and 50.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 0.6% and 0.3%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are up 13.8% and 9.3%, respectively.

The S&P 500 Index is up 3.3% in the year-to-date period and 17.5% in the past year.

The stock is currently trading at 8.26X forward 12-month earnings per share, which compares with 14.67X for the Zacks sub-industry, 21.84X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.99X and as low as 5.96X, with a 5-year median of 11.14X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $100 price target reflects 8.6X forward 12-month earnings per share.

The table below shows summary valuation data for ABBV

Valuation Multiples - ABBV

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	8.26	14.67	21.84	22.6
	5-Year High	17.99	16.62	23.17	22.62
	5-Year Low	5.96	13.61	15.89	15.25
	5-Year Median	11.14	15.32	18.97	17.58
P/S F12M	Current	3.34	4.67	2.78	3.65
	5-Year High	6.22	4.85	3.41	3.65
	5-Year Low	1.94	3.88	2.22	2.53
	5-Year Median	3.67	4.4	2.89	3.05
P/B TTM	Current	11.44	5.33	4.35	4.64
	5-Year High	47.45	7.37	5.07	4.68
	5-Year Low	N/A	3.69	2.94	2.83
	5-Year Median	18.41	5.25	4.3	3.74

As of 8/12/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (190 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
Amgen Inc. **(AMGN)**	Neutral	3
AstraZeneca PLC **(AZN)**	Neutral	3
JohnsonJohnson **(JNJ)**	Neutral	3
Eli Lilly and Company **(LLY)**	Neutral	3
MerckCo., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	3

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	ABBV	X Industry	S&P 500	AMGN	JNJ	MRK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	A	C	A
Market Cap	168.56 B	153.45 B	23.75 B	141.57 B	394.03 B	209.12 B
# of Analysts	6	2	14	12	9	5
Dividend Yield	4.94%	2.53%	1.68%	2.65%	2.70%	2.95%
Value Score	A	-	-	B	B	A
Cash/Price	0.04	0.05	0.07	0.08	0.05	0.05
EV/EBITDA	20.46	14.28	13.35	13.00	16.22	14.83
PEG Ratio	1.64	2.06	2.98	2.05	3.32	2.19
Price/Book (P/B)	11.44	5.25	3.20	13.28	6.26	7.52
Price/Cash Flow (P/CF)	9.24	11.56	12.97	12.78	12.99	12.36
P/E (F1)	9.13	14.99	22.17	15.45	19.06	14.80
Price/Sales (P/S)	4.65	4.43	2.54	5.83	4.89	4.43
Earnings Yield	10.95%	6.67%	4.31%	6.47%	5.25%	6.76%
Debt/Equity	5.57	0.78	0.77	3.20	0.40	0.94
Cash Flow ($/share)	10.33	4.22	6.94	18.91	11.52	6.69
Growth Score	C	-	-	B	C	B
Hist. EPS Growth (3-5 yrs)	21.34%	7.34%	10.41%	9.69%	8.66%	9.70%
Proj. EPS Growth (F1/F0)	16.98%	7.23%	-6.32%	5.55%	-9.55%	7.62%
Curr. Cash Flow Growth	8.78%	2.90%	5.22%	-2.47%	3.68%	5.54%
Hist. Cash Flow Growth (3-5 yrs)	19.92%	7.37%	8.55%	5.06%	7.62%	0.15%
Current Ratio	0.86	1.24	1.33	2.18	1.25	1.32
Debt/Capital	84.78%	43.67%	44.59%	76.20%	28.47%	48.53%
Net Margin	19.20%	19.20%	10.13%	30.04%	22.69%	22.20%
Return on Equity	-628.57%	31.21%	14.59%	91.98%	35.21%	52.94%
Sales/Assets	0.37	0.43	0.51	0.40	0.51	0.55
Proj. Sales Growth (F1/F0)	36.69%	4.93%	-1.40%	8.78%	-1.46%	3.59%
Momentum Score	C	-	-	B	D	B
Daily Price Chg	3.06%	2.15%	0.67%	3.01%	1.83%	2.19%
1 Week Price Chg	-2.10%	-0.08%	2.30%	-1.63%	1.95%	0.97%
4 Week Price Chg	-4.95%	-2.42%	4.87%	-4.58%	0.94%	4.08%
12 Week Price Chg	4.74%	1.96%	13.54%	6.08%	1.34%	7.53%
52 Week Price Chg	50.41%	19.44%	6.06%	21.55%	14.89%	-0.86%
20 Day Average Volume	6,661,349	2,271,245	2,006,991	2,023,856	5,676,863	7,919,530
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.02%	1.06%	1.95%	0.57%	1.58%	7.63%
(F1) EPS Est 12 week change	-1.71%	1.78%	2.72%	0.55%	2.29%	7.53%
(Q1) EPS Est Mthly Chg	1.73%	-0.67%	0.84%	-3.91%	-2.61%	3.47%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	C
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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