Abbvie Inc. (ABBV) Pitch

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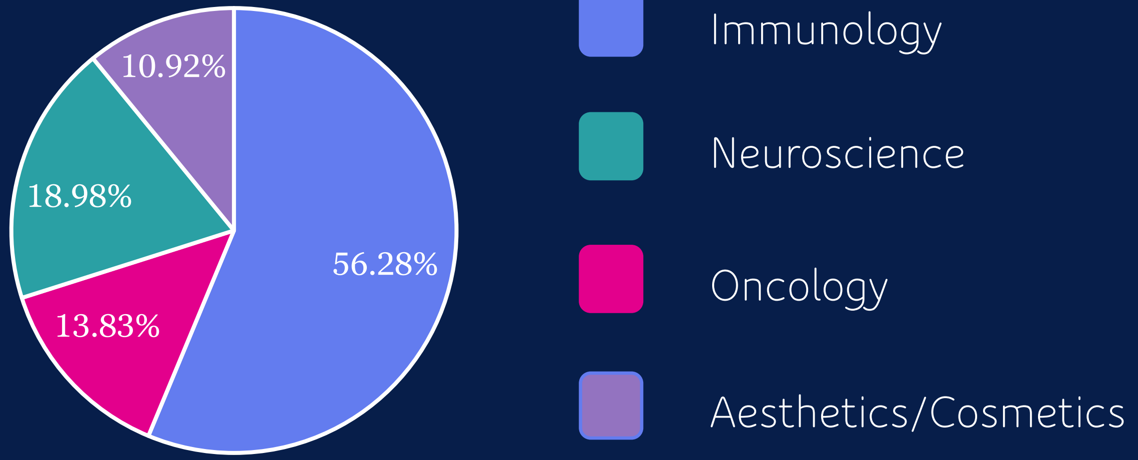
Executive Summary – Company Overview

- Headquarters: North Chicago, Illinois, USA
- Industry: Pharmaceutical Manufacturing / Healthcare
- CEO: Richard A. Gonzalez (since spin-off in 2013)
- Employees: ~50,000 globally
- Market Cap: ≈ $389B
- Core Areas: Immunology, Oncology, Neuroscience, Eye Care, Aesthetics
- Operates in 75+ countries
- Products in 200+ countries

ABBV Revenue by segments (2024)



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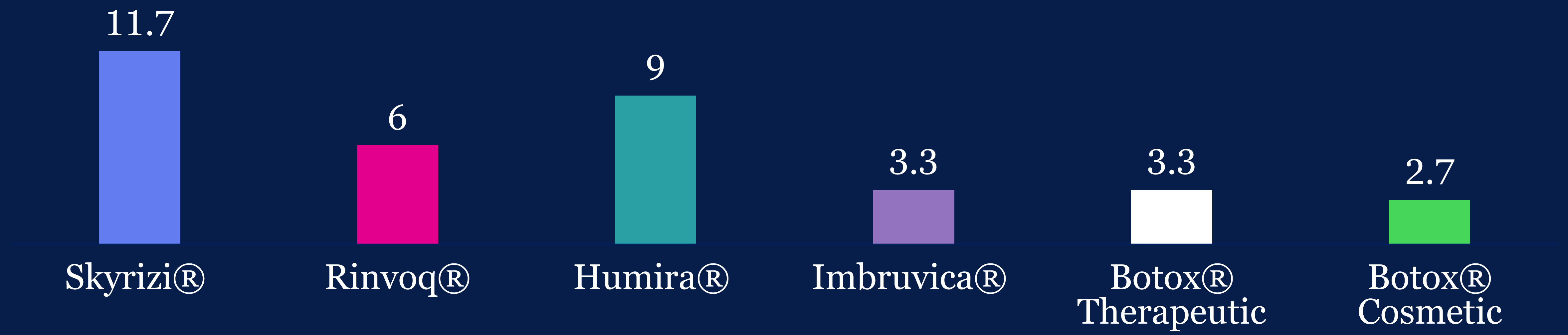
Executive Summary – Products and Services

ABBV Revenue by products (in $Billions / 2024)



- ≈ **90%+** of revenue from **prescription medicines** paid by insurance, government health plans, or patients.
- **Aesthetics** revenue comes from **out-of-pocket elective procedures** (e.g., Botox Cosmetic, Juvederm).
- Smaller income from **royalties, collaborations, licensing deals**, and **other eye-care** products.

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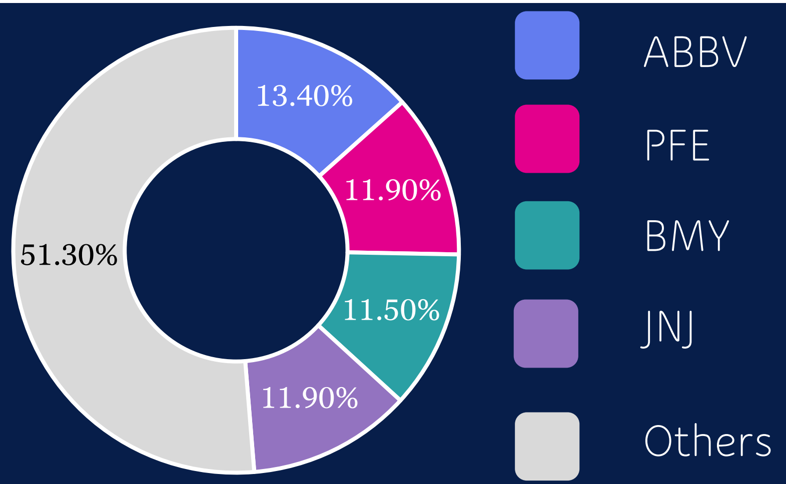
Executive Summary – Industry Overview

Growth Drivers:
- Growing Demand for Biologics & Specialty Drugs
- Expansion of Contract Development & Manufacturing
- Technological Advancements & Process Innovation

Risks:
- Regulatory Complexity & Compliance Costs
- Supply Chain Vulnerability
- Pricing & Margin Pressure

Market size (in $Billions)

Market Share (2024)



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Executive Summary – SWOT Analysis

Strengths
- Diversified portfolio
- Success with Skyrizi & Rinvoq

Weaknesses
- High debt burden from acquisitions
- Margins under pressure and limited innovation
- Slower growth, and accelertaing revenue decline

Opportunities
- Diversification into oncology
- Emerging market expansion as biologics access grows globally

Threats
- Severe Humira patent cliff, sales dropped >40% YoY
- Intense pricing pressure, U.S. Inflation Reduction Act, EU price caps could cut margins.

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Issues

Tariffs:

Starting Oct. 1, branded or patented pharmaceutical products brought into the U.S. are subject to a 100% tariff.

Active pharmaceutical ingredients (APIs) are globally sourced from China, India, and Europe.

This would raise the cost of finished drugs and compress profit margins.

R&D / Innovation Risks:

Despite efforts in neuroscience and other areas, AbbVie's R&D headcount has been reduced, potentially slowing innovation.

This workforce reduction raises risks about the pipeline's ability to replace lost revenue and sustain future growth.

Clinical trial failures or regulatory setbacks can result in billions in sunk costs.

Regulation and Pricing:

Effective Jan 1, 2026, the IRA implements Medicare negotiated prices.

The negotiated price for Imbruvica is set to decrease from $14,934 to $9,319

Program expands over time: 10 drugs in 2026 → 20 drugs by 2028+.

Financial Overview – Ratio Analysis

Liquidity Ratios	ABBV	JNJ	PFE
Current Ratio	0.66	1.11	1.17
Quick Ratio	0.55	1.03	0.92
Cash Ratio	0.04	0.48	0.02

Profitability Ratios	ABBV	JNJ	PFE
Operating Margin	23.49%	18.79%	12.61%
Net Profit Margin	7.61%	15.84%	12.60%

Leverage Ratios	ABBV	JNJ	PFE
Debt-to-Equity Ratio	1996%	43%	69%

Valuation Ratios	ABBV	JNJ	PFE
P/E Ratio	105.1	19.2	12.6
EPS	2.1	9.34	1.89

Financial Overview – DCF

- CAGR: 4.0 - 5.5%
- Beta: 0.52
- WACC: 6.15%
- LTGR: 3.5%
- Market Price: $220.61
- Implied Share Price: $172.89
- Shares Overvalued: 21.63%

Sensitivity Analysis

$172.89	5.90%	6.00%	6.15%	6.30%	6.50%
3.00%	158.5	152.1	143.4	135.41	125.86
3.25%	174.5	167	156.8	147.48	136.46
3.50%	193.9	184.9	172.6	161.71	148.82
3.75%	217.8	206.7	191.9	178.73	163.44
4.00%	248	234	215.5	199.44	180.98

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Financial Overview – Comps

EV/EBITDA

JNJ EV/EBITDA	19.45
ABBV EBITDA	17,523*
Equity Value	280,433*
Shares Outstanding	1,773*
Implied Share Price	$158.17
Market Share Price	$220.61
Company Overvalued	28.3%

PFE EV/EBITDA	13.07
ABBV EBITDA	17,523*
Equity Value	280,433*
Shares Outstanding	1,773*
Implied Share Price	$95.18
Market Share Price	$220.61
Company Overvalued	56.85%

Other methods

Through PE Multiples (JNJ and PFE), ABBV is overvalued by at least 78.92%, and using a Price to Cash Flow Multiple (JNJ), ABBV is overvalued by 74.42%

*=x 1,000,000

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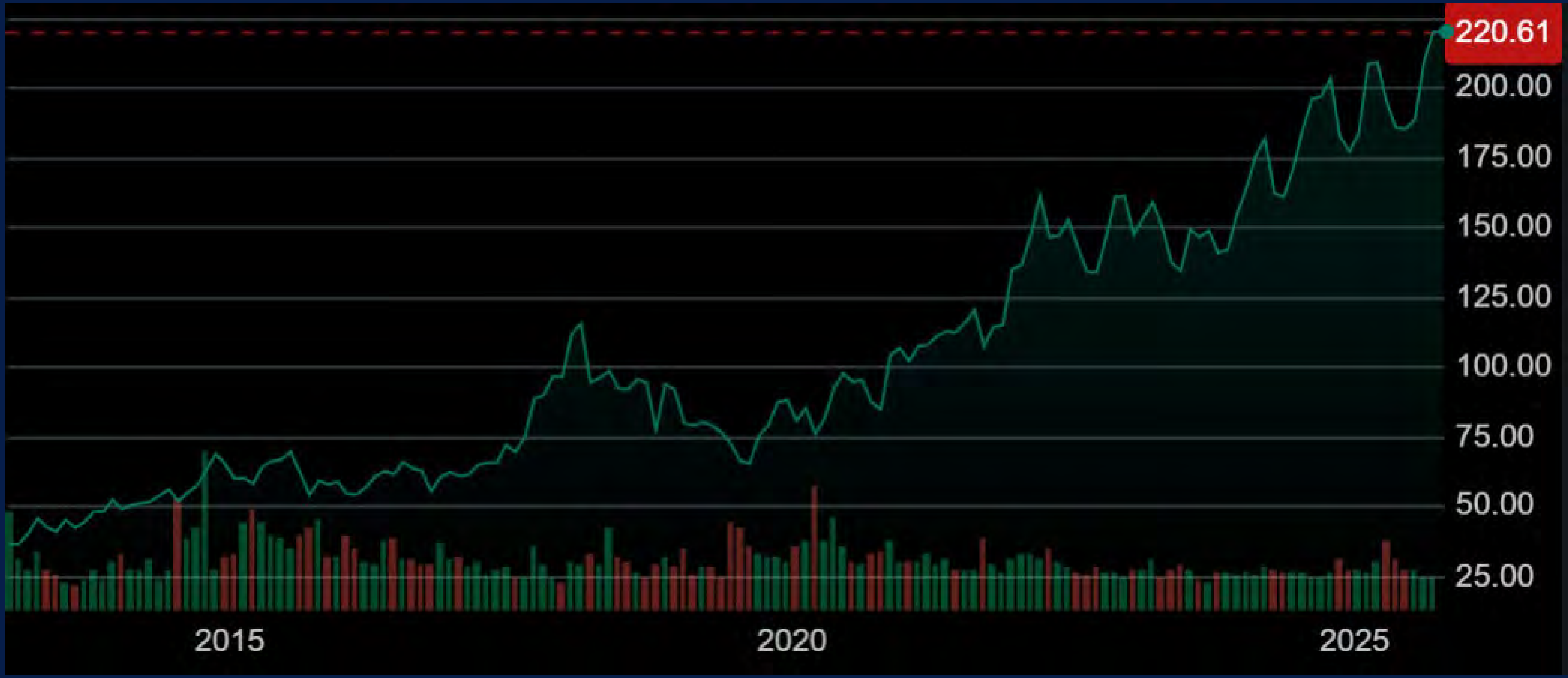
Historical Performance

- Bought in early 2010s
- Bought at $24.39
- Current Price: $220.61



- P&L: 805%
- 1Yr Retrun: 14.56%

Rationale

High Valuation	Innovation Pressure	Marginal losses	Rising Debt Levels
ABBV is trading at an elevated P/E ratio compared to peers and historically, indicating it may be overvalued and vulnerable to a correction despite performance. Found to be overvalued through DCF and Comps.	Reduction in R&D headcount raises concerns about the sustainability of AbbVie's future growth prospects, slowing new product development. Also, they do not have enough cash for relevant acquisitions, especially with their debt levels.	As their margins are pressured by generic's prices, and EU price caps, profitability and cash flow is expected to decrease in the long-term.	AbbVie has accumulated substantial debt due to acquisitions. This increased leverage pressures financial flexibility and weigh on profit margins amid rising costs and uncertainties. Also limits spending in R&D and new acquisitions.

Portfolio Impact

Before

Sharpe Ratio	0.31
Jensen Alpha	-7.82
Treynor	0.06
Beta	0.83

After

Sharpe Ratio	0.31
Jensen Alpha	-7.88
Treynor	0.06
Beta	0.83

Recommendation

Recommendation: Sell 100 shares (~$22,061)

OR

Hold

Untitled form