The Henry Fund
Henry B. Tippie College of Business
Caleb Tammen [caleb-tammen@uiowa.edu]

HF RESEARCH HenryFund.Org

Abbott Laboratories (ABT)

April 10, 2024

Healthcare – Medical Devices

Stock Rating	**Buy**

Investment Thesis

We recommend a buy rating on Abbott Laboratories with a target price range of $121-$130, representing potential upside of 14% to 23%. While the market focuses on recent top line underperformance as COVID revenues decrease, we focus on the robust growth pipeline ahead and strong performance across the core businesses.

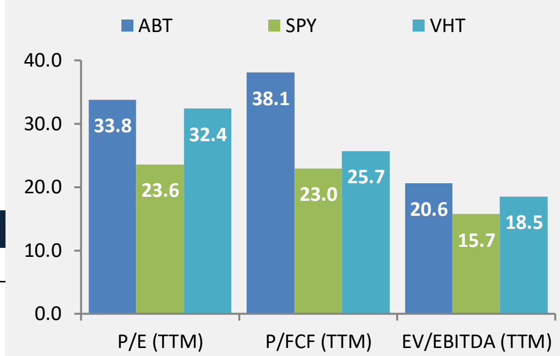
Drivers of Thesis

- As emerging markets continue to experience population growth and urbanization, ABT could see top and bottom-line growth as more individuals gain access to crucial health care services.
- FreeStyle Libre could continue to see sustained growth through Ozempic/Mounjaro tailwinds as the device generates roughly $1,000 in recurring annual revenue per user, coupled with 38% of the U.S. population classified as prediabetic.
- Strategic placement of manufacturing facilities could provide operational protection from potential supply chain disruptions.

Risks to Thesis

- Delayed or disappointing product launches could affect our growth expectations and could be grounds to lower our top-line CAGR of 5.4% through 2033.
- Given that ABT generates roughly 62% of revenue outside of the U.S., their exposure to geopolitical and economic instability in emerging markets may warrant the use of a country risk premium, increasing our discount rate of 7.86%.
- Product-orientated lawsuits may result in litigation expenses and a declining public image and could slowly eat away at our operating and net margin forecasts of 22.3% and 20.2%, respectively.

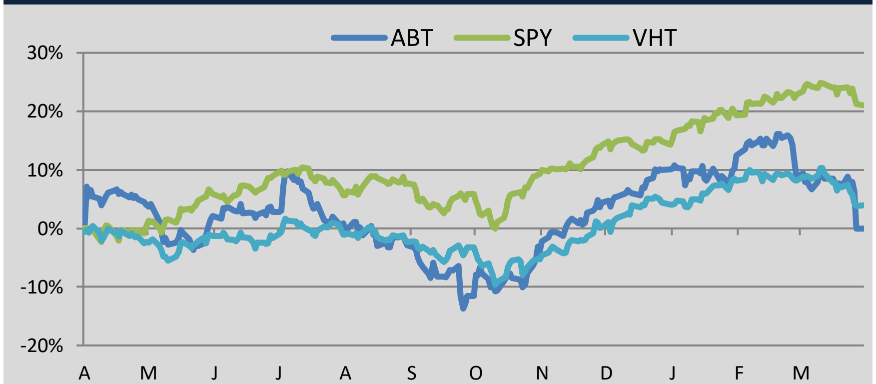
Target Price	**$121-130**
Henry Fund DCF	$130
Henry Fund DDM	$121
Relative Multiple	$129
Price Data	
Current Price	$105.90
52wk Range	$89.67 – 121.64
Consensus 1yr Target	$126.73
Key Statistics	
Market Cap (B)	$192.3
Shares Outstanding (M)	1,735
Institutional Ownership	77.1%
Beta	0.77
Dividend Yield	2.0%
Est. 5yr Growth	7.8%
Price/Earnings (TTM)	33.9
Price/Earnings (FY1)	24.0
Price/Sales (TTM)	4.8
Price/Book (mrq)	5.0
Profitability	
Operating Margin	20.1%
Profit Margin	14.3%
Return on Assets (TTM)	6.1%
Return on Equity (TTM)	15.1%



Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$3.97	$3.94	$3.28	$3.44	$4.02	$4.62
HF Est.	-	-	-	$3.63	$4.14	$4.61
growth	*57.6%*	*-.01%*	*-16.8%*	*10.7%*	*14.0%*	*11.4%*

12 Month Performance



Company Description

Abbott Laboratories is a leading global healthcare company and operates through five segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, Medical Devices, and Other. Notable acquisitions include Bigfoot Biomedical to advance as a leader within the diabetes care space, along with Cardiovascular Systems Inc. to create the future of vascular care[1].

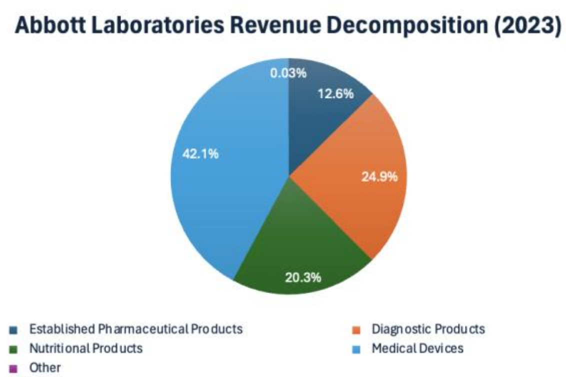
Important disclosures appear on the last page of this report.

COMPANY DESCRIPTION

Abbott Laboratories is a leading global healthcare company that engages in the development, manufacturing, and sale of key pharmaceutical products and medical devices. The company operates through five segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, Medical Devices, and Other. Abbott Laboratories has a significant global presence, serving more than 160 countries in the Asia Pacific region, the Middle East, Africa, and the Americas. Through the development of various breakthrough products, the company has been able to maintain a strong track record of profitability with gross margin of roughly 50%, operating margin of 16%, and net profit margin of 14%. More advanced medical devices and pharmaceuticals remain as key avenues for growth and innovation. Notable acquisitions include Bigfoot Biomedical to advance as a leader within the diabetes care space, along with Cardiovascular Systems Inc. to create the future of vascular care[1].

Business Segments

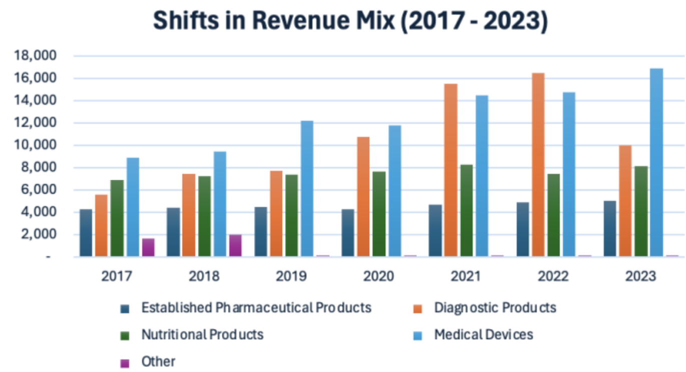
Although Abbott Laboratories generates revenue through five segments, only four have a material impact on net revenue YoY (Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices). Thus, the focus will be on these primary revenue drivers in the following discussion.



Source: ABT 10K

In 2023, the company generated revenues of $40.1 billion, which consisted of $5.1 billion from Established Pharmaceutical Products, $10.0 billion from Diagnostic Products, $8.1 billion from Nutritional Products, and $16.9 from Medical Devices. Additionally, 61.5% of revenue came from international markets. The remaining 38.5% came from the United States.

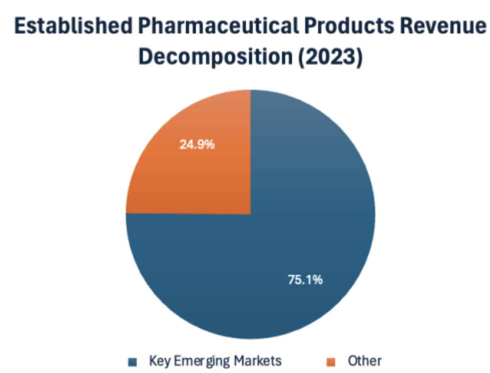
In 2012, ABT's board of directors approved a spinoff of AbbVie, a research-based biopharmaceutical company. Since this spinoff, ABT's revenue mix has been largely dominated by medical devices, except in 2021 and 2022, when Diagnostic Products saw a sharp increase in revenues attributable to COVID-19. Looking forward, we expect Medical Devices to remain as the main revenue driver. The following displays the historical revenue mix from 2017 – 2023:



Source: ABT 10K

Established Pharmaceutical Products

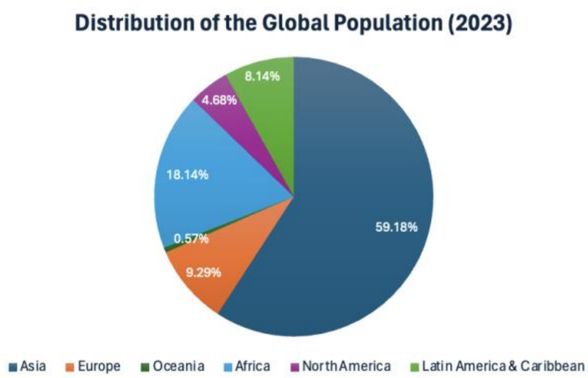
As of FYE 2023, revenue attributable to the Established Pharmaceutical Products segment represented $5.1 billion, or 12.6% of net revenue. This segment is driven by a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets[2]. These products are sold to a wide variety of customers including wholesalers, distributors, government agencies, health care facilities, and pharmacies[2].



Source: ABT 10K

Key emerging markets revenues are tied to the sale and distribution of gastroenterology products, women's health products, cardiovascular and metabolic products, pain and central nervous system products, and respiratory drugs and vaccines. The primary markets that drive the majority of revenue are countries in Latin America, Southeast Asia, the Middle East, and Africa. Through the consultation with pharmacists, physicians, and other healthcare providers, ABT tailors their product offerings to meet the specific needs of a market's respective countries. For example, ABT heavily markets Thyronorm in India, as it is estimated that roughly 42 million individuals in India suffer from thyroid issues[3].

In our view, the primary driver of growth in the pharmaceutical industry lies in the developing world. Our thinking revolves around two main points: (1) an overwhelming majority of the global population lives in the developing markets across Latin America, Southeast Asia, the Middle East, and Africa[4], and (2) developing markets are fueling growth in the global middle class. As of June 2023, the global middle class amounted to 4 billion people, and is projected to reach 5 billion by 2031[5]. The following image provides visual insights into the distribution of the global population:

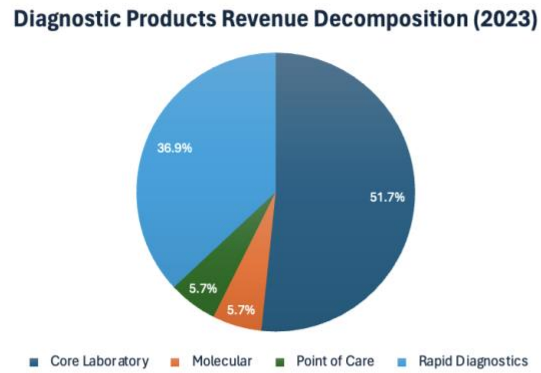


Source: Statista

In a way, these points intertwine, meaning as the population continues to grow and more individuals join the middle class, ABT could capture significant top-line growth. Our revenue forecasts for 2024 and 2025 align with consensus estimates, anticipating growth rates of 6.2% and 7.3%, respectively. From 2026 onward, our forecasts drift as we incorporate our views mentioned above, resulting in revenue of $9.0 billion by 2033.

<u>Diagnostic Products</u>

As of FYE 2023, revenue attributable to the Diagnostic Products segment represented $10.0 billion, or 24.9% of net revenue. The Diagnostic Products segment is home to a broad line of diagnostic systems and tests that are manufactured, marketed, and sold worldwide[2]. These products are sold to a wide variety of health care providers including blood banks, hospitals, commercial laboratories, clinics, physicians' offices, retailers, government agencies, and plasma protein therapeutic companies[2].



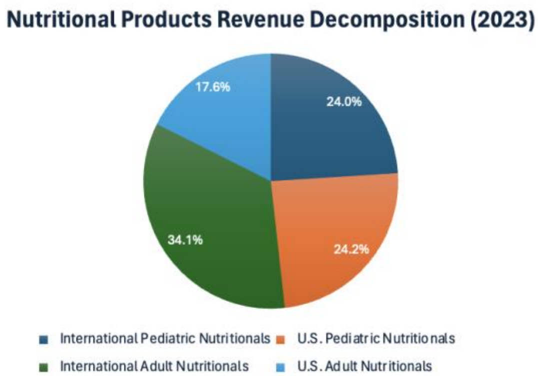
Source: ABT 10K

Core Laboratory revenues are largely driven through systems used for screening and/or diagnosis for cancer, cardiac and metabolic disorders, drugs of abuse, thyroid function, fertility, and various infectious diseases[2]. Additionally, Rapid Diagnostics revenues are driven through the testing of various infectious diseases including influenza, HIV, hepatitis, malaria, and dengue fever[2]. Molecular revenues are driven by the instruments that extract, purify, and prepare DNA and RNA from patient samples to detect infectious agents mentioned above[2]. Point-of-Care revenues are driven through systems that enable testing and analysis to be conducted near a patient. This largely includes testing blood gas, electrolytes, and coagulation and immunoassay[2].

Our outlook for the Diagnostic Products segment follows a similar approach in the sense that emerging markets serve as the key growth driver. Our viewpoints originate around the dramatic differences in cancer screening and diagnosis compared to the developed world. Using the Human Development Index (HDI) as a proxy to measure this difference, we discovered that women in countries with a low HDI (emerging/developing countries) are 50% less likely to be diagnosed with breast cancer than women in countries with a high HDI[6]. Additionally, more than 35 million new cancer cases are predicted by 2050, representing a 77% increase from predicted levels in 2022[6]. Given the statistics mentioned above, it is likely that this increase will not be evenly distributed across emerging/developing markets and developed markets. We believe that ABT will recognize the increasing need to provide these markets with crucial equipment focused on the detection of various forms of cancer and other diseases over our forecast horizon. Our revenue forecasts for 2024 and 2025 align with the consensus estimates, anticipating growth rates of -7.6% and 6.7%, respectively. The growth rate in 2024 reflects a 29.3% decline in the Rapid Diagnostics stream, partially offset by Point-of-Care and Core Laboratory. From 2026 onward, our forecasts drift as we incorporate our views mentioned above, resulting in revenue of $14.7 billion by 2033.

Nutritional Products

As of FYE 2023, revenue attributable to the Nutritional Products segment represented $8.1 billion, or 20.3% of net revenue. The Nutritional Products segment is home to a broad line of pediatric and adult nutritional products that are manufactured, marketed, and sold worldwide[2]. These products are sold primarily to consumers; however, revenue is also generated through institutions, wholesalers, retailers, health care facilities, and third-party distributors[2].



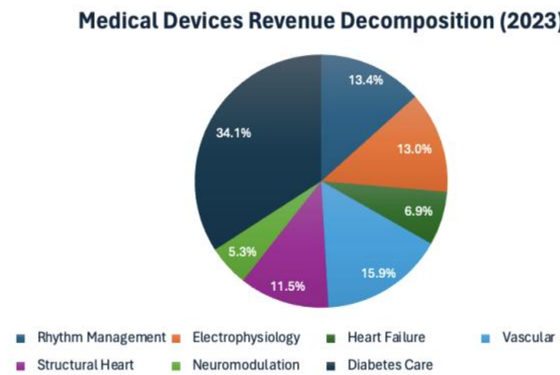
Source: ABT 10K

Revenues for the International Adult and U.S. Adult Nutritionals streams are driven by the sale of extensive product offerings such as Ensure, Glucerna, and ProSure[2]. Ensure is typically thought of as a meal replacement protein shake, while Glucerna and ProSure are targeted towards individuals with certain diseases, such as diabetes and cancer. Revenues for International Pediatric and U.S. Pediatric Nutritionals are largely driven by the sale of infant and follow-on formula through product offerings such as Similac, EleCare, and Grow[2].

Unlike Established Pharmaceuticals and Diagnostics Products, we do not have a strong viewpoint as to which market will serve as the primary drive of growth. Instead, our forecasts largely considered two factors: (1) the global meal replacement shakes industry is expected to generate roughly $7 billion by 2032, representing a CAGR of 9.1% from 2023 to 2032[7], and (2) the infant formula industry is expected to generate roughly $66 billion by 2028, representing a CAGR of 5.6% from 2023 to 2028[8]. For these reasons, we forecast moderate growth in each stream of the segment, with a slightly higher growth percentage allocated to adult nutritionals. We believe that Protality, a supplemental shake centered on providing nutrition for adults pursuing weight loss, has the potential to become a significant catalyst for growth in this segment. Our revenue forecasts for 2024 and 2025 align with the consensus estimates, anticipating growth rates of 6.1% and 4.5%, respectively. From 2026 onward, our forecasts drift incrementally, although they largely follow consensus estimates given the viewpoints mentioned above. By 2033, we expect revenue of $12.3 billion.

Medical Devices

As of FYE 2023, revenue attributable to the Medical Devices segment represented $16.9 billion, or 42.1% of net revenue. The Medical Devices segment is home to a broad line of various medical devices frequently used in health care. These products are sold to a wide variety of health care providers including hospitals, ambulatory surgery centers, and physicians' offices[2].



Source: ABT 10K

Many products go into the revenue generation for each stream in this segment, thus we will briefly touch on key categories within each:

1. **Rhythm Management:** pacemaker systems, implantable cardioverter defibrillators, and implantable cardiac monitors.
2. **Electrophysiology:** ablation catheters, cardiac mapping systems, and catheter introducers.
3. **Heart Failure:** left ventricular assist devices, pulmonary artery sensors, and mechanical circulatory support systems.
4. **Vascular:** drug-eluting coronary stent systems, vessel closure devices, coronary balloon dilatation products, and vascular stents.

5. **Structural Heart:** valve transcatheter repair systems, valve replacement devices, and heart valves.
6. **Neuromodulation:** spinal cord stimulators and brain stimulation systems.
7. **Diabetes Care:** continuous glucose and blood glucose monitoring systems such as sensors and test strips.

Our forecasts for this segment revolve around two factors: (1) the medical devices industry is expected to generate roughly $638 billion by 2028, representing a CAGR of 5.7% from 2024 to 2028[9], and (2) the diabetes care industry is expected to generate roughly $44 billion by 2028, representing a CAGR of 11.3% from 2024 to 2028[10]. We believe the largest catalyst for growth comes through ABT's continuous glucose monitoring system, FreeStyle Libre. As expressed in the Q1 2024 earnings call, this product continues to see expansion of reimbursement coverage[14]. In our view, this expansion will contribute to individuals choosing to use Libre over offerings provided by competitors. Our revenue forecasts for 2024 and 2025 align with the consensus estimates, anticipating growth rates of 9.8% and 9.4%, respectively. From 2026 onward, we incorporate our views mentioned above, resulting in revenue of $34.7 billion by 2033.

Cost Structure Analysis

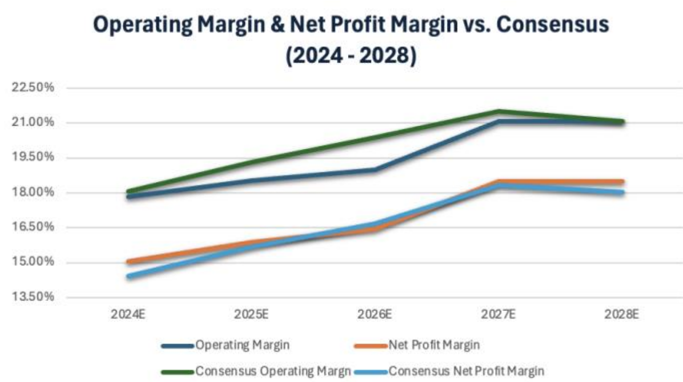
ABT reports incurred costs through three line items: cost of product sold, research and development, and selling, general, and administrative. Given the consistent nature of these costs in recent years, we forecasted each of these line items as the average percentage of sales from 2020 to 2023. The averages were 40.5%, 6.7%, and 26.8%, respectively. To arrive at our forecasts in each year, these averages were multiplied by our net revenue estimates.

It is important to note that given ABT's international presence, the company frequently enter into foreign currency forward contracts to manage its exposure to foreign currency fluctuations. According to their recent 10K, this hedging activity is aimed at managing cost variability, and when the hedged products are sold, the gains or losses from these hedges are recognized in the cost of product sold. In the future, if ABT expects a foreign currency to weaken and sets up a hedge to protect against this, but the currency strengthens, the company could end up paying more than it would have without the hedge, potentially eating away at our margin forecasts mentioned below.

Operating and Net Profit Margin

Our incremental increases in operating margin reflect our assumption of no further acquisitions, leading to the full amortization of intangible assets. Our forecasts for intangibles followed the amortization schedule reported in the latest 10K up until 2028. From that point onward, we calculated an implied amortization rate of 13.6%, and applied that to our forecasts for intangible assets. On the other hand, we expect net profit margin to follow a similar trend over the forecast period. This increase is attributable to our assumption that ABT will begin to pay down its debt levels, reducing the interest expense shown on the income statement. We assume no new debt issues over our forecast period and follow the long-term debt schedule reported in the latest 10K.

The below image displays our forecasts for both operating and net profit margin compared to consensus estimates:



Source: Henry Fund Model

Product Pipeline

In the past few earnings calls, management has consistently expressed strong expectations for their pipeline. As discussed in more in depth below, we believe management handled the unique opportunity that COVID brought upon the company exceptionally well. Pipeline activity is currently taking place across the entire company, and we highlight the focus for each segment below:

- In Established Pharmaceutical Products, commercialization of biosimilars in emerging markets[14].
- In Nutritional Products, investments in science-based solutions to address emerging medical needs with an emphasis on the adult nutrition stream[14].

- In Diagnostic Products, development of new tests, new instruments, and a new laboratory automation solution[14].
- In Medical Devices, development of numerous products across all streams. In 2023, the company received 10 new product approvals[14].

The following table provides insights into a few products highlighted by management in recent earnings releases and at JP Morgan's Health Care Conference that although are already approved, are characterized as "early innings":

Product Name	Segment	Status
Libre	Medical Devices	Approved
AVEIR	Medical Devices	Approved
CardioMEMS	Medical Devices	Approved
TriClip	Medical Devices	Approved
Protality	Nutritional Products	Approved
Alinity	Diagnostics	Approved

Source: Q1 Earnings Transcript, J.P. Morgan Health Care Conference

Our takeaway from managements "early innings" comment relates to many of these products being introduced very recently, with ample growth ahead. Many of these products are expected to continue to see innovations, and management continues to express these as catalysts for the next 12 to 18 months[14].

The table below displays a few products that management expresses as longer-term pipeline products:

Product	Expected Release
Volt Pulsed Field Ablation System	2026/2027
Bio Wearables	2026/2027

Source: Q1 Earnings Transcript

Looking forward, we view the products mentioned above as key growth catalysts and are particularly attracted to the potential of ABT's continuous glucose monitoring system, FreeStyle Libre. For reasons discussed further below, we have a positive outlook for Libre given the current trend of GLP-1 usage.

Debt Maturity Analysis

We believe ABT has done an exceptional job at deleveraging its balance sheet. Prior to 2016, ABT held roughly $5.8 billion in long-term debt. With the acquisition of St. Jude Medical Inc. in 2016, ABT issued $15.1 billion of medium and long-term debt with rates ranging from 2.35% to 4.90%[2]. An additional increase in long-term debt came in 2017 with the acquisition of Alere, adding roughly $5 billion to the balance sheet[2]. Since these recent acquisitions, ABT has consistently paid down debt levels, and management has reiterated their focus on adding strategic fits, not just businesses that pad the top-line. We believe their debt rating of AA- is supported by this. Below we discuss our expectations going forward, along with a five-year debt maturity schedule:

Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mil)
2024	$1,100
2025	1,500
2026	3,000
2027	656
2028	651
Thereafter	8,000
Total Debt Principal	$14,907

Source: ABT 10K

Assuming no further acquisitions, we believe ABT will continue to pay down its debt. The company had roughly $7.3 billion in cash & equivalents and generated strong operating cash flow of $7.2 billion in 2023. Additionally, the company has a four-year average interest coverage ratio of 12.7.

ESG Analysis

In December 2020, ABT unveiled its 2030 Sustainability Plan. The plan is aimed at helping individuals across the world live their healthiest lives. Key areas of focus include making access and affordability core to new product innovation, transforming care for chronic disease, malnutrition, and infectious diseases, and advancing health equity through partnership.

Below we display ABT's ESG risk rating and industry rank as it compares to the peer group we have identified:

Company	ESG Rating	
Abbott Laboratories (ABT)	23.2	Medium
Medtronic (MDT)	22.5	Medium
Boston Scientific Corp. (BSX)	23.2	Medium
Stryker (SYK)	24.6	Medium
Edwards Lifesciences (EW)	23.9	Medium

Source: Morningstar Sustainalytics

Environmental

ABT's environmental initiatives have a key focus on energy efficiency in their manufacturing operations, low-carbon energy investments, transportation fleet efficiency, and reducing their supply chain carbon footprint[12]. Through these initiatives, ABT aims to reduce absolute Scope 1 and 2 emissions by 30% by 2030[12]. Additionally, ABT aims to achieve and maintain a waste diversion rate of at least 90% by 2030[12].

Social

In our view, ABT has a strong focus on driving access to and transforming care for various diseases throughout the world. Key progress that sticks out to us include:

1. Sponsoring a pilot initiative with the goal of reducing health inequities and barriers to tools and technology for diabetes management[12].
2. Introducing the Abbott Pandemic Defense Coalition, a global network dedicated to identifying emerging viral threats that help prevent future pandemics[12].

Governance

From a governance standpoint, we believe ABT is positioned favorably. ABT does have CEO duality, meaning that the CEO also serves as the chairman of the board. Although we would prefer to see separation of these roles, it is important to note that 92% of the Board is an independent director[13]. Additionally, the Board is becoming increasingly diverse, with 42% being women and 25% being racially/ethnically diverse[12]. Lastly, the average tenure for the Board and management is 6 and 19 years, respectively[13].

RECENT DEVELOPMENTS

Recent Earnings Announcement

Abbott Laboratories reported Q1 2024 results on April 17, 2024. Robert Ford, Chairman and CEO, highlighted the company's strong organic sales growth of 10.8% YoY in the reported quarter (excluding COVID testing), resulting in Q1 revenue of $9.96 billion. Adjusted EPS finished the quarter at $0.98, decreasing 4.9% from the prior-year quarter's level.

Compared to Street consensus, ABT's revenue and EPS results exceeded market expectations by 0.89% and 2.81%, respectively. We believe this reflects the company's strategy of reinvesting revenues attributable to COVID in recent years into more than 25 growth opportunities, including new products and geographic expansions. Management attributed the strong outperformance to several key factors. First, strong organic sales growth of 15.4% YoY in key emerging markets, led by growth in respiratory, women's health, and central nervous system/pain management[14]. Secondly, the success of their leading continuous glucose monitoring system, FreeStyle Libre, led to Diabetes Care reporting organic sales growth of 20.7% YoY[14]. Lastly, several new product launches within the medical devices segment led to four of the seven businesses posting double-digit growth[14]. Looking forward, we expect ABT's pipeline to continue to deliver sustained organic sales growth.

Management's guidance reflects their optimism regarding a strong and diverse product pipeline, as they provided revised forecasts for organic sales growth (excluding COVID testing) ranging from 8.5% to 10% (from 8.0% to 10%) and adjusted EPS of $4.55 to $4.70 (from $4.50 to $4.70). Although the Henry Fund forecasts EPS on a GAAP basis ($3.63), we are largely in line with revenue guidance, excluding our forecasted declines in COVID testing.

COVID-19 Impact

It is clear to us that COVID-19 disrupted ABT's growth trajectory in the near term (2020 to 2023). Out of the 17 revenue streams within the company's four segments, 11 experienced negative growth in FY20. It should come with no surprise that the Diagnostic Products segment held up the top-line, posting YoY growth of 40.1%. Within the segment, Molecular grew 225.3% YoY, while Rapid Diagnostics grew 113.0%. In our view, management handled these sharp increases exceptionally well by deploying COVID revenues into future growth drivers.

Although the Molecular and Rapid Diagnostic streams have experienced steady revenue declines since the height of the pandemic, we believe COVID-19 had a *significant* net positive impact to future, longer-term growth prospects. Our belief is centered around the large influx of revenue from these segments that enabled the company to invest an additional $400 million into R&D, setting the stage for future growth well beyond the pandemic's immediate impact.

FDA Approvals & Clearances

Given ABT's extensive product pipeline, we view it as important to provide insights into key victories as we look ahead to future growth drivers for the company. In April 2024, ABT received FDA approval for TriClip and FDA clearance for i-STAT's TBI cartridge. The following provides insights into what these products are, and our outlook on future growth:

1. The TriClip transcatheter edge-to-edge repair (TEER) system is designed for the treatment of a leaky tricuspid valve (one of four valves in the heart), which affects more than 1.6 million individuals in the United States[16]. With the tricuspid valve repair market forecasted to see revenues of $1 billion by 2030 (5.9% CAGR)[17], we expect this product to contribute to incremental revenue growth in the structural heart stream in the years ahead.
2. The i-STAT traumatic brain injury (TBI) cartridge is a whole blood test that runs on ABT's existing i-STAT Alinity device[18]. The clearance enables testing to be conducted outside of traditional healthcare settings, such as on the sidelines of sporting events. Nearly 5 million individuals go to hospital emergency rooms for a traumatic brain injury in the United States each year, with less than half receiving a screen for concussions[18]. In our view, with the extremely quick result timeline (15 minutes), hospitals and patients will elect to have this test conducted more frequently, driving incremental top-line growth.

INDUSTRY TRENDS

Increasing Cybersecurity Controls

Medical devices, whether they are connected to a hospitals network or are worn by an individual, all connect to the internet to share important information relating to a patient's health and wellbeing. As technology continues to increase, there is potential for these devices to be impacted by security breaches and cyber-attacks, which could lead to the decrease in the safety and the effectiveness of the device.

With the passage of the Consolidated Appropriations Act of 2023, the Food and Drug Administration (FDA) is now required by law to include cybersecurity in its review of medical devices that contain software and connect to the internet[19]. The cybersecurity guidance is required to be updated by the FDA every two years[19].

Although companies operating within this industry likely have the security of their devices in mind, in our view, there is potential for R&D efforts to go to waste and pipeline products to be delayed in the future. Our concern is centered around the potential change in guidance every two years. Looking forward, device manufacturers must ensure they keep up with changes to ensure premarket submissions are acceptable.

Minimally Invasive Procedures

Minimally invasive procedures are performed through tiny incisions rather than large cuts that are required in traditional open surgeries. Patients often elect to have these procedures to reduce trauma and scarring, have quicker recovery times, and have a lower risk of complications.

The expected minimally invasive surgical instruments market is expected to experience a CAGR of 10.4% from 2024 to 2030. This is largely driven by improving healthcare infrastructure and increasing government initiatives across the globe.

According to Grand View Research, North America is the largest market for minimally invasive procedures, while parts of Asia and Australia are the fastest growing markets[20]. In our view, firms that have a multinational scope are likely to see favorable tailwinds in the future. Our attraction to ABT's diversified revenue streams is supported by this trend, as 61.5% of revenue across all segments is attributable to international markets, while the remaining 38.5% is generated through the United States[2].

Glucose Monitoring Systems

Glucose monitoring systems are expected to see strong demand as the prevalence of diabetes increases. GLP-1s are also expected to continue to provide favorable tailwinds. The global glucose monitoring system market is expected to reach a market size of roughly $35 billion by 2030, representing a CAGR of 7.5%[25]. Compared to well-known producers of CGM systems (DXCM and MDT), ABT has established a strong lead in the market. In 2023, ABT reported CGM sales of $5.3 billion, while DXCM and MDT reported CGM sales of $3.6 billion and $2.3 billion, respectively[31]. We view this trend as an opportunity to continue to gain share in this market, as more than 40% of people with diabetes in the U.S. that use Abbott's FreeStyle Libre also use GLP-1 therapy[1].

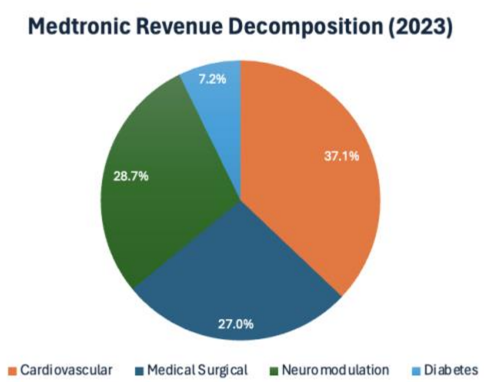
Peer Comparisons

Our peer group consists of Medtronic, Boston Scientific Corp., Stryker, and Edwards Lifesciences. We grouped these companies for four reasons: (1) each company is involved in the development, manufacturing, and sale of medical devices, (2) similar revenue streams, (3) each company has a global presence, and (4) they are all large-cap companies with substantial R&D expenditures.

Medtronic (MDT)

Medtronic is a leading global healthcare technology company that engages in the research, design, manufacturing, and sale of products to alleviate pain, restore health, and extend life[21]. The company operates through 4 segments: the Cardiovascular Portfolio, the Medical Surgical Portfolio, the Neuroscience Portfolio, and the Diabetes Operating Unit[21]. The company employs 95,000 individuals and was founded in 1949.

In 2023, net revenue was $31.2 billion, with each segment representing a material portion. The company's cardiovascular portfolio is the largest segment, representing 37.1% of revenues. Sales are largely driven by Cardiac Rhythm & Heart Failure products, Structural Heart & Aortic products, and Coronary & Peripheral Vascular products[21].



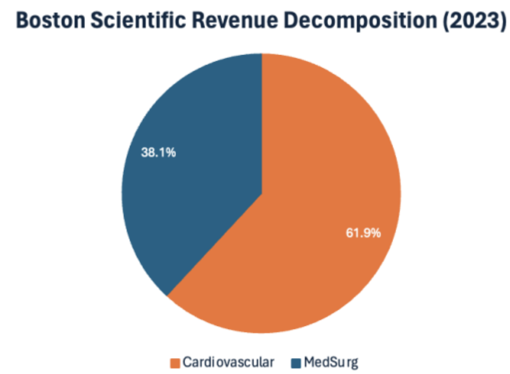
Source: Medtronic 10K

In our view, Medtronic has a strong Board, with 75% of the board being an independent director. The average tenure for management and the Board is 8 years. Additionally, 5 out of 24 management members hold an M.D. or a PhD in biomedical engineering[13].

Boston Scientific Corp. (BSX)

Boston Scientific is a global developer, manufacturer, and marketer of medical devices that are used in a broad range of interventional medical specialties[22]. The company operates through two segments: MedSurg and Cardiovascular. MedSurg revenues are driven by products in Endoscopy, Urology, and Neuromodulation. Cardiovascular revenues are driven by products in Cardiology and Peripheral Interventions. The company employs 48,000 individuals and was founded in 1979.

In 2023, net revenue was $14.2 billion, with each segment representing a material portion. The company's MedSurg portfolio is the largest segment, representing 61.9% of revenues.



Source: Boston Scientific 10K

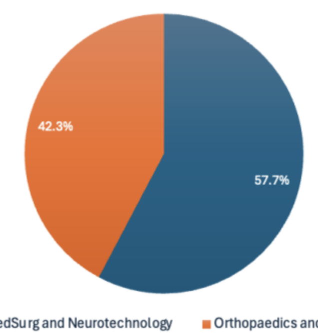
In our view, Boston Scientific has a strong Board, with 91% of the Board being an independent director. The average tenure for management and the Board is 18 and 7 years, respectively. Only 1 out of 27 members on the management team holds an M.D.[13].

Stryker (SYK)

Stryker is a global leader in medical technologies. The company sells products in approximately 75 countries and impacts more than 150 million patients annually[23]. Revenue is driven through two segments: MedSurg and Neurotechnology and Orthopaedics and Spine. The company employs 52,000 individuals and was founded in 1941.

In 2023, net revenue was $20.5 billion, with each segment representing a material portion. The company's MedSurg and Neurotechnology segment is the largest, representing 57.7% of revenues. Sales are largely driven by surgical equipment, patient and caregiver safety technologies, emergency medical equipment, intensive care disposable products, and products used for minimally invasive procedures[23].

Stryker Revenue Decomposition (2023)



Source: Stryker 10K

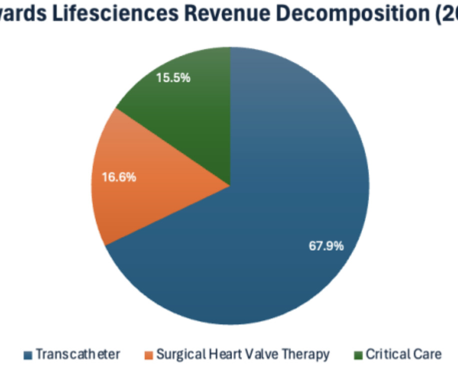
In terms of management and the Board, Stryker is similar compared to its peers. 83% of the Board is an independent director, and the average tenure of management and the Board is 12 and 17 years, respectively. 2 out of 21 board members hold a PhD[13].

Edwards Lifesciences (EW)

Edwards Lifesciences provides products and technologies for structural heart disease and critical care monitoring. The company operates through 3 segments: Transcatheter, Surgical Heart Value Therapy, and Critical Care. The company employees 19,800 individuals and was founded in 1958.

In 2023, net revenue was $6.0 billion, with each segment representing a material portion. The company's Transcatheter segment is the largest, representing 67.9% of revenue.

Edwards Lifesciences Revenue Decomposition (2023)



Source: Edwards Lifesciences 10K

Edwards Lifesciences has a similar Board compared to the peer group. 78% of the Board is an independent director, and the average tenure for management and the Board is 13 and 7 years, respectively. 1 out of 18 members on the management team hold an M.D.[13].

Operating Metrics

The following tables provide insights into the R&D expenditure, inventory turnover, and the % of sales by geographic segment (U.S. vs. International) for each of the firms in the peer group:

Ticker	*R&D Expenditure	R&D as % of Sales	Inv. Turnover
ABT	2,741	6.8%	3.2
MDT	2,696	8.6%	2.5
BSX	1,414	9.9%	2.5
SYK	1,388	6.8%	1.8
EW	1,072	17.8%	1.4

*Source: FactSet *in millions of $*

Ticker	% of Sales (U.S.)	% of Sales (International)
ABT	38.5%	61.5%
MDT	52.5%	47.5%
BSX	59.2%	40.8%
SYK	74.4%	25.6%
EW	58.4%	41.6%

Source: Company 10Ks

Research & Development Expenditure

R&D expenditure represents the total amount a company spends on innovation and the development of new products and technologies. In the rapidly evolving medical device industry, we tend to believe that firms should be investing heavily into R&D to stay ahead of competition. As shown in the table above, ABT comes ahead in this metric compared to its peers. Given that management continues to express the potential of their pipeline, we expect R&D to remain in the range of 6.5% to 7.0% of annual sales.

Inventory Turnover

The inventory turnover ratio is a measure to assess how efficiently a company manages their inventory. In our view, it is important to compare the peer group to this metric due to the speed of innovation within the medical device industry. Without a keen focus on inventory levels, firms operating in this space might produce more than demanded, leaving the potential that excess supply turns obsolete as new products are introduced. Looking at the metric amongst the peer group, we can see that ABT leads. As this ratio has been fairly consistent in recent years, we expect management to continue to have a strong focus on operational efficiency.

Financial Metrics

The following tables provide insight into two valuation metrics (P/E, PEG), margins, ROE, and debt metrics (D/E, debt rating, and interest coverage) for each of the firms in the peer group:

Ticker	P/E (NTM)	PEG ('24)
ABT	31.4	2.6
MDT	24.2	6.9
BSX	48.4	3.9
SYK	34.2	3.1
EW	34.8	3.7

Source: Henry Fund Model, FactSet

Ticker	Op. Margin	NPM	ROE
ABT	16.0%	14.2%	15.1%
MDT	17.7%	12.0%	8.1%
BSX	15.3%	11.2%	8.6%
SYK	20.9%	15.4%	17.8%
EW	27.8%	23.4%	22.2%

*Source: FactSet   *NPM = Net Profit Margin*

We can see that Abbott Laboratories hovers in the middle P/E wise, while appearing slightly more attractive PEG wise. The company also hovers in the middle while looking at the peer groups margins and return-on-equity. Given our assumptions mentioned previously, our forecasts result in operating margin of 21.1% and net profit margin of 18.5% by 2027. Thus, we don't have concerns regarding the profitability of ABT's business compared to peers.

Ticker	D/E	Debt Rating	Interest Coverage
ABT	41.1%	AA-	9.2
MDT	49.4%	A	9.5
BSX	49.2%	BBB+	8.0
SYK	72.6%	BBB+	12.0
EW	10.5%	BBB	68.2

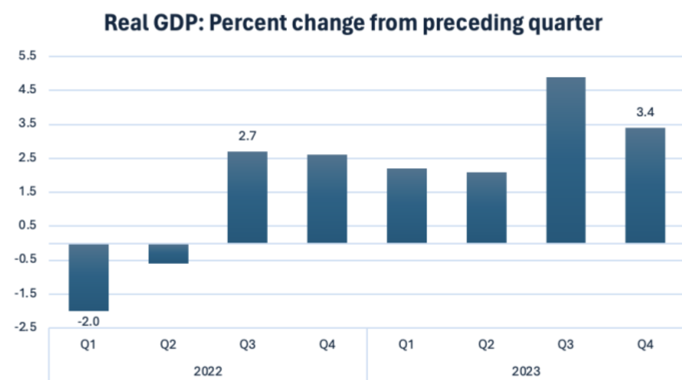
Source: FactSet, S&P Global

The debt metrics shown above indicate that ABT, MDT, and BSX all have similar financial leverage, while SYK's and EW's use of leverage differ dramatically from the peer group. The debt ratings and interest coverage ratios also show us that each peer is capable of meeting their interest obligations.

ECONOMIC OUTLOOK

Gross Domestic Product (GDP)

In Q3 and Q4 of 2023, the United States saw real GDP growth of 4.9% and 3.4%, respectively. Although the Conference Board raised their 2024 outlook by 20 basis points (2.1% from 1.9%), they still expect growth in the economy to slow from the growth we have seen in previous years. The below image displays percentage changes in real GDP from the preceding quarter from Q1 2022 to Q4 2023:



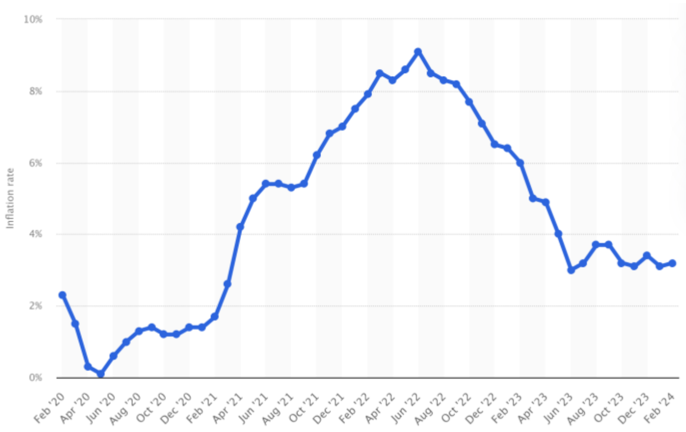
Source: U.S. Bureau of Economic Analysis

With healthcare expenditures representing 17.3% of GDP in 2022, less than expected GDP growth could mean decreased revenues for companies operating in the healthcare sector. Given that ABT generates roughly 38.5% of revenue in the United States, we are not overly worried about the impact that a slowdown could have to its top line. The Henry Fund team forecasts GDP growth in the near term (6 months) to lower to 2.8%. Long term (2 years), our GDP forecast is 3.0%.

Inflation (CPI)

While we acknowledge the efforts the Federal Reserve of the United States has made in managing severely heightened inflation from Q1 2021 through Q2 2023, Fed Chair Jerome Powell reiterated that the job is not done. In a recent interview, Chair Powell reaffirmed the Fed's dedication to restoring price stability and achieving its 2% target[27]. As cited in ABT's recent 10K, elevated levels of inflation and high interest rates put pressures on various raw materials, packaging materials, and transportation costs[2]. Management noted that the impact of these costs was partially mitigated by price increases in certain areas of the business and gross margin improvement initiatives[2].

Below is a graphic displaying the inflation rate in the United States from February 2020 to February 2024:



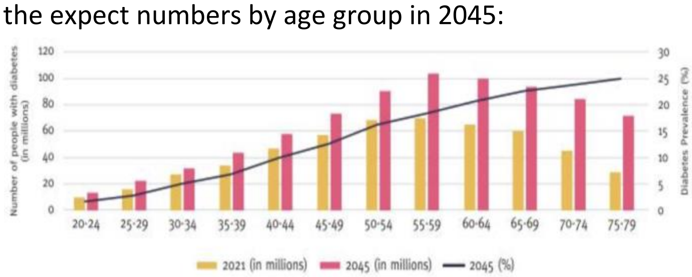
Source: Statista

The Henry Fund team forecasts CPI in the near term (6 months) to lower to 3.1%, coupled with a Fed Funds Rate of 5.00 – 5.25%. Long term (2 years), our CPI forecast is 2.8%, coupled with a Fed Funds Rate of 3.50 – 3.75%. If these forecasts hold true, the medical device industry could see heightened cost and consumer spending pressures return to a fairly normal level.

Demographics

Demographically, our focus is on the aging global population and the increasing prevalence of diabetes. By 2030, 1 in 6 people in the world will be aged 60 years or older, and by 2050, the world's population of people aged 60 years or older will double to 2.1 billion[28]. With roughly 30% of all procedures coming from individuals within this age range, we expect firms developing and manufacturing medical devices to see favorable tailwinds.

As we turn the focus to diabetes, it's important to understand that the aging of the world's population will produce an increasing proportion of those with diabetes over the age of 60 years[29]. The below image displays the number of individuals with diabetes in 2021, along with the expect numbers by age group in 2045:



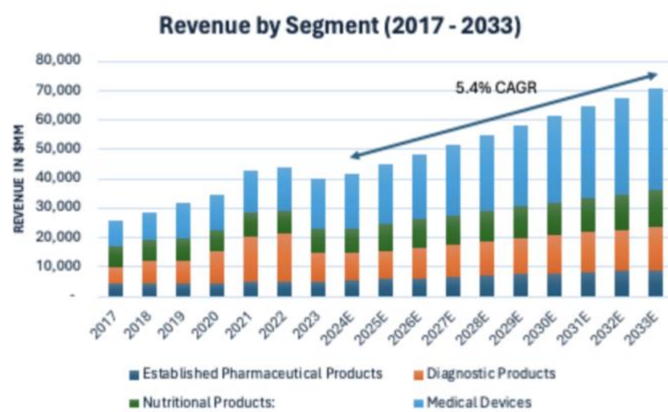
Source: National Library of Medicine

In our view, ABT is favorably positioned to handle these trends through its strong diabetes product pipeline (glucose monitoring systems) and its significant presence in emerging and developing markets (home to the majority of the global population).

VALUATION

Revenue Assumptions

As discussed in greater detail in the company description section of this report, we forecasted revenue based on our outlook for each segment. Our forecasts in FY24 and FY25 closely resemble consensus growth estimates for each segment. From FY26 onward, we incorporate our future growth expectations for individual products and markets in which ABT operates in. Our largest growth expectations come from the Established Pharmaceutical Products and Medical Devices segments, which we expect to experience CAGR's of 5.3% and 6.5%, respectively. On a firm wide basis, our revenue forecasts reflect a CAGR of 5.4%. The image below displays both historical revenues and our forecasted revenues:



Source: Henry Fund Model

Expense Assumptions

ABT's main expenses of Cost of Product Sold, SG&A, and R&D have remained relatively consistent in recent years while expressed as a percentage of sales. We expect this trend to continue, thus our forecasts are based on the average of these percentages from 2020 to 2023, which totaled to 40.5%, 26.9%, and 6.7%, respectively.

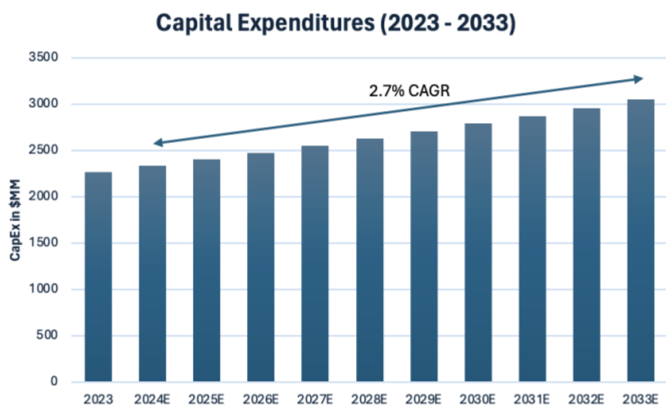
Our DCF and EP models are highly sensitive to these inputs, and we believe the most reliable implied price is arrived at by holding these at a constant percentage of sales over our forecast. The image below displays a key sensitivity test of our COGS and SG&A percentages:

DCF	SG&A (2024 - 2033)						
129.80	26.09%	26.34%	26.59%	26.84%	27.09%	27.34%	27.59%
COGS (2024 - 2033) 39.77%	141.64	139.67	137.70	135.71	133.76	131.79	129.82
40.02%	139.67	137.70	135.73	133.74	131.79	129.82	127.85
40.27%	137.70	135.73	133.76	131.77	129.82	127.85	125.88
40.52%	135.73	133.76	131.79	129.80	127.85	125.88	123.91
40.77%	133.76	131.79	129.82	127.83	125.88	123.91	121.94
41.02%	131.79	129.82	127.85	125.86	123.91	121.94	119.97
41.27%	129.82	127.85	125.88	123.89	121.94	119.97	118.00

Source: Henry Fund Model

CAPEX Assumptions

Capital Expenditures for ABT have remained relatively consistent YoY, with a range of $1.9 billion in 2021 to $2.2 billion in 2023. In ABT's recent 10K, they stated capital expenditures for the business are typically for upgrading and expanding manufacturing and R&D facilities and equipment in various segments[2]. We expect this trend to continue and have forecasted CapEx to grow by a 3.0% rate YoY. The below image displays our forecasted CapEx from 2024 to 2033:



Source: Henry Fund Model

WACC

Our weighted average cost of capital (WACC) estimation for ABT is 7.86%. The cost of equity was calculated using a risk-free rate of 4.34% (yield on 10yr U.S. Treasury), a beta of 0.77 (5yr raw beta), and an equity risk premium of 5.00%. These assumptions resulted in a cost of equity of 8.18%. The after-tax cost of debt was calculated using a pre-tax cost of debt of 4.75% (YTM on November 2036 senior notes) and a marginal tax rate of 17.90% (implied marginal tax rate in FY23). These assumptions resulted in an after-tax cost of debt of 3.90%. The market value of equity weight and market value of total debt weight were calculated to be 92.58% and 7.42%, respectively.

Payout Policy

ABT has raised its dividend payout for 51 consecutive years and has paid out a dividend for 396 consecutive quarters since 1924. Since 2019, the average payout ratio has been 61.9% (excluding COVID years of 2021 and 2022). We expect this trend to continue and arrive at our forecasted dividends by multiplying our EPS estimates by this percentage in each year. Our forecasts also reflect the assumption that ABT repurchases $700 million to $1 billion of shares in a given year. We believe this is a conservative estimate, as we discovered ABT has shown a trend of authorizing new share repurchase programs once existing programs are fully utilized. The most recent repurchase program was authorized in 2021 for up to $5 billion.

DCF and EP

Our enterprise discounted cash flow (DCF) and economic profit (EP) models resulted in an implied price per share of $129.80. The primary inputs used in these models consisted of a CV growth of NOPLAT of 5.00%, a CV year ROIC of 43.09%, a WACC of 7.86%, and a cost of equity of 8.18%.

Free cash flow and economic profit was discounted by the WACC assumption, resulting in a value of operating assets of $235,428 (in millions) for both models. We then adjusted for non-operating assets consisting of excess cash, short and long-term investments, debt obligations, the present value of operating leases, non-controlling interest, and employee stock options. These adjustments resulted in a value of equity of $222,816 (in millions) and was divided by shares outstanding of 1,734 (in millions), resulting in as intrinsic value of $128.49. After accounting for the days since the last FYE, we arrived at an implied price as of today of $129.80.

DDM

Our dividend discount model (DDM) resulted in an implied price per share of $121.41. The primary inputs used in this model consisted of a CV growth of EPS of 5.00%, a CV year ROE of 20.61%, and a cost of equity of 8.18%. To arrive at our forecasted dividends per share, we also assumed a constant payout ratio of 61.9%.

Forecasted dividends were discounted by the cost of equity. For our CV, we leveraged a P/E multiple that was multiplied by our final EPS estimation, which was also discounted by the cost of equity. The resulting discounted cash flows provided an intrinsic value of $120.19. Similar to the DCF & EP profit models, we accounted for the days since the last FYE, and arrived at an implied price as of today of $121.41.

Relative Valuation

Our relative valuation models leveraged a FY24 and FY25 P/E and PEG multiple from the peer group. The table below displays these multiple for FY24 and FY25:

	FY24	FY25
P/E	35.40x	29.77x
PEG	4.43x	3.77x

Source: Henry Fund Model

To arrive at our implied relative value, we multiplied the P/E multiples by our FY24 and FY25 EPS estimates of 3.63 and 4.14. The PEG multiples were multiplied by our EPS estimates and our 5yr. estimated EPS growth of 12.2.

The image below displays our implied relative value for all the multiples mentioned above:

Implied Relative Value:	
P/E (EPS24)	**$ 128.60**
P/E (EPS25)	**$ 123.11**
PEG (EPS24)	**$ 196.19**
PEG (EPS25)	**$ 189.93**

Source: Henry Fund Model

We ultimately place more weight on our P/E relative value targets of $128.60 and $123.11. This is largely due to our belief that closer forecasted periods are likely to be more accurate, as the P/E multiple uses 2 years of estimates while the PEG multiple incorporates an estimate for 5yrs. of EPS growth.

Summary

Our price target of $121-$130 considers our DCF, DDM, and P/E relative valuation models. In our view, ABT is well positioned to continue generating strong organic sales growth through its robust product mix and future pipeline.

CATALYSTS AND KEYS TO MONITOR

Catalysts for Growth

In our view, the largest identifiable catalysts relate to ABT's exposure to emerging markets and the strong growth outlook for diabetes care. Currently, roughly 6.8 billion individuals live in emerging markets[30]. We believe that emerging markets are largely underpenetrated in the healthcare sector, and ABT is well positioned to capitalize on expanding healthcare access as income levels continue to rise. Additionally, as discussed in greater detail above, emerging markets allow ABT to customize/focus their efforts on issues plaguing certain areas (India's thyroid issue, disparities in cancer diagnoses in emerging markets vs. developed).

The glucose monitoring system market is expected to reach a market size of roughly $35 billion by 2030, representing a CAGR of 7.5%. We believe ABT's plans of expanding the Libre platform in and outside of the diabetes market will allow them to capture significant share in the future. If ABT is able to successfully navigate these plans, we foresee a well-positioned company that is able to meet the evolving needs of the medical device industry.

Risks to Thesis

In our view, the largest identifiable risks relate to delayed or disappointing product launches, coupled with failure to integrate the operations of Bigfoot Biomedical. Delays in product launches not only incur increased research and development costs but also threaten shareholder confidence. Additionally, integrating Bigfoot Biomedical's operations could present unforeseen hurdles, leading to the potential of not unlocking the synergistic benefits envisioned by combining Bigfoot Unity (insulin management system) and FreeStyle Libre. Although management has been optimistic about their pipeline and has expressed strong segment wide growth is ahead, we must recognize the risks mentioned above. Our forecasts reflect our assumption that the R&D and FDA approval processes go smoothly; any clear sign that this may not be the case could be cause to revise our forecasts downward.

REFERENCES

1. Abbott Laboratories Newsroom
2. ABT 10K
3. Thyroid Disorders in India
4. World Population by Continent
5. Visual Capitalist
6. World Health Organization
7. Meal Replacement Shakes - Growth Outlook
8. Infant Formula - Growth Outlook
9. Medical Devices - Growth Outlook
10. Diabetes Care - Growth Outlook
11. Morningstar Sustainalytics
12. ABT Sustainability Report
13. FactSet
14. ABT Q1 2024 Earnings
15. Centers for Disease Control and Prevention
16. TriClip FDA Approval
17. Tricuspid Valve Repair Market Outlook
18. TBI Cartridge FDA Clearance
19. Medical Device Industry Trends
20. Minimally Invasive Procedures
21. Medtronic 10K
22. Boston Scientific 10K
23. Stryker 10K
24. Edwards Lifesciences 10K
25. Glucose Monitoring System Market Outlook
26. The Conferance Board
27. Interview with Jerome Powell
28. World Health Organization - Ageing
29. National Library of Medicine
30. International Monetary Fund
31. EY: CGM Market
32. J.P. Morgan Healthcare Conference

DISCLAIMER

Abbott Laboratories

Revenue Decomposition

in millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Established Pharmaceutical Products:													
Key Emerging Markets	3,565	3,766	3,807	4,056	4,367	4,704	5,038	5,380	5,709	6,022	6,354	6,671	6,972
Other	1,153	1,146	1,259	1,324	1,406	1,493	1,575	1,654	1,737	1,815	1,897	1,973	2,042
Net Revenue from Established Pharmaceutical Products	4,718	4,912	5,066	5,381	5,773	6,197	6,613	7,034	7,445	7,837	8,250	8,644	9,013
% Growth	9.6%	4.1%	3.1%	6.2%	7.3%	7.3%	6.7%	6.4%	5.8%	5.3%	5.3%	4.8%	4.3%
Diagnostic Products:													
Core Laboratory	5,128	4,888	5,159	5,444	5,788	6,173	6,544	6,904	7,283	7,647	8,030	8,391	8,769
Molecular	1,427	995	574	570	596	624	654	683	714	742	772	799	827
Point of Care	536	525	565	607	650	692	734	770	809	849	883	922	963
Rapid Diagnostics	8,435	10,061	3,690	2,610	2,816	2,979	3,149	3,322	3,488	3,645	3,809	3,961	4,120
Net Revenue from Diagnostic Products	15,526	16,469	9,988	9,231	9,850	10,469	11,080	11,679	12,294	12,884	13,494	14,074	14,679
% Growth	43.7%	6.1%	-39.4%	-7.6%	6.7%	6.3%	5.8%	5.4%	5.3%	4.8%	4.7%	4.3%	4.3%
Nutritional Products:													
International Pediatric Nutritionals	2,106	1,919	1,957	2,035	2,114	2,201	2,284	2,364	2,447	2,532	2,608	2,687	2,754
U.S. Pediatric Nutritionals	2,192	1,562	1,977	2,115	2,167	2,405	2,574	2,728	2,878	3,036	3,188	3,347	3,498
International Adult Nutritionals	2,632	2,621	2,784	2,982	3,170	3,301	3,440	3,574	3,714	3,844	3,959	4,078	4,180
U.S. Adult Nutritionals	1,364	1,357	1,436	1,517	1,586	1,625	1,665	1,707	1,750	1,793	1,829	1,866	1,903
Net Revenue from Nutritional Products:	8,294	7,459	8,154	8,649	9,036	9,532	9,963	10,373	10,788	11,206	11,585	11,978	12,335
% Growth	8.5%	-10.1%	9.3%	6.1%	4.5%	5.5%	4.5%	4.1%	4.0%	3.9%	3.4%	3.4%	3.0%
Medical Devices:													
Rhythm Management	2,198	2,119	2,255	2,334	2,408	2,490	2,564	2,641	2,721	2,789	2,858	2,930	3,003
Electrophysiology	1,907	1,927	2,195	2,363	2,529	2,744	2,964	3,171	3,377	3,597	3,812	4,022	4,243
Heart Failure	1,007	1,035	1,161	1,237	1,315	1,390	1,466	1,540	1,617	1,689	1,765	1,836	1,909
Vascular	2,654	2,483	2,681	2,855	3,027	3,178	3,337	3,470	3,592	3,717	3,810	3,906	4,003
Structural Heart	1,610	1,712	1,944	2,141	2,360	2,562	2,777	2,971	3,150	3,339	3,539	3,733	3,939
Neuromodulation	781	770	890	935	975	1,020	1,056	1,092	1,131	1,165	1,200	1,230	1,260
Diabetes Care	4,328	4,756	5,761	6,678	7,680	8,755	9,849	10,834	11,918	12,990	14,160	15,292	16,363
Net Revenue from Medical Devices	14,485	14,802	16,887	18,543	20,294	22,138	24,013	25,720	27,504	29,286	31,144	32,949	34,721
% Growth	22.9%	2.2%	14.1%	9.8%	9.4%	9.1%	8.5%	7.1%	6.9%	6.5%	6.3%	5.8%	5.4%
Net Other Revenue:	52	11	14	15	15	16	17	18	19	20	21	22	23
% Growth	-21.2%	-78.8%	27.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Revenue from All Segments:	43,075	43,653	40,109	41,819	44,968	48,352	51,686	54,825	58,050	61,233	64,494	67,666	70,770
% Growth	24.5%	1.3%	-8.1%	4.3%	7.5%	7.5%	6.9%	6.1%	5.9%	5.5%	5.3%	4.9%	4.6%
Revenue by Geographic Segment:													
United States	16,642	18,142	15,452										
International	26,433	25,511	24,657										

Abbott Laboratories

Revenue Decomposition

in millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Established Pharmaceutical Products:													
Key Emerging Markets	11.1%	5.6%	1.1%	6.6%	7.7%	7.7%	7.1%	6.8%	6.1%	5.5%	5.5%	5.0%	4.5%
Other	5.4%	-0.6%	9.9%	5.2%	6.2%	6.2%	5.5%	5.0%	5.0%	4.5%	4.5%	4.0%	3.5%
Net Revenue from Established Pharmaceutical Products	9.6%	4.1%	3.1%	6.2%	7.3%	7.3%	6.7%	6.4%	5.8%	5.3%	5.3%	4.8%	4.3%
Diagnostic Products:													
Core Laboratory	14.6%	-4.7%	5.5%	5.5%	6.3%	6.7%	6.0%	5.5%	5.5%	5.0%	5.0%	4.5%	4.5%
Molecular	-0.8%	-30.3%	-42.3%	-0.8%	4.7%	4.7%	4.7%	4.5%	4.5%	4.0%	4.0%	3.5%	3.5%
Point of Care	3.9%	-2.1%	7.6%	7.5%	7.0%	6.5%	6.0%	5.0%	5.0%	5.0%	4.0%	4.4%	4.4%
Rapid Diagnostics	92.8%	19.3%	-63.3%	-29.3%	7.9%	5.8%	5.7%	5.5%	5.0%	4.5%	4.5%	4.0%	4.0%
Net Revenue from Diagnostic Products	43.7%	6.1%	-39.4%	-7.6%	6.7%	6.3%	5.8%	5.4%	5.3%	4.8%	4.7%	4.3%	4.3%
Nutritional Products:													
International Pediatric Nutritionals	-1.6%	-8.9%	2.0%	4.0%	3.9%	4.1%	3.8%	3.5%	3.5%	3.5%	3.0%	3.0%	2.5%
U.S. Pediatric Nutritionals	10.3%	-28.7%	26.6%	7.0%	2.4%	11.0%	7.0%	6.0%	5.5%	5.5%	5.0%	5.0%	4.5%
International Adult Nutritionals	18.1%	-0.4%	6.2%	7.1%	6.3%	4.2%	4.2%	3.9%	3.9%	3.5%	3.0%	3.0%	2.5%
U.S. Adult Nutritionals	5.6%	-0.5%	5.8%	5.6%	4.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%
Net Revenue from Nutritional Products:	8.5%	-10.1%	9.3%	6.1%	4.5%	5.5%	4.5%	4.1%	4.0%	3.9%	3.4%	3.4%	3.0%
Medical Devices:													
Rhythm Management	14.8%	-3.6%	6.4%	3.5%	3.2%	3.4%	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Electrophysiology	20.8%	1.0%	13.9%	7.7%	7.0%	8.5%	8.0%	7.0%	6.5%	6.5%	6.0%	5.5%	5.5%
Heart Failure	36.1%	2.8%	12.2%	6.6%	6.3%	5.7%	5.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%
Vascular	13.5%	-6.4%	8.0%	6.5%	6.0%	5.0%	5.0%	4.0%	3.5%	3.5%	2.5%	2.5%	2.5%
Structural Heart	29.1%	6.3%	13.6%	10.1%	10.3%	8.6%	8.4%	7.0%	6.0%	6.0%	6.0%	5.5%	5.5%
Neuromodulation	11.3%	-1.4%	15.6%	5.1%	4.3%	4.6%	3.5%	3.5%	3.5%	3.0%	3.0%	2.5%	2.5%
Diabetes Care	32.5%	9.9%	21.1%	15.9%	15.0%	14.0%	12.5%	10.0%	10.0%	9.0%	9.0%	8.0%	7.0%
Net Revenue from Medical Devices	22.9%	2.2%	14.1%	9.8%	9.4%	9.1%	8.5%	7.1%	6.9%	6.5%	6.3%	5.8%	5.4%
Net Other Revenue:	-21.2%	-78.8%	27.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Revenue from All Segments:	24.5%	1.3%	-8.1%	4.3%	7.5%	7.5%	6.9%	6.1%	5.9%	5.5%	5.3%	4.9%	4.6%
% of Revenue by Geographic Segment:													
United States	38.6%	41.6%	38.5%										
International	61.4%	58.4%	61.5%										

Abbott Laboratories

Income Statement

in millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues:													
Established Pharmaceutical Products	4,718	4,912	5,066	5,381	5,773	6,197	6,613	7,034	7,445	7,837	8,250	8,644	9,013
Diagnostic Products	15,526	16,469	9,988	9,231	9,850	10,469	11,080	11,679	12,294	12,884	13,494	14,074	14,679
Nutritional Products	8,294	7,459	8,154	8,649	9,036	9,532	9,963	10,373	10,788	11,206	11,585	11,978	12,335
Medical Devices	14,485	14,802	16,887	18,543	20,294	22,138	24,013	25,720	27,504	29,286	31,144	32,949	34,721
Other	52	11	14	15	15	16	17	18	19	20	21	22	23
Net Revenue:	43,075	43,653	40,109	41,819	44,968	48,352	51,686	54,825	58,050	61,233	64,494	67,666	70,770
Operating Costs:													
Cost of Products Sold, Less D&A	17,046	17,888	16,698	16,945	18,221	19,592	20,943	22,215	23,522	24,811	26,133	27,418	28,676
Depreciation	1,491	1,254	1,277	1,490	1,614	1,730	1,840	1,945	2,046	2,143	2,238	2,331	2,424
Amortization of Intangible Assets	2,047	2,013	1,966	1,900	1,700	1,600	1,300	700	219	189	164	141	122
Research & Development	2,742	2,888	2,741	2,803	3,014	3,241	3,464	3,674	3,891	4,104	4,322	4,535	4,743
Selling, General & Administrative	11,324	11,248	10,949	11,225	12,071	12,979	13,874	14,716	15,582	16,436	17,312	18,163	18,997
Total Operating Costs:	34,650	35,291	33,631	34,363	36,620	39,142	41,421	43,251	45,259	47,684	50,169	52,589	54,962
Operating Profit:	8,425	8,362	6,478	7,456	8,349	9,210	10,265	11,574	12,791	13,549	14,325	15,077	15,809
Interest Expense	533	558	637	697	654	583	442	411	380	380	349	349	349
Interest Income	43	183	385	405	493	524	498	599	697	812	902	1,042	1,194
Other income (expense), net	277	321	479	503	528	555	582	612	642	674	708	744	781
Earnings (loss) from continuing operations before taxes	8,211	8,306	6,664	7,667	8,715	9,705	10,902	12,374	13,750	14,654	15,586	16,513	17,434
Taxes on earnings (loss) from continuing operations	1,140	1,373	941	1,372	1,560	1,737	1,952	2,215	2,461	2,623	2,790	2,956	3,121
Net Income:	7,071	6,933	5,723	6,294	7,155	7,968	8,951	10,159	11,289	12,031	12,796	13,557	14,314
Share Information (Basic):													
Weighted Average Shares Outstanding	1,775	1,753	1,740	1,733	1,730	1,728	1,726	1,725	1,721	1,715	1,710	1,706	1,702
Year End Shares Outstanding	1,764	1,738	1,734	1,731	1,729	1,727	1,726	1,724	1,718	1,712	1,708	1,703	1,700
EPS Per Share From Continuing Operations	3.97	3.94	3.28	3.63	4.14	4.61	5.18	5.89	6.56	7.02	7.48	7.95	8.41
Dividends Declared Per Common Share	1.82	1.92	2.04	2.25	2.56	2.85	3.21	3.65	4.06	4.34	4.63	4.92	5.21

Abbott Laboratories
Balance Sheet
in millions

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets:													
Cash & Cash Equivalents	9,799	9,882	6,896	8,596	9,160	8,579	10,543	12,435	14,650	16,386	19,096	22,061	25,311
Short-term investments	450	288	383	402	422	443	466	489	514	539	566	595	624
Accounts Receivable, Net	6,487	6,218	6,565	6,792	7,304	7,853	8,395	8,905	9,428	9,945	10,475	10,990	11,494
Inventories	5,157	6,173	6,570	5,897	6,341	6,818	7,288	7,731	8,186	8,634	9,094	9,541	9,979
Other Prepaid Expenses & Receivables	2,346	2,663	2,256	2,356	2,533	2,724	2,911	3,088	3,270	3,449	3,633	3,812	3,986
Total Current Assets:	24,239	25,224	22,670	24,043	25,760	26,418	29,603	32,648	36,048	38,954	42,865	46,999	51,396
Long-Term Investments	816	766	799	834	872	910	951	993	1,037	1,083	1,131	1,181	1,234
Property & Equipment, Net	8,959	9,162	10,154	11,001	11,794	12,543	13,257	13,942	14,606	15,254	15,890	16,519	17,145
Intangible Assets, Net	12,739	10,454	8,815	6,915	5,215	3,615	2,315	1,615	1,396	1,207	1,043	902	780
Goodwill	23,231	22,799	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679	23,679
Deferred Tax Assets	4,059	4,917	5,975	6,514	7,101	7,741	8,439	9,200	10,029	10,933	11,919	12,993	14,165
Operating Lease Right-of-Use Assets	1,153	1,116	1,122	1,216	1,303	1,386	1,465	1,541	1,614	1,686	1,756	1,825	1,894
Total Assets:	75,196	74,438	73,214	74,202	75,724	76,292	79,708	83,617	88,409	92,795	98,283	104,099	110,292
Liabilities:													
Trade Accounts Payable	4,408	4,607	4,295	4,440	4,775	5,134	5,488	5,821	6,164	6,502	6,848	7,185	7,514
Salaries, Wages & Commissions	1,625	1,556	1,597	1,613	1,735	1,865	1,994	2,115	2,239	2,362	2,488	2,610	2,730
Other Accrued Liabilities	4,936	5,615	5,177	5,308	5,708	6,137	6,560	6,959	7,368	7,772	8,186	8,588	8,982
Current Portion of Operating Lease Liabilities	245	230	245	261	280	298	315	331	347	362	378	393	407
Dividends Payable	831	887	955	974	1,107	1,233	1,385	1,572	1,747	1,862	1,980	2,098	2,215
Income Taxes Payable	306	343	492	667	758	844	948	1,076	1,196	1,274	1,355	1,436	1,516
Current Portion of Long-Term Debt	754	2,251	1,080	1,500	2,966	655	650	-	650	-	-	-	-
Total Current Liabilities:	13,105	15,489	13,841	14,763	17,328	16,166	17,340	17,874	19,711	20,134	21,235	22,310	23,365
Long-Term Debt	17,296	14,522	13,599	12,277	9,311	8,656	8,006	8,006	7,356	7,356	7,356	7,356	7,356
Long-Term Operating Lease Liabilities	956	943	949	1,008	1,081	1,150	1,215	1,278	1,339	1,398	1,456	1,514	1,571
Defined Benefit/Post-Employment	2,738	1,784	1,964	1,768	1,591	1,432	1,289	1,160	1,044	939	845	761	685
All Other	2,119	2,129	1,585	1,662	1,742	1,827	1,915	2,008	2,105	2,207	2,314	2,426	2,544
Deferred Tax Liabilities	2,958	2,666	2,449	1,934	1,528	1,207	953	753	595	470	371	293	232
Total Liabilities:	39,172	37,533	34,387	33,413	32,581	30,437	30,718	31,079	32,149	32,504	33,578	34,660	35,752
Shareholder's Equity:													
Common Stock	24,470	24,709	24,869	25,313	25,756	26,200	26,643	26,998	26,998	26,998	26,998	26,998	26,998
Treasury Stock, at cost	(11,822)	(15,229)	(15,981)	(16,859)	(17,685)	(18,463)	(19,195)	(19,884)	(20,467)	(21,017)	(21,476)	(21,909)	(22,265)
Earnings Employed in the Business	31,528	35,257	37,554	39,936	42,656	45,687	49,093	52,958	57,244	61,805	66,658	71,803	77,237
Accumulated OCI (loss)	(8,374)	(8,051)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)	(7,839)
Noncontrolling Interests in Subsidiaries	222	219	224	239	254	270	287	305	324	344	364	386	409
Total Shareholder's Equity:	36,024	36,905	38,827	40,790	43,143	45,855	48,990	52,539	56,260	60,291	64,705	69,439	74,540
Total Liabilities Plus Shareholder's Equity:	75,196	74,438	73,214	74,202	75,724	76,292	79,708	83,617	88,409	92,795	98,283	104,099	110,292

Abbott Laboratories
Historical Cash Flow Statement
in millions

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023
Cash Flow from Operations:							
Net Earnings	477	2,368	3,687	4,495	7,071	6,933	5,723
Depreciation	1,046	1,100	1,078	1,195	1,491	1,254	1,277
Amortization of Intangible Assets	1,975	2,178	1,936	2,132	2,047	2,013	1,966
Share-Based Compensation	406	477	519	546	640	685	644
Amortization of Inventory Step-Up	907	32	-	-	-	-	-
Investing & Financing Losses (Gains), Net	47	126	184	425	55	215	-
Amortization of Bridge Financing Fees	5	-	-	-	-	-	-
Loss (Gain) on Extinguishment of Debt	-	167	63	-	-	-	-
Losses (Gains) on Sale of Businesses	(1,163)	-	-	-	-	-	-
Loss (Gain) on Sale of Mylan N.V. Shares	(45)	-	-	-	-	-	-
Loss (Gain) on Sale of Investment	-	-	-	-	-	-	126
Trade Receivables	(207)	(190)	(275)	(924)	(383)	(68)	(356)
Inventories	249	(514)	(593)	(493)	(456)	(1,413)	(232)
Prepaid Expenses & Other Assets	109	23	(138)	(627)	(312)	(75)	(542)
Trade Accounts Payable & Other Liabilities	615	747	220	1,766	1,288	420	(760)
Income Taxes	1,149	(214)	(545)	(614)	(908)	(383)	(585)
Net Cash Flows from Operating Activities:	5,570	6,300	6,136	7,901	10,533	9,581	7,261
Cash Flow from Investing:							
Acquisitions of Property & Equipment	(1,135)	(1,394)	(1,638)	(2,177)	(1,885)	(1,777)	(2,202)
Acquisitions of Businesses & Technologies, Net of Cash Acquired	(17,183)	-	(170)	(42)	(187)	-	(877)
Proceeds from Business Dispositions	6,042	48	48	58	134	48	40
Proceeds from the Sale of Mylan N.V. Shares	2,704	-	-	-	-	-	-
Purchases of Investment Securities	(210)	(131)	(103)	(83)	(173)	(185)	(159)
Proceeds from Sales of Investment Securities	129	73	21	10	77	152	43
Other Investing Activities	35	48	27	19	26	22	22
Net Cash Clows from Investing Activities:	(9,618)	(1,356)	(1,815)	(2,215)	(2,008)	(1,740)	(3,133)
Cash Flow from Financing							
Proceeds from Issuance of (Repayments of) Short-Term Debt, Net & Other Financing Activities	(1,034)	(26)	-	2	(204)	47	-
Proceeds from Issuance of Long-Term Debt & Debt with Maturities over 3 Months	6,742	4,009	1,842	1,281	4	7	2
Repayments of Long-Term Debt & Debt with Maturities over 3 Months	(8,650)	(12,433)	(3,441)	(1,333)	(48)	(753)	(2,498)
Purchase of Alere Preferred Stock	(710)	-	-	-	-	-	-
Acquisition & Contingent Consideration Payments Related to Business Acquisitions	(13)	-	-	-	-	-	-
Purchases of Common Shares	(117)	(238)	(718)	(403)	(2,299)	(3,795)	(1,227)
Proceeds from Stock Options Exercised	350	271	298	245	255	167	167
Dividends Paid	(1,849)	(1,974)	(2,270)	(2,560)	(3,202)	(3,309)	(3,556)
Other Financing Activities	-	-	-	(11)	-	-	-
Net Borrowings (Repayments) of Short-Term Debt and Other	-	-	-	-	-	-	21
Net Cash Flows from Financing Activities:	(5,281)	(10,391)	(4,289)	(2,779)	(5,494)	(7,636)	(7,091)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	116	(116)	(16)	71	(70)	(122)	(23)
Net Increase (Decrease) in Cash & Cash Equivalents	(9,213)	(5,563)	16	2,978	2,961	83	(2,986)
Cash & Cash Equivalents, Beginning of Year	18,620	9,407	3,844	3,860	6,838	9,799	9,882
Cash & Cash Equivalents, End of Year	9,407	3,844	3,860	6,838	9,799	9,882	6,896

Abbott Laboratories

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash Flow from Operations										
Net Income	6,294	7,155	7,968	8,951	10,159	11,289	12,031	12,796	13,557	14,314
Depreciation and Amortization	3,390	3,314	3,330	3,140	2,645	2,264	2,332	2,402	2,473	2,546
Accounts Receivable, Net	(227)	(512)	(550)	(542)	(510)	(524)	(517)	(530)	(515)	(504)
Inventories	673	(444)	(477)	(470)	(443)	(455)	(449)	(460)	(447)	(438)
Other Prepaid Expenses & Receivables	(100)	(177)	(191)	(188)	(177)	(182)	(179)	(184)	(179)	(175)
Deferred Tax Assets	(539)	(587)	(640)	(698)	(761)	(829)	(904)	(986)	(1,075)	(1,171)
Operating Lease Right-of-Use Assets	(94)	(88)	(83)	(79)	(76)	(73)	(72)	(70)	(70)	(69)
Trade Accounts Payable	145	334	359	354	333	342	338	346	337	330
Salaries, Wages & Commissions	16	121	131	129	121	124	123	126	122	120
Other Accrued Liabilities	131	400	429	423	398	409	404	414	403	394
Income Taxes Payable	175	91	86	104	128	120	79	81	81	80
Deferred Tax Liabilities	(515)	(406)	(321)	(254)	(200)	(158)	(125)	(99)	(78)	(62)
Defined Benefit/Post-Employment	(196)	(177)	(159)	(143)	(129)	(116)	(104)	(94)	(85)	(76)
All Other	77	80	84	88	93	97	102	107	112	117
Net Cash Flows from Operating Activities:	9,231	9,105	9,968	10,817	11,582	12,309	13,059	13,850	14,636	15,405
Cash Flow from Investing:										
Purchases of Short-Term Investments	(19)	(20)	(21)	(22)	(23)	(25)	(26)	(27)	(28)	(30)
Purchases of Long-Term Investments	(35)	(37)	(39)	(40)	(42)	(44)	(46)	(48)	(50)	(52)
Purchases of Property & Equipment, Gross	(2,337)	(2,407)	(2,479)	(2,554)	(2,630)	(2,709)	(2,791)	(2,874)	(2,961)	(3,049)
Noncontrolling Interests in Subsidiaries	15	15	16	17	18	19	20	21	22	23
Net Cash Flows from Investing Activities:	(2,377)	(2,449)	(2,523)	(2,599)	(2,678)	(2,759)	(2,843)	(2,929)	(3,017)	(3,109)
Cash Flow from Financing:										
Current Portion of Operating Lease Liabilities	16	19	18	17	16	16	15	15	15	15
Dividends Payable	(3,893)	(4,302)	(4,811)	(5,393)	(6,107)	(6,828)	(7,356)	(7,825)	(8,295)	(8,762)
Current Portion of Long-Term Debt	420	1,466	(2,311)	(5)	(650)	650	(650)	-	-	-
Long-Term Debt	(1,322)	(2,966)	(655)	(650)	-	(650)	-	-	-	-
Long-Term Operating Lease Liabilities	59	73	69	65	63	61	59	58	58	57
Common Stock	444	444	444	444	355	-	-	-	-	-
Treasury Stock, at cost	(878)	(826)	(778)	(732)	(689)	(584)	(549)	(460)	(433)	(356)
Net Cash Flows from Financing Activities:	(5,154)	(6,093)	(8,025)	(6,254)	(7,012)	(7,335)	(8,480)	(8,211)	(8,655)	(9,046)
Net increase in cash, cash equivalents & restricted cash	1,700	564	(581)	1,963	1,892	2,215	1,736	2,710	2,964	3,251
Cash, cash equivalents & restricted cash at the beginning of the period	6,896	8,596	9,160	8,579	10,543	12,435	14,650	16,386	19,096	22,061
Cash, cash equivalents & restricted cash at the end of the period	8,596	9,160	8,579	10,543	12,435	14,650	16,386	19,096	22,061	25,311

Abbott Laboratories

Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues:													
Established Pharmaceutical Products	10.95%	11.25%	12.63%	12.87%	12.84%	12.82%	12.83%	12.83%	12.83%	12.80%	12.79%	12.77%	12.74%
Diagnostic Products	36.04%	37.73%	24.90%	22.07%	21.90%	21.65%	21.30%	21.30%	21.18%	21.04%	20.92%	20.80%	20.74%
Nutritional Products	19.25%	17.09%	20.33%	20.68%	20.09%	19.71%	18.92%	18.92%	18.58%	18.30%	17.96%	17.70%	17.43%
Medical Devices	33.63%	33.91%	42.10%	44.34%	45.13%	45.79%	46.91%	46.91%	47.38%	47.83%	48.29%	48.69%	49.06%
Other	0.12%	0.03%	0.03%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Net Revenue:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Costs:													
Cost of Products Sold, Less Amortization	39.57%	40.98%	41.63%	40.52%	40.52%	40.52%	40.52%	40.52%	40.52%	40.52%	40.52%	40.52%	40.52%
Depreciation	3.46%	2.87%	3.18%	3.56%	3.59%	3.58%	3.55%	3.55%	3.52%	3.50%	3.47%	3.45%	3.42%
Amortization of Intangible Assets	4.75%	4.61%	4.90%	4.54%	3.78%	3.31%	1.28%	1.28%	0.38%	0.31%	0.25%	0.21%	0.17%
Research & Development	6.37%	6.62%	6.83%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%
Selling, General & Administrative	26.29%	25.77%	27.30%	26.84%	26.84%	26.84%	26.84%	26.84%	26.84%	26.84%	26.84%	26.84%	26.84%
Total Operating Costs:	80.44%	80.84%	83.85%	82.17%	81.43%	80.95%	78.89%	78.89%	77.97%	77.87%	77.79%	77.72%	77.66%
Operating Profit:	19.56%	19.16%	16.15%	17.83%	18.57%	19.05%	21.11%	21.11%	22.03%	22.13%	22.21%	22.28%	22.34%
Interest Expense	1.24%	1.28%	1.59%	1.67%	1.46%	1.21%	0.75%	0.75%	0.66%	0.62%	0.54%	0.52%	0.49%
Interest Income	0.10%	0.42%	0.96%	0.97%	1.10%	1.08%	1.09%	1.09%	1.20%	1.33%	1.40%	1.54%	1.69%
Other income (expense), net	0.64%	0.74%	1.19%	1.20%	1.17%	1.15%	1.12%	1.12%	1.11%	1.10%	1.10%	1.10%	1.10%
Earnings (loss) from continuing operations before taxes	19.06%	19.03%	16.61%	18.33%	19.38%	20.07%	22.57%	22.57%	23.69%	23.93%	24.17%	24.40%	24.64%
Taxes on earnings (loss) from continuing operations	2.65%	3.15%	2.35%	3.28%	3.47%	3.59%	4.04%	4.04%	4.24%	4.28%	4.33%	4.37%	4.41%
Net Income:	16.42%	15.88%	14.27%	15.05%	15.91%	16.48%	18.53%	18.53%	19.45%	19.65%	19.84%	20.04%	20.23%

Abbott Laboratories

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets:													
Cash & Cash Equivalents	22.75%	22.64%	17.19%	20.56%	20.37%	17.74%	20.40%	22.68%	25.24%	26.76%	29.61%	32.60%	35.77%
Short-term investments	1.04%	0.66%	0.95%	0.96%	0.94%	0.92%	0.90%	0.89%	0.88%	0.88%	0.88%	0.88%	0.88%
Accounts Receivable, Net	15.06%	14.24%	16.37%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%	16.24%
Inventories	11.97%	14.14%	16.38%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%
Other Prepaid Expenses & Receivables	5.45%	6.10%	5.62%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%
Total Current Assets:	56.27%	57.78%	56.52%	57.49%	57.28%	54.64%	57.27%	59.55%	62.10%	63.62%	66.46%	69.46%	72.62%
Long-Term Investments	1.89%	1.75%	1.99%	2.00%	1.94%	1.88%	1.84%	1.81%	1.79%	1.77%	1.75%	1.75%	1.74%
Property & Equipment, Net	20.80%	20.99%	25.32%	26.31%	26.23%	25.94%	25.65%	25.43%	25.16%	24.91%	24.64%	24.41%	24.23%
Intangible Assets, Net	29.57%	23.95%	21.98%	16.54%	11.60%	7.48%	4.48%	2.95%	2.40%	1.97%	1.62%	1.33%	1.10%
Goodwill	53.93%	52.23%	59.04%	56.62%	52.66%	48.97%	45.81%	43.19%	40.79%	38.67%	36.71%	34.99%	33.46%
Deferred Tax Assets	9.42%	11.26%	14.90%	15.58%	15.79%	16.01%	16.33%	16.78%	17.28%	17.86%	18.48%	19.20%	20.02%
Operating Lease Right-of-Use Assets	2.68%	2.56%	2.80%	2.91%	2.90%	2.87%	2.83%	2.81%	2.78%	2.75%	2.72%	2.70%	2.68%
Total Assets:	174.57%	170.52%	182.54%	177.44%	168.39%	157.79%	154.22%	152.52%	152.30%	151.55%	152.39%	153.84%	155.85%
Liabilities:													
Trade Accounts Payable	10.23%	10.55%	10.71%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%
Salaries, Wages & Commissions	3.77%	3.56%	3.98%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%
Other Accrued Liabilities	11.46%	12.86%	12.91%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%
Current Portion of Operating Lease Liabilities	0.57%	0.53%	0.61%	0.63%	0.62%	0.62%	0.61%	0.60%	0.60%	0.59%	0.59%	0.58%	0.58%
Dividends Payable	1.93%	2.03%	2.38%	2.33%	2.46%	2.55%	2.68%	2.87%	3.01%	3.04%	3.07%	3.10%	3.13%
Income Taxes Payable	0.71%	0.79%	1.23%	1.59%	1.69%	1.75%	1.83%	1.96%	2.06%	2.08%	2.10%	2.12%	2.14%
Current Portion of Long-Term Debt	1.75%	5.16%	2.69%	3.59%	6.60%	1.35%	1.26%	0.00%	1.12%	0.00%	0.00%	0.00%	0.00%
Total Current Liabilities:	30.42%	35.48%	34.51%	35.30%	38.53%	33.43%	33.55%	32.60%	33.95%	32.88%	32.92%	32.97%	33.02%
Long-Term Debt	40.15%	33.27%	33.91%	29.36%	20.71%	17.90%	15.49%	14.60%	12.67%	12.01%	11.41%	10.87%	10.39%
Long-Term Operating Lease Liabilities	2.22%	2.16%	2.37%	2.41%	2.40%	2.38%	2.35%	2.33%	2.31%	2.28%	2.26%	2.24%	2.22%
Defined Benefit/Post-Employment	6.36%	4.09%	4.90%	4.23%	3.54%	2.96%	2.49%	2.12%	1.80%	1.53%	1.31%	1.12%	0.97%
All Other	4.92%	4.88%	3.95%	3.97%	3.87%	3.78%	3.71%	3.66%	3.63%	3.60%	3.59%	3.59%	3.59%
Deferred Tax Liabilities	6.87%	6.11%	6.11%	4.63%	3.40%	2.50%	1.84%	1.37%	1.02%	0.77%	0.58%	0.43%	0.33%
Total Liabilities:	90.94%	85.98%	85.73%	79.90%	72.45%	62.95%	59.43%	56.69%	55.38%	53.08%	52.06%	51.22%	50.52%
Shareholder's Equity:													
Common Stock	56.81%	56.60%	62.00%	60.53%	57.28%	54.19%	51.55%	49.24%	46.51%	44.09%	41.86%	39.90%	38.15%
Treasury Stock, at cost	-27.45%	-34.89%	-39.84%	-40.31%	-39.33%	-38.18%	-37.14%	-36.27%	-35.26%	-34.32%	-33.30%	-32.38%	-31.46%
Earnings Employed in the Business	73.19%	80.77%	93.63%	95.50%	94.86%	94.49%	94.98%	96.60%	98.61%	100.93%	103.36%	106.11%	109.14%
Accumulated OCI (loss)	-19.44%	-18.44%	-19.54%	-18.75%	-17.43%	-16.21%	-15.17%	-14.30%	-13.50%	-12.80%	-12.15%	-11.58%	-11.08%
Noncontrolling Interests in Subsidiaries	0.52%	0.50%	0.56%	0.57%	0.57%	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%	0.57%	0.58%
Total Shareholder's Equity:	83.63%	84.54%	96.80%	97.54%	95.94%	94.84%	94.78%	95.83%	96.92%	98.46%	100.33%	102.62%	105.33%
Total Liabilities Plus Shareholder's Equity:	174.57%	170.52%	182.54%	177.44%	168.39%	157.79%	154.22%	152.52%	152.30%	151.55%	152.39%	153.84%	155.85%

Abbott Laboratories
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Revenue	43,075	43,653	40,109	41,819	44,968	48,352	51,686	54,825	58,050	61,233	64,494	67,666	70,770
Less: Cost of Product Sold, Less D&A	17,046	17,888	16,698	16,945	18,221	19,592	20,943	22,215	23,522	24,811	26,133	27,418	28,676
Less: Depreciation	1,491	1,254	1,277	1,490	1,614	1,730	1,840	1,945	2,046	2,143	2,238	2,331	2,424
Less: Amortization of Intangible Assets	2,047	2,013	1,966	1,900	1,700	1,600	1,300	700	219	189	164	141	122
Less: Research & Development	2,742	2,888	2,741	2,803	3,014	3,241	3,464	3,674	3,891	4,104	4,322	4,535	4,743
Less: Selling, General & Administrative	11,324	11,248	10,949	11,225	12,071	12,979	13,874	14,716	15,582	16,436	17,312	18,163	18,997
Plus: Implied Interest on Operating Leases	52	54	53	58	62	66	70	73	77	80	83	87	90
EBIT:	8,477	8,416	6,531	7,514	8,411	9,276	10,334	11,647	12,868	13,629	14,409	15,163	15,898
Income Tax Provision:	1,140	1,373	941	1,372	1,560	1,737	1,952	2,215	2,461	2,623	2,790	2,956	3,121
Plus: Tax Shield on Interest Expense	93	107	114	125	117	104	79	74	68	68	63	63	63
Less: Tax Shield on Interest Income	8	35	69	72	88	94	89	107	125	145	161	186	214
Less: Tax Shield on Non-Operating Income	48	62	86	90	95	99	104	109	115	121	127	133	140
Plus: Tax Shield on Operating Leases	9	10	9	10	11	12	12	13	14	14	15	16	16
Adjusted Tax:	1,186	1,393	903	1,345	1,505	1,660	1,850	2,085	2,303	2,440	2,579	2,714	2,846
Changes in Deferred Taxes:	(1,897)	(1,150)	(1,275)	(1,053)	(994)	(961)	(951)	(961)	(988)	(1,029)	(1,084)	(1,153)	(1,233)
NOPLAT:	5,394	5,872	4,353	5,116	5,911	6,654	7,533	8,601	9,577	10,160	10,745	11,297	11,820
Invested Capital (IC):	27,828	25,930	26,234	24,572	24,107	23,750	23,594	23,904	24,705	25,605	26,523	27,433	28,340
Operating Current Assets:													
Normal Cash	5,212	5,281	4,853	5,060	5,441	5,850	6,253	6,633	7,023	7,408	7,803	8,187	8,562
Accounts Receivable, Net	6,487	6,218	6,565	6,792	7,304	7,853	8,395	8,905	9,428	9,945	10,475	10,990	11,494
Inventories	5,157	6,173	6,570	5,897	6,341	6,818	7,288	7,731	8,186	8,634	9,094	9,541	9,979
Other Prepaid Expenses & Receivables	2,346	2,663	2,256	2,356	2,533	2,724	2,911	3,088	3,270	3,449	3,633	3,812	3,986
Total Operating Current Assets:	19,202	20,335	20,244	20,104	21,618	23,245	24,848	26,357	27,907	29,437	31,005	32,530	34,022
Operating Current Liabilities:													
Trade Accounts Payable	4,408	4,607	4,295	4,440	4,775	5,134	5,488	5,821	6,164	6,502	6,848	7,185	7,514
Salaries, Wages & Commissions	1,625	1,556	1,597	1,613	1,735	1,865	1,994	2,115	2,239	2,362	2,488	2,610	2,730
Dividends Payable	831	887	955	974	1,107	1,233	1,385	1,572	1,747	1,862	1,980	2,098	2,215
Other Accrued Liabilities	4,936	5,615	5,177	5,308	5,708	6,137	6,560	6,959	7,368	7,772	8,186	8,588	8,982
Income Taxes Payable	306	343	492	667	758	844	948	1,076	1,196	1,274	1,355	1,436	1,516
Total Operating Current Liabilities:	12,106	13,008	12,516	13,002	14,082	15,213	16,375	17,543	18,713	19,771	20,857	21,917	22,957
Net Operating Working Capital:	7,096	7,327	7,728	7,102	7,536	8,032	8,473	8,814	9,194	9,666	10,148	10,613	11,065
Property & Equipment, Net:	8,959	9,162	10,154	11,001	11,794	12,543	13,257	13,942	14,606	15,254	15,890	16,519	17,145
Other Operating Assets:													
Intangible Assets, Net	12,739	10,454	8,815	6,915	5,215	3,615	2,315	1,615	1,396	1,207	1,043	902	780
PV of Operating Leases	1,153	1,116	1,122	1,216	1,303	1,386	1,465	1,541	1,614	1,686	1,756	1,825	1,894
Net Other Operating Assets:	13,892	11,570	9,937	8,131	6,518	5,001	3,780	3,156	3,010	2,892	2,799	2,727	2,674
Other Operating Liabilities:													
All Other	2,119	2,129	1,585	1,662	1,742	1,827	1,915	2,008	2,105	2,207	2,314	2,426	2,544
Free Cash Flow (FCF):													
NOPLAT	5,394	5,872	4,353	5,116	5,911	6,654	7,533	8,601	9,577	10,160	10,745	11,297	11,820
Change in IC	(1,455)	(1,897)	303	(1,661)	(466)	(357)	(155)	310	801	900	919	910	907
FCF	6,848	7,769	4,050	6,777	6,377	7,011	7,688	8,291	8,776	9,260	9,826	10,386	10,913
Return on Invested Capital (ROIC):													
NOPLAT	5,394	5,872	4,353	5,116	5,911	6,654	7,533	8,601	9,577	10,160	10,745	11,297	11,820
Beginning IC	29,282	27,828	25,930	26,234	24,572	24,107	23,750	23,594	23,904	24,705	25,605	26,523	27,433
ROIC	18.42%	21.10%	16.79%	19.50%	24.06%	27.60%	31.72%	36.45%	40.06%	41.13%	41.97%	42.59%	43.09%
Economic Profit (EP):													
Beginning IC	29,282	27,828	25,930	26,234	24,572	24,107	23,750	23,594	23,904	24,705	25,605	26,523	27,433
x (ROIC - WACC)	10.56%	13.24%	8.93%	11.64%	16.20%	19.74%	23.86%	28.60%	32.21%	33.27%	34.11%	34.73%	35.23%
EP	3,093	3,686	2,316	3,054	3,980	4,760	5,667	6,747	7,698	8,219	8,733	9,212	9,664

Abbott Laboratories

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.34%	*10yr U.S. Treasury as of 3/19/2024*
Beta	0.77	*Bloomberg 5yr Raw Beta*
Equity Risk Premium	5.00%	*Henry Fund Estimation*
Cost of Equity	**8.18%**	
Cost of Debt:		
Risk-Free Rate	4.34%	*10yr U.S. Treasury as of 3/19/2024*
Implied Default Premium	0.41%	
Pre-Tax Cost of Debt	4.75%	*Yield on November 2036 senior notes*
Marginal Tax Rate	17.90%	
After-Tax Cost of Debt	**3.90%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1,734	
Current Stock Price	114	
MV of Equity	**197,529**	92.58%
Market Value of Debt:		
Short-Term Debt	-	
Current Portion of LTD	1,080	
Long-Term Debt	13,599	
PV of Operating Leases	1,147	
MV of Total Debt	**15,826**	7.42%
Market Value of the Firm	**213,354**	100.00%

Estimated WACC	**7.86%**

Abbott Laboratories

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:	
CV Growth of NOPLAT	5.00%
CV Year ROIC	43.09%
WACC	7.86%
Cost of Equity	8.18%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
DCF Model:										
Free Cash Flow (FCF)	6777	6377	7011	7688	8291	8776	9260	9826	10386	10913
Continuing Value (CV)										365585
PV of FCF	6283	5482	5588	5681	5680	5574	5453	5365	5258	185064
Value of Operating Assets:	235,428									
Non-Operating Adjustments										
Plus: Excess Cash	3,537									
Plus: Short-Term Investments	383									
Plus: Long-Term Investments	799									
Less: Debt Obligations	(14,679)									
Less: PV of Op. Lease Liabilities	(1,147)									
Less: Non-Controlling Interest	(224)									
Less: ESOP	(1,281)									
Value of Equity	222,816									
Shares Outstanding	1,734									
Intrinsic Value of Last FYE	$ 128.49									
Implied Price as of Today	**$ 129.80**									
EP Model:										
Economic Profit (EP)	3054	3980	4760	5667	6747	7698	8219	8733	9212	9664
Continuing Value (CV)										338152
PV of EP	2832	3422	3793	4187	4622	4890	4840	4768	4663	171177
Total PV of EP	209,195									
Invested Capital (last FYE)	26,234									
Value of Operating Assets:	235,428									
Non-Operating Adjustments										
Plus: Excess Cash	3,537									
Plus: Short-Term Investments	383									
Plus: Long-Term Investments	799									
Less: Debt Obligations	(14,679)									
Less: PV of Op. Lease Liabilities	(1,147)									
Less: Non-Controlling Interest	(224)									
Less: ESOP	(1,281)									
Value of Equity	222,816									
Shares Outstanding	1,734									
Intrinsic Value of Last FYE	$ 128.49									
Implied Price as of Today	**$ 129.80**									

Abbott Laboratories

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EPS	$ 3.63	$ 4.14	$ 4.61	$ 5.18	$ 5.89	$ 6.56	$ 7.02	$ 7.48	$ 7.95	$ 8.41
Key Assumptions										
CV growth of EPS	5.00%									
CV Year ROE	20.61%									
Cost of Equity	8.18%									
Future Cash Flows										
P/E Multiple (CV Year)										23.86
EPS (CV Year)										$ 8.41
Future Stock Price										$ 200.68
Dividends Per Share	2.25	2.56	2.85	3.21	3.65	4.06	4.34	4.63	4.92	
Discounted Cash Flows	2.08	2.19	2.25	2.34	2.46	2.53	2.50	2.47	2.43	98.94
Intrinsic Value as of Last FYE	$ 120.19									
Implied Price as of Today	$ 121.41									

Abbott Laboratories

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25
BSX	Boston Scientific	$67.81	$1.40	$1.81	48.44	37.46	12.3	3.94	3.05
SYK	Stryker	$351.09	$10.27	$11.78	34.19	29.80	11.0	3.10	2.70
MDT	Medtronic PLC	$84.56	$3.50	$4.05	24.16	20.88	3.5	6.94	6.00
EW	Edwards Lifesciences	$94.02	$2.70	$3.04	34.82	30.93	9.3	3.73	3.31
				Average	**35.40**	**29.77**		**4.43**	**3.77**
ABT	Abbott Laboratories	$113.91	3.63	4.14	31.4	27.5	12.2	2.6	2.3

Implied Relative Value:

P/E (EPS24)	**$ 128.60**
P/E (EPS25)	**$ 123.11**
PEG (EPS24)	**$ 196.19**
PEG (EPS25)	**$ 189.93**

Abbott Laboratories

Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year 1	140.0	161.0	163.0	145.0	223.0	218.0	238.0	272.0	272.0	258.0	278.0
Year 2	109.5	109.5	100.5	117.0	158.5	151.0	197.0	228.0	234.0	218.0	246.0
Year 3	109.5	109.5	100.5	117.0	158.5	151.0	155.0	177.0	178.0	182.0	206.0
Year 4	65.5	57.0	66.0	70.5	98.0	96.5	115.0	131.0	142.0	151.0	146.0
Year 5	65.5	57.0	66.0	70.5	98.0	96.5	80.0	100.0	118.0	110.0	110.0
Thereafter	138.0	145.0	142.0	258.0	405.0	271.0	353.0	407.0	407.0	422.0	376.0
Total Minimum Payments	628.0	639.0	638.0	778.0	1141.0	984.0	1138.0	1315.0	1351.0	1341.0	1362.0
Less: Cumulative Interest	91.1	91.7	91.5	132.9	201.2	153.4	190.2	218.1	220.4	225.6	215.3
PV of Minimum Payments	**536.9**	**547.3**	**546.5**	**645.1**	**939.8**	**830.6**	**947.8**	**1096.9**	**1130.6**	**1115.4**	**1146.7**
Implied Interest in Year 1 Payment		**25.5**	**26.0**	**26.0**	**30.6**	**44.6**	**39.5**	**45.0**	**52.1**	**53.7**	**53.0**
Pre-Tax Cost of Debt	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Years Implied by Year 6 Payment	2.1	2.5	2.2	3.7	4.1	2.8	4.4	4.1	3.4	3.8	3.4
Expected Obligation in Year 6 & Beyond	65.5	57	66	70.5	98	96.5	80	100	118	110	110
Present Value of Lease Payments											
PV of Year 1	133.7	153.7	155.6	138.4	212.9	208.1	227.2	259.7	259.7	246.3	265.4
PV of Year 2	99.8	99.8	91.6	106.6	144.5	137.6	179.5	207.8	213.3	198.7	224.2
PV of Year 3	95.3	95.3	87.4	101.8	137.9	131.4	134.9	154.0	154.9	158.3	179.2
PV of Year 4	54.4	47.3	54.8	58.6	81.4	80.2	95.5	108.8	117.9	125.4	121.3
PV of Year 5	51.9	45.2	52.3	55.9	77.7	76.5	63.4	79.3	93.6	87.2	87.2
PV of 6 & beyond	101.8	105.9	104.7	183.8	285.5	196.8	247.3	287.3	291.3	299.5	269.3
Capitalized PV of Payments	536.9	547.3	546.5	645.1	939.8	830.6	947.8	1096.9	1130.6	1115.4	1146.7

Abbott Laboratories

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	28.57
Average Time to Maturity (years):	4.80
Expected Annual Number of Options Exercised:	6
Current Average Strike Price:	$ 74.52
Cost of Equity:	8.18%
Current Stock Price:	$113.91

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Increase in Shares Outstanding:	6	6	6	6	5	0	0	0	0	0
Average Strike Price:	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52	$ 74.52
Increase in Common Stock Account:	**444**	**444**	**444**	**444**	**355**	**-**	**-**	**-**	**-**	**-**
Share Repurchases ($)	1,000	1,000	1,000	1,000	1,000	900	900	800	800	700
Expected Price of Repurchased Shares:	$ 113.91	$ 121.02	$ 128.58	$ 136.61	$ 145.14	$ 154.21	$ 163.84	$ 174.07	$ 184.94	$ 196.49
Number of Shares Repurchased:	**9**	**8**	**8**	**7**	**7**	**6**	**5**	**5**	**4**	**4**
Shares Outstanding (beginning of the year)	1,734	1,731	1,729	1,727	1,726	1,724	1,718	1,712	1,708	1,703
Plus: Shares Issued Through ESOP	6	6	6	6	5	0	0	0	0	0
Less: Shares Repurchased in Treasury	9	8	8	7	7	6	5	5	4	4
Shares Outstanding (end of the year)	**1,731**	**1,729**	**1,727**	**1,726**	**1,724**	**1,718**	**1,712**	**1,708**	**1,703**	**1,700**

Abbott Laboratories

Valuation of Options Granted under ESOP

Current Stock Price	$113.91
Risk Free Rate	4.34%
Current Dividend Yield	1.93%
Annualized St. Dev. of Stock Returns	19.06%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Vested YE & Expected	28.57	74.52	4.80	$ 44.83	$ 1,281
Total	28.57	$ 74.52	4.80	$ 54.24	**$ 1,281**

Abbott Laboratories

Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio *(Current Assets/Current Liabilities)*	1.85	1.63	1.64	1.63	1.49	1.63	1.71	1.83	1.83	1.93	2.02	2.11	2.20
Quick Ratio *(Cash + Marketable Securities + Receivables)/Current Liabilities*	1.28	1.06	1.00	1.07	0.97	1.04	1.12	1.22	1.25	1.33	1.42	1.51	1.60
Cash Ratio *(Cash + Marketable Securities)/Current Liabilities*	0.78	0.66	0.53	0.61	0.55	0.56	0.63	0.72	0.77	0.84	0.93	1.02	1.11
Defensive Interval Ratio *(Current Assets/Daily Expenditures)*	284.37	287.50	272.30	283.33	282.30	269.25	282.25	293.47	306.02	313.51	327.54	342.29	357.90
Asset-Management Ratios:													
Inventory Turnover Ratio *(Cost of Goods Sold/Inventory)*	3.99	3.43	3.04	3.45	3.40	3.36	3.30	3.22	3.15	3.14	3.14	3.13	3.13
Receivables Turnover *(Revenue/Receviables)*	6.64	7.02	6.11	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16
Payables Turnover *(Cost of Goods Sold/Accounts Payable)*	2.83	2.90	2.83	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80
Working Capital Turnover *(Revenue/Net Working Capital)*	6.07	5.96	5.19	5.89	5.97	6.02	6.10	6.22	6.31	6.34	6.36	6.38	6.40
Total Asset Turnover *(Revenue/Total Assets)*	0.57	0.59	0.55	0.56	0.59	0.63	0.65	0.66	0.66	0.66	0.66	0.65	0.64
Financial Leverage Ratios:													
Debt-To-Capital Ratio *(Total Liabilites/(Total Liabilities + Total Shareholders' Equity))*	0.52	0.50	0.47	0.45	0.43	0.40	0.39	0.37	0.36	0.35	0.34	0.33	0.32
Debt-To-Equity Ratio (Total Liabilities/Total Shareholders' Equity)	1.09	1.02	0.89	0.82	0.76	0.66	0.63	0.59	0.57	0.54	0.52	0.50	0.48
Financial Leverage Ratio *(Total Assets/Total Shareholders' Equity)*	2.09	2.02	1.89	1.82	1.76	1.66	1.63	1.59	1.57	1.54	1.52	1.50	1.48
Profitability Ratios:													
Return on Equity (Net Income/Beginning Total Sharholders' Equity)	21.43%	19.25%	15.51%	16.21%	17.54%	18.47%	19.52%	20.74%	21.49%	21.39%	21.22%	20.95%	20.61%
Return on Assets (Net Income/Total Assets)	9.75%	9.22%	7.69%	8.60%	9.64%	10.52%	11.73%	12.74%	13.50%	13.61%	13.79%	13.79%	13.75%
Gross Profit Margin (Gross Profit/Revenue)	60.43%	59.02%	58.37%	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%
Operating Profit Margin (Operating Profit/Revenue)	19.56%	19.16%	16.15%	17.83%	18.57%	19.05%	19.86%	21.11%	22.03%	22.13%	22.21%	22.28%	22.34%
Net Profit Margin (Net Income/Revenue)	16.42%	15.88%	14.27%	15.05%	15.91%	16.48%	17.32%	18.53%	19.45%	19.65%	19.84%	20.04%	20.23%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	45.84%	48.73%	62.20%	61.89%	61.89%	61.89%	61.89%	61.89%	61.89%	61.89%	61.89%	61.89%	61.89%
Total Payout Ratio ((Divs. + Repurchases)/NI)	70.81%	98.30%	75.63%	78.04%	75.96%	74.51%	73.12%	71.80%	70.01%	69.57%	68.32%	67.95%	66.92%

Abbott Laboratories

Sensitivity Tables

DCF — Beta (rows) vs. Equity Risk Premium (columns)

129.80	4.40%	4.60%	4.80%	5.00%	5.20%	5.40%	5.60%
0.62	206.21	193.65	182.49	172.51	163.53	155.40	148.01
0.67	184.90	173.89	164.08	155.27	147.33	140.13	133.57
0.72	167.47	157.68	148.93	141.06	133.95	127.49	121.60
0.77	153.74	144.88	136.94	129.80	123.33	117.44	112.06
0.82	140.65	132.64	125.47	118.99	113.12	107.77	102.87
0.87	130.11	122.78	116.20	110.25	104.85	99.93	95.42
0.92	120.97	114.22	108.14	102.64	97.65	93.09	88.91

DCF — COGS (2024 - 2033) (rows) vs. SG&A (2024 - 2033) (columns)

129.80	26.09%	26.34%	26.59%	26.84%	27.09%	27.34%	27.59%
39.77%	141.64	139.67	137.70	135.71	133.76	131.79	129.82
40.02%	139.67	137.70	135.73	133.74	131.79	129.82	127.85
40.27%	137.70	135.73	133.76	131.77	129.82	127.85	125.88
40.52%	135.73	133.76	131.79	129.80	127.85	125.88	123.91
40.77%	133.76	131.79	129.82	127.83	125.88	123.91	121.94
41.02%	131.79	129.82	127.85	125.86	123.91	121.94	119.97
41.27%	129.82	127.85	125.88	123.89	121.94	119.97	118.00

DCF — Marginal Tax Rate (rows) vs. Risk-Free Rate (columns)

129.80	4.04%	4.14%	4.24%	4.34%	4.44%	4.54%	4.64%
16.40%	147.53	142.18	137.19	132.53	128.15	124.05	120.18
16.90%	146.53	141.21	136.26	131.62	127.27	123.19	119.35
17.40%	145.53	140.24	135.32	130.71	126.39	122.33	118.51
17.90%	144.52	139.27	134.38	129.80	125.50	121.47	117.68
18.40%	143.52	138.30	133.44	128.88	124.62	120.61	116.84
18.90%	142.51	137.33	132.49	127.97	123.73	119.75	116.00
19.40%	141.51	136.36	131.55	127.05	122.84	118.89	115.16

DCF — Invt. % (2024 - 2033) (rows) vs. Accounts Receivable % (2024 - 2033) (columns)

129.80	14.74%	15.24%	15.74%	16.24%	16.74%	17.24%	17.74%
12.60%	132.58	132.12	131.65	131.19	130.73	130.26	129.80
13.10%	132.12	131.65	131.19	130.72	130.26	129.80	129.34
13.60%	131.65	131.19	130.73	130.26	129.80	129.34	128.87
14.10%	131.19	130.73	130.26	129.80	129.34	128.87	128.41
14.60%	130.73	130.26	129.80	129.33	128.87	128.41	127.95
15.10%	130.26	129.80	129.34	128.87	128.41	127.95	127.48
15.60%	129.80	129.34	128.87	128.41	127.95	127.48	127.02

DCF — WACC (rows) vs. CV Growth of NOPLAT (columns)

129.80	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%
7.56%	119.70	126.97	135.54	145.78	158.23	173.71	193.46
7.66%	115.92	122.68	130.60	140.01	151.37	165.37	183.02
7.76%	112.36	118.66	126.00	134.67	145.06	157.76	173.62
7.86%	109.07	114.95	121.78	129.80	139.36	150.94	165.28
7.96%	105.82	111.30	117.65	125.06	133.84	144.40	157.36
8.06%	102.80	107.94	113.85	120.73	128.83	138.51	150.29
8.16%	99.94	104.76	110.28	116.67	124.16	133.06	143.80

DDM — CV EPS Growth (rows) vs. Cost of Equity (columns)

121.41	7.88%	7.98%	8.08%	8.18%	8.28%	8.38%	8.48%
4.25%	115.65	112.28	109.08	106.20	103.18	100.44	97.83
4.50%	121.06	117.30	113.76	110.58	107.25	104.25	101.40
4.75%	127.32	123.11	119.15	115.60	111.91	108.59	105.45
5.00%	134.68	129.89	125.41	121.41	117.27	113.57	110.08
5.25%	143.44	137.91	132.77	128.22	123.52	119.34	115.43
5.50%	154.03	147.54	141.56	136.30	130.90	126.12	121.67
5.75%	167.11	159.34	152.24	146.04	139.73	134.19	129.06