US EQUITY RESEARCH

05 September 2025

Abbvie Inc

Biosimilar pressure remains major risk

Company Overview

AbbVie is a leading biopharmaceutical company. It discovers, develops, manufactures, and commercializes drugs for the treatment of chronic and complex diseases, including metabolic and rheumatological diseases, neurological disorders, and skin diseases. Its only operates in the pharmaceutical products segment. Its 4 key therapeutic areas in FY24 by revenue share was Immunology: 47%, Oncology: 12%, Neuroscience: 16%, Aesthetics: 9%.

Investment Overview

Growth led by Immunology and Neuroscience. 2Q25 adjusted EPS grew 12% y/y to USD2.97, driven by revenues of USD15.4bn up 7% y/y thanks to continued momentum in the Immunology and Neuroscience segments. Immunology revenue surged 10% y/y to USD7.6bn, with Skyrizi up 62% y/y to USD4.4bn and Rinvoq up 42% y/y to USD2.0bn, effectively offsetting a 58% y/y drop in Humira revenue to USD1.2bn. Neuroscience grew 24% y/y to USD2.7bn, driven by gains in Vraylar, Botox Therapeutic, Ubrelvy and Qulipta. The adjusted operating margin stood at 44.3%, aided by disciplined SG&A and R&D spend. Free cash flow remained robust as management continues executing on cost efficiency and innovation investments.

External risks linger. Management reaffirmed continued strong uptake of Skyrizi and Rinvoq, further Neuroscience expansion and strategic R&D via M&A as key volume drivers. However, risks persist, such as tariff exposure – especially the 15% US–EU pharma duty, biosimilar erosion in Oncology, and macro-economic challenges in aesthetic markets with weaker consumer demand. Margin pressure is another concern, with continued investment in late-stage pipeline assets diluting near-term profitability.

Loss of exclusivity triggering a sharp biosimilar-driven erosion. Humira has seen huge sales dips amid biosimilar competition, underscoring the steep revenue cliff left by the patent expiry. While management has moved quickly to diversify through internal R&D, licensing deals and acquisitions, the company's ability to offset these expirations will lie on sustaining double-digit growth from its new immunology portfolio and replenishing the pipeline with next-gen assets before further exclusivity loss.

We have a HOLD rating on AbbVie, with TP of USD208.00. Our TP is based on 15.4x 25F PE, 1.1 S.D. above its five-year average. AbbVie's reliance on only a handful of drugs to steer its business remains a risk. The generic competition for Humira biosimilars coupled with slowdown in aesthetic products add to the mix.

Risks

Continued headwinds of Humira patent expiry. Despite an optimistic outlook for AbbVie's immunology portfolio and other key products in gradually covering up Humira patent cliff, a difficult near-term is expected for the company. A painful transition period may be ahead and stock price may stagnate during the period.

Analyst

Nico Chen | dbsvhk@dbs.com

Key Financial Data (FY Dec)

Bloomberg Ticker	ABBV US
Sector	Health Care
Share Price(USD)	210.40
DBS Rating	HOLD
12-mth-Target Price (USD)	208.00
Market Cap (USDbn)	373.34
3m Avg. Daily Val (USDmn)	1,065.83
Dividend yield (%)	2.95
Net Debt/Equity (x)	28.17
Fwd. P/E (x)	15.57
P/Book (x)	112.19
ROE (%)	261.62

Closing Price as of 29/08/2025

Source: Twelve Data, DBS, Visible Alpha

Abbvie Inc Share Price

Source: Twelve Data

Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	58,054	54,318	56,334	60,730	66,118
% y/y	*3.4*	*(6.4)*	*3.7*	*7.4*	*8.9*
Gross Profit	49,441	45,672	47,387	50,541	55,295
% y/y	*5.7*	*(7.6)*	*3.8*	*7.9*	*9.4*
EBITDA	30,961	25,545	24,104	29,886	34,380
% y/y	*12.7*	*(17.5)*	*(5.6)*	*17.6*	*15.2*
Net Profit	24,597	19,769	18,001	21,382	25,307
% y/y	*16.3*	*(19.6)*	*(8.9)*	*18.8*	*18.3*
FCF	24,248	22,062	17,832	20,129	24,967
% y/y	*10.3*	*(9.0)*	*(19.2)*	*12.9*	*28.6*
CAPEX	695.0	777.0	974.0	856.4	925.7
% y/y	*(11.7)*	*11.8*	*25.4*	*(12.1)*	*11.1*
EBITDA Margin (%)	53.3	47.0	42.8	49.2	52.0
Net Margin (%)	42.4	36.4	32.0	35.2	38.3
ROA (%)	17.2	14.5	13.3	15.8	18.5
ROE (%)	150.3	142.8	261.6	2,564.5	30,885.6
Tax Rate (%)	13.0	15.7	17.4	16.9	16.2

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	11.7	13.9	17.5	17.4	14.7
P/B (x)	16.7	26.5	94.8	187.8	41.4
Dividend Yield (%)	3.5	3.8	3.5	3.1	3.2
EV/EBITDA (x)	8.9	9.6	11.9	14.5	12.6
FCF Yield (%)	8.4	8.0	5.7	5.4	6.7

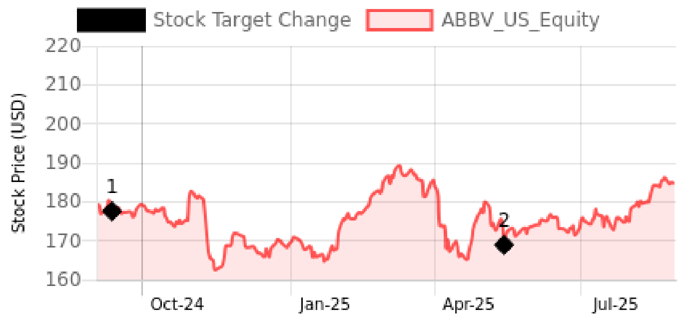
Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	366.0	571.2	1,996.0	19,614.3	5,871.8
Net Debt / Equity	3.1	4.5	18.5	28.2	5.1
Debt / Assets	45.6	44.1	49.7	48.9	44.6
Net Debt / Assets	0.4	0.3	0.5	0.4	0.3
ST Debt / Total Debt	0.1	0.1	0.1	0.1	0.1
Debt / EBITDA	2.0	2.3	2.8	2.2	1.8
[Cash + CFO] / ST Debt	8.3	5.0	3.6	4.5	6.0
Receivables Days	70.8	75.0	70.7	74.0	73.6
Inventory Days	22.5	27.5	27.1	26.9	26.6

Source: Visible Alpha

Target Price & Ratings History - Abbvie Inc (ABBV_US_Equity)



#	Date of Report	Closing Price	12-m Target Price	Rating
1	12 Sep'24	194.02	183.00	HOLD
2	14 May'25	188.00	188.00	HOLD

Source: DBS HK
Analyst: Nico Chen

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Share price appreciation + dividends

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