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Abbott Laboratories (ABT)

March 14, 2025

Healthcare – Medical Devices

Stock Rating **HOLD**

Investment Thesis

We recommend a hold rating on Abbott Laboratories with a target price range of $130-135 with a 2% upside. While the company's solid growth prospects and leading position in the healthcare industry remain attractive, we believe the stock is already priced for significant growth, leaving limited room for short-term upside. Despite this, Abbott's strong portfolio of market-leading products, coupled with its commitment to innovation and shareholder returns, positions the company to continue delivering long-term value and growth for its investors.

Drivers of Thesis

- **Diabetes:** The rising prevalence of Type II diabetes, projected to reach 9.8% globally by 2050, is expected to drive sustained demand for diabetes care solutions, including Abbott's FreeStyle Libre CGM system.
- **Medical Devices Growth (Especially CGMs):** Abbott's FreeStyle Libre CGM system is well-positioned to benefit from the growth of GLP-1 drugs, as continuous glucose monitoring can complement these treatments for diabetes and weight management.
- **Resilient Revenue Diversification:** Abbott's diversified portfolio across Medical Devices, Nutritional Products, Diagnostics, and Established Pharmaceuticals provides stability and mitigates risks from any single segment underperforming.

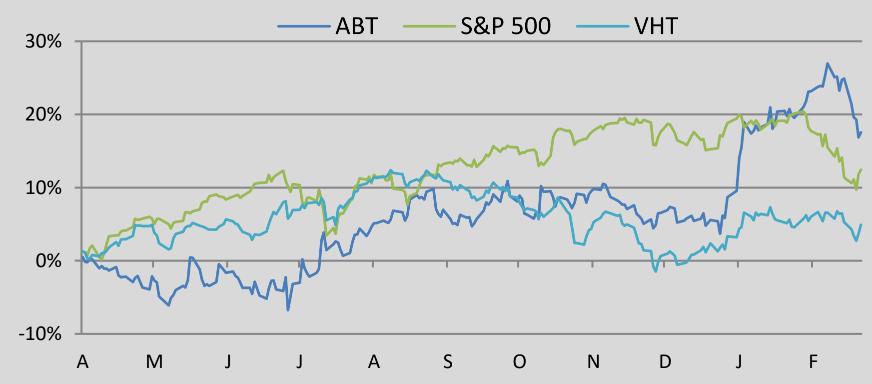
Risks to Thesis

- **GLP-1 Market Uncertainty:** While CGMs could complement GLP-1 therapies, there is still uncertainty regarding how these treatments will evolve and whether they could reduce the need for CGMs in certain cases.
- **Macroeconomic and Competitive Pressures:** Pricing constraints, reimbursement risks, and competition from both established firms and emerging players could impact margins and growth potential.
- **Regulatory and Supply Chain Risks:** Global regulatory changes, product approval challenges, and supply chain disruptions—especially in high-growth markets—could pose operational hurdles.

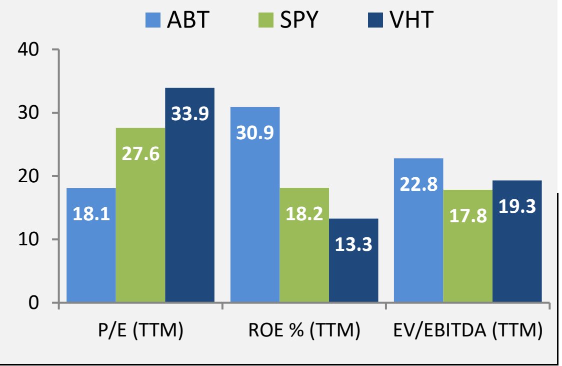
Earnings Estimates

Year	2022	2023	2024	2025E	2026E	2027E
EPS	$3.94	$3.28	$7.67	$3.93	$4.50	$5.31
HF est.	-	-	-	$3.88	$4.73	$5.35
Growth	*-0.8%*	*-16.8%*	*133.8%*	*-49.5%*	*21.9%*	*13.2%*

12 Month Performance



Target Price	$130-135
Henry Fund DCF	$135
Henry Fund DDM	$130
Relative Multiple	$131
Price Data	
Current Price	$133.02
52wk Range	$99.71 – 141.23
Consensus 1yr Target	$135.54
Key Statistics	
Market Cap (B)	$234.2
Shares Outstanding (M)	1,734
Institutional Ownership	79.4%
Beta	0.55
Dividend Yield	1.71%
Est. 5yr Growth	7.51%
Price/Earnings (TTM)	18.1
Price/Earnings (FY1)	26.7
Price/Sales (TTM)	5.7
Price/Book (mrq)	5.0
Profitability	
Operating Margin	18.6%
Profit Margin	31.9%
Return on Assets (TTM)	6.1%
Return on Equity (TTM)	30.9%



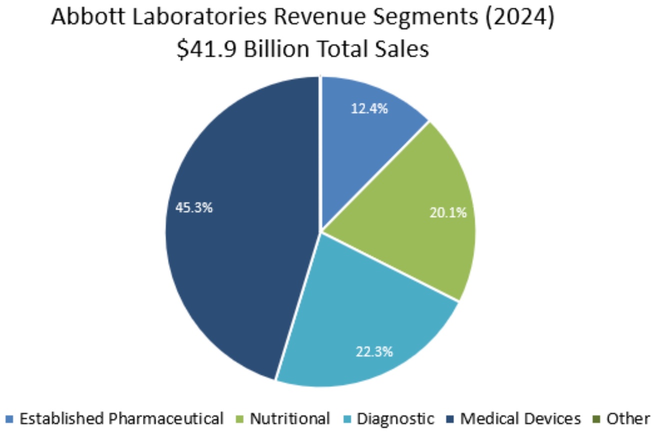
Company Description

Abbott Laboratories (ABT) is a global healthcare company that specializes in developing, manufacturing, and marketing a diverse portfolio of medical devices, diagnostics, branded generic pharmaceuticals, and nutritional products. ABT is a leader within the healthcare sector, attributed to their strong presence within the medical devices industry, accounting for a significant portion of their revenue. ABT is widely known for its medical devices such as the continuous glucose monitoring (CGM) system, the FreeStyle Libre, a leading device within diabetic care.

Important disclosures appear on the last page of this report.

COMPANY DESCRIPTION

Abbott Laboratories (ABT) is a leading global healthcare company that operates across four main segments: Established Pharmaceuticals, Diagnostic Products, Nutritional Products, and Medical Devices. Founded in 1888 and headquartered in Abbott Park, Illinois, the company serves over 160 countries, including Germany, China, India, Switzerland, Japan, the Netherlands, and many others.[1] Abbott places a strong emphasis on research and development, leveraging both in-house innovation and strategic acquisitions to drive growth. Notable acquisitions include Bigfoot Biomedical, a leader in developing smart insulin management systems[2], and Cardiovascular Systems, Inc., a provider of medical devices for coronary artery disease treatment.[3] Abbott benefits from a vast and resilient manufacturing network that mitigates supply chain risks, as well as a diverse customer base ranging from hospitals and healthcare providers to government agencies and consumers. This remains highly relevant given the new administration's implementation and consideration of additional tariffs. We believe Abbott's strong supply chain management and diversified product portfolio will help mitigate the negative impact of these trade policies. While some cost increases are likely, the company is well-positioned to absorb them by leveraging segments of its portfolio that are less affected by tariffs, helping to offset potential headwinds. This broad customer base offers stability across different economic cycles. Abbott's focus on continuous innovation, the integration of advanced technologies into its products, and the optimization of its global operations have been crucial to its sustained growth and profitability. Abbott's revenue decomposition is shown below:

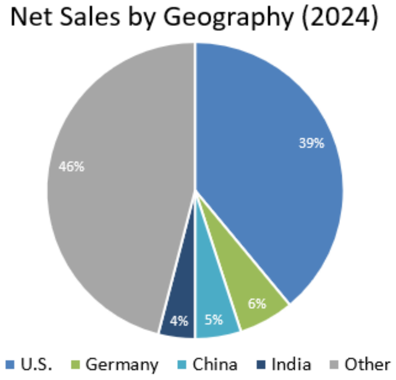


Source: ABT 10-K

Revenue Segments

As mentioned earlier, Abbott has a diverse portfolio, with its primary revenue streams coming from Established Pharmaceuticals, Diagnostic Products, Nutritional Products, and Medical Devices. Additionally, there is an "Other" segment, which captures products that do not fall within these core categories. This "Other" segment represents a negligible portion of Abbott's overall revenue and will not be analyzed further.

As well as having a diverse potfolio of products, Abbott has an international presence with a majority of their sales originating from outside of the United States. Below is the geographic breakdown of their net revenue:

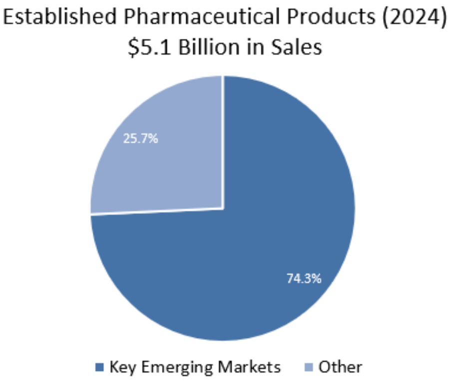


Source: ABT 10-K

This figure highlights Abbott's strong international presence, with a significant portion of revenue generated outside the United States. Emerging markets, particularly in Asia and Latin America, have shown the highest growth in recent years, driven by rising healthcare demand and expanding access to medical technologies. This global diversification supports long-term growth but also exposes the company to foreign exchange risk. Abbott does engage in currency hedging strategies to help manage this exposure, though fluctuations in exchange rates can still impact reported earnings and remain an important factor to monitor.[1]

Established Pharmaceutical Products

The Established Pharmaceutical Products segment includes a wide range of branded generic pharmaceuticals sold primarily in emerging markets outside the United States. These products target several therapeutic areas, including gastroenterology (e.g., Creon for pancreatic insufficiency), women's health (e.g., Duphaston for gynecological disorders), cardiovascular and metabolic conditions (e.g., Lipanthyl for dyslipidemia), pain and central nervous system issues (e.g., Brufen for pain), respiratory drugs (e.g., clarithromycin), and biosimilars (e.g., oncology treatments). Abbott markets these products through direct sales to wholesalers, distributors, government agencies, and healthcare providers, often in collaboration with other companies. The segment faces competition from other healthcare companies, particularly from generic drug alternatives and branded competitors.[1]

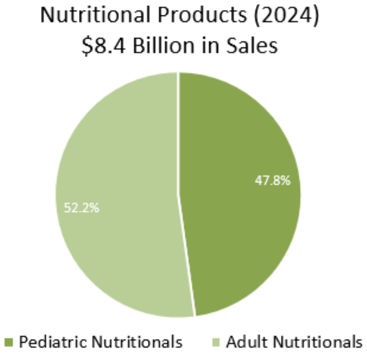


Source: ABT 10-K

The global pharmaceutical market had a market value of $1,700 billion of total sales in 2024 and is expected to reach $2,821 billion, growing at a CAGR of 5.79% through 2033[5]. Given that the pharmaceutical segment represents only around 12% of Abbott's overall business, we believe the company is likely to focus more on its larger, higher-growth segments, such as medical devices, particularly in areas like diabetes care and cardiovascular treatments. As a result, we anticipate Abbott's pharmaceutical revenue will grow in line with the broader market's growth rate rather than outperforming it significantly. Assuming Abbott maintains its market share and does not aggressively pursue market expansion in this segment, we forecast the pharmaceutical division will grow at a rate similar to the overall market, resulting in an estimated revenue of $9.51 billion by 2034. We expect solid growth in this segment with annual revenue increases generally around 5.8%, reflective of the broader market trend.

Nutritional Products

The Nutritional Products segment includes a wide range of pediatric and adult nutritional offerings sold globally. Key products include various infant formulas (e.g., Similac, Similac Pro-Advance, Similac Sensitive), adult nutritional products (e.g., Ensure, Ensure Plus, Glucerna), and enteral feeding products for healthcare institutions (e.g., Jevity, Nepro™, Freego). These products are marketed directly to consumers, healthcare professionals, and institutions through both Abbott-owned and third-party distribution channels. The segment faces competition from other diversified consumer and healthcare companies, with factors like advertising, product formulation, packaging, and ingredient innovations influencing the market. Additionally, private-label and local manufacturers increase competitive pressures.[1]



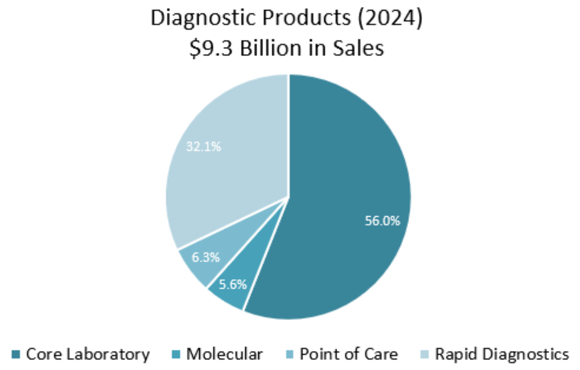
Source: ABT 10-K

Our forecasts for Abbott's nutritional products segment are based on the projected growth rates of its key categories: (1) the pediatric nutrition market is expected to grow at a CAGR of 6.7% through 2033[6], and (2) the adult nutrition market is anticipated to grow at a slightly higher rate of 9.1% over the same period.[7] Abbott's nutritional products, including popular brands like Similac for infants and Ensure for adults, have a strong market presence globally, and the company is well-positioned to benefit from the increasing demand for both pediatric and adult nutritional solutions. The pediatric nutrition market is expected to grow due to rising health awareness among parents, increased disposable income in emerging markets, and a shift toward preventive healthcare.[6] Abbott is well-positioned to capitalize on this trend through its strong brand (Similac), global reach, and continued product innovation that supports premium pricing and market share gains. The growth in the pediatric category will continue to benefit from increased awareness of the importance of early nutrition, while the adult category will be driven by an aging population and growing interest in health and wellness products.

However, given that nutritional products are a relatively smaller segment for Abbott compared to their high-growth areas such as medical devices and diagnostic products, we anticipate that Abbott will likely modestly grow market share rather than aggressively expand its footprint in this space. As a result, we forecast that Abbott's nutritional products revenue will grow at rates consistent with the broader market trends. We project that Abbott’s nutritional products segment will achieve revenue of $16.02 billion by 2034, driven by sustained growth in both pediatric and adult categories. While Abbott will continue to expand its nutritional offerings, particularly in emerging markets, its focus on larger, more profitable segments like medical devices may moderate the growth in nutritional products, aligning it with the broader market growth rates.

Diagnostic Products

The Diagnostic Products segment offers a broad range of diagnostic systems and tests sold globally to blood banks, hospitals, laboratories, clinics, and government agencies. Key products include core laboratory systems for immunoassay, clinical chemistry, hematology, and transfusion medicine (e.g., Alinity and ARCHITECT), molecular diagnostics systems for PCR testing (e.g., Alinity m, m2000), and point-of-care testing systems (e.g., i-STAT). Additionally, Abbott provides rapid diagnostics for infectious diseases (e.g., BinaxNOW for SARS-CoV-2), cardiometabolic testing platforms (e.g., Afinion), and informatics solutions for laboratory automation. Competition in this segment is driven by technological innovation, pricing, product performance, and regulatory changes, with rapid product obsolescence being a key challenge.[1]

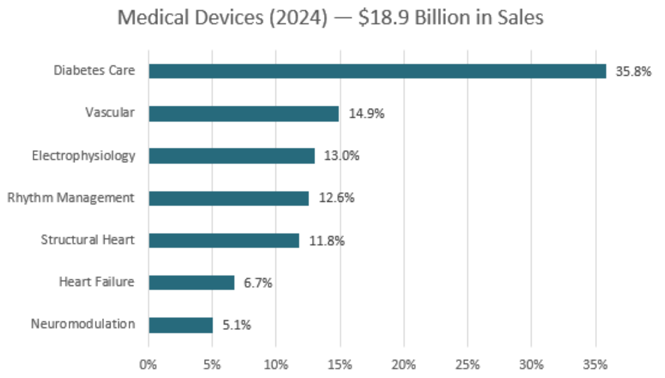


Source: ABT 10-K

Our forecasts for Abbott's diagnostic products segment are based on the projected growth rate of 6.6% CAGR through 2030, which aligns with the broader diagnostics market's expansion.[8] Abbott's diagnostic offerings, including key systems like the CHOLESTECH LDX Analyzer and Alinity M, are expected to see differentiated growth. The CHOLESTECH LDX Analyzer, a portable point-of-care testing system, is anticipated to experience growth driven by increasing demand for rapid diagnostics, particularly in healthcare settings where speed and accuracy are critical. In contrast, the Alinity M system, which automates molecular diagnostics, may see more stable or slightly decreasing growth due to market saturation and competition from other emerging technologies. Despite this, Abbott’s strong position in diagnostic markets, along with ongoing advancements in molecular diagnostics, infectious disease testing, and point-of-care systems, will drive steady growth in this segment. Based on these growth assumptions, we forecast Abbott’s diagnostic products revenue to reach $16.13 billion by 2034. We expect Abbott’s diagnostic products segment to continue expanding at a consistent pace, contributing to overall revenue growth while staying aligned with trends in diagnostic product innovation and market adoption.

Medical Devices

The Medical Devices segment includes a diverse range of products for treating cardiovascular diseases, diabetes, chronic pain, and movement disorders. Key products include rhythm management devices (e.g., pacemakers, implantable cardioverter defibrillators), electrophysiology products (e.g., ablation catheters, cardiac mapping systems), heart failure devices (e.g., left ventricular assist devices, heart failure monitoring systems), vascular products (e.g., drug-eluting coronary stents, atherectomy systems), structural heart devices (e.g., mitral and aortic valve replacement systems), continuous glucose monitoring systems (e.g., FreeStyle Libre), and neuromodulation products for pain and movement disorders (e.g., spinal cord stimulators, deep brain stimulation systems). These products are sold globally to hospitals, clinics, and consumers, and face competition based on innovation, price, product performance, and regulatory changes.[1]

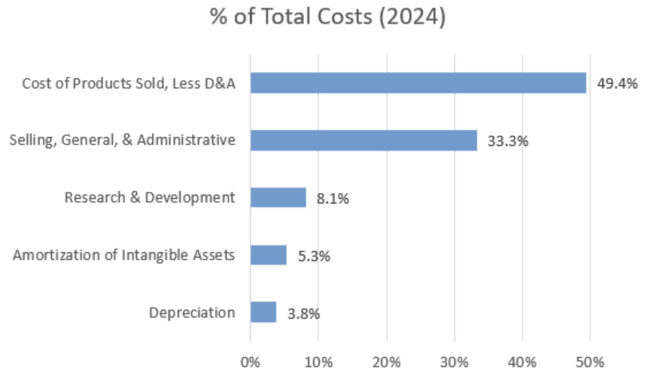


Source: ABT 10-K

Abbott’s medical devices segment is expected to experience strong growth, driven by a combination of factors, especially in the continuous glucose monitoring (CGM) space, where Abbott is well-positioned to benefit from increasing demand. The FreeStyle Libre system, a leader in CGMs, will be a key growth driver, supported by Abbott's strong track record of innovation. Diabetes care within this segment is expected to grow at a 12% CAGR, contributing significantly to overall performance.[15] However, the broader medical devices portfolio is also critical to Abbott's operations, with electrophysiology (13% CAGR)[10] and heart failure (19% CAGR)[11] devices projected to see substantial growth due to an aging global population. As more individuals experience age-related health issues, Abbott is primed to address these needs through continued innovation in areas like electrophysiology and vascular health, which is expected to grow at a 6% CAGR.[12] This cycle of innovation, which improves patient outcomes and survival rates, will drive increased revenue and profitability, allowing Abbott to reinvest in R&D and further fuel growth. With this in mind, we forecast that Abbott’s medical devices revenue will reach $50.17 billion by 2034, supported by robust demand across multiple sub-segments, including diabetes care, cardiovascular health, and neuromodulation, which is expected to grow at 12% CAGR.[14]

Cost Structure Analysis

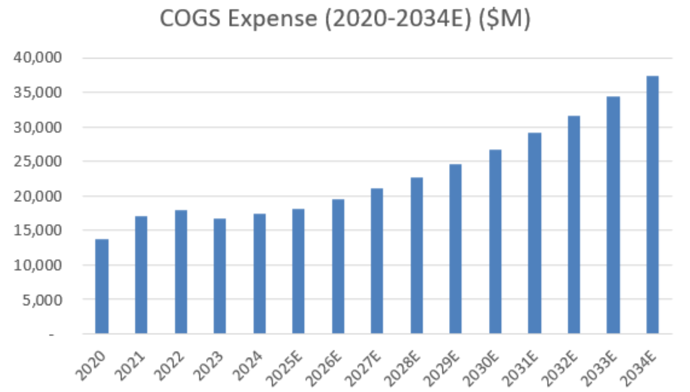
Below is a figure depicting Abbott’s cost structure for 2024:



Source: ABT 10-K

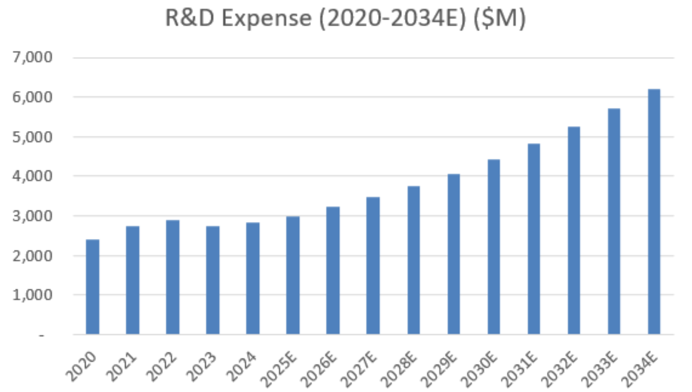
Abbott’s costs are primarily comprised of cost of goods sold (COGS) and selling, general, and administrative (SG&A) accounting for 82.7% of their total costs. Abbott’s high COGS reflects the company’s broad manufacturing footprint across medical devices, diagnostics, and nutritional products, all of which involve complex production and strict regulatory standards. Its SG&A expenses are also significant due to the need for a large global salesforce, ongoing marketing efforts, and administrative support to drive growth across diverse markets and product lines.

Below shows the COGS expense for Abbott from 2020-2034:



Source: ABT 10-K

Below shows the R&D expense for Abbott from 2020-2034:



Source: ABT 10-K

COGS remains the largest component of Abbott’s cost structure throughout the forecast period, reflecting its diversified manufacturing operations across diagnostics, medical devices, and nutritional products. While economies of scale and operational efficiencies may slightly improve margins over time, COGS is expected to remain relatively stable as a percentage of revenue due to consistent investment in quality, compliance, and supply chain capabilities.

R&D expenses are projected to grow, which emphasizes Abbott's commitment to innovation across its segments. Sustained investment supports long-term product development, particularly in high-growth areas such as continuous glucose monitoring and cardiovascular devices and is essential to maintaining the company's competitive edge.

Another important aspect to consider is operating margin as it is a metric of profitability. Below is Abbott's operating margin trend:

Source: Yahoo!Finance

Abbott's adjusted operating margin has decreased by 3.6 percentage points over the past two years. This raises concerns about its expense structure, as the revenue growth should have provided leverage on fixed costs, leading to better economies of scale and improved profitability. The company's adjusted operating margin for the trailing 12 months is 22.2%.[23]

The downside of this trend is that the decline in adjusted operating margin could indicate inefficiencies or rising costs that are not being offset by revenue growth. If Abbott continues to see margin pressure, it could struggle to maintain profitability, potentially limiting its ability to reinvest in innovation or return value to shareholders.

On the upside, the company could turn things around by addressing its cost structure and improving operational efficiencies (*see later discussion of management's comments on most recent earnings call*). If Abbott can streamline expenses while continuing to grow revenue, it may see a strong rebound in profitability, potentially driving higher margins and positioning the company for greater long-term success. A positive announcement or data pointing to improved margins could signal stronger financial health and boost investor confidence.

Additional Company Analysis

Target Market and Strategic Positioning

Abbott operates in the global healthcare market, which is expected to grow due to factors like aging populations, rising chronic disease prevalence, and greater health awareness. Abbott strategically positions itself across multiple growth healthcare segments, such as medical devices, and diagnostics. This diversified portfolio reduces dependency on any single product or market, providing the company with stability and flexibility. Their strategy is centered on using its diversified portfolio to capture growth across geographies and product segments. By operating in high-demand areas Abbot leverages its market leadership in these spaces to continue growth.

Differentiation and Comparative Advantages

Abbott differentiates itself from their peers through their diverse product portfolio and leadership in key segments such as CGMs and diagnostics. This is a key differentiator when comparing Abbott to competitors that focus on one area with their portfolio being heavily weighted towards a few product offerings. Abbott's multi-segment approach allows for them to spread out risk while capitalizing on several growth opportunities. The primary competitive advantages are as follows:

- **Medical Device Innovation** - Abbott's FreeStyle Libre is a leader within the CGM space, paired with breakthroughs in structural heart solutions give them an advantage over other companies in the medical devices space.
- **Global Reach** – Abbott's presence in developed and emerging markets allows for the capture of growth from a diverse range of healthcare needs. Including advanced medical technologies in high-income countries, to essential nutritional/pharmaceutical products in low-income markets.
- **Brand Strength** – It is important to not underestimate the power of brand strength/recognition. Abbott has strong, well-established brands across its product segments (e.g., FreeStyle Libre, Ensure, BinaxNOW) which are widely recognized and trusted by consumers, enhancing brand loyalty and customer retention.

Viability and Sustainability of Abbott's Business Model

Due to the diversification of Abbott's product portfolio, continued innovation, and strong global presence, their business model appears highly sustainable when compared to peers. Abbott possesses the ability to generate revenue across several high-demand segments, positing themselves well for long-term growth. Abbott is also well-positioned to benefit from key industry trends, including the shift toward personalized healthcare, the rise in chronic diseases, and the growing demand for home-based healthcare solutions. The company's strategic investments in digital health, particularly through its CGM technology, ensure that it is tapping into emerging trends in the healthcare space.

However, there are risks, including regulatory pressures and the rising cost of raw materials, that could impact profitability. Nonetheless, Abbott's strategic positioning and adaptability give them a strong foundation to compete and thrive in the evolving healthcare market.

Debt Maturity Analysis

Abbott Laboratories' debt maturity profile, as of December 31, 2024, reflects a structured repayment plan that spreads principal and interest obligations over several years, with a significant portion due in the later years. The company is scheduled to make debt principal payments of $2.5 billion in 2025 and $2.88 billion in 2026, which we forecast Abbott will have adequate operating cash flow to cover if refinancing isn't an option. Payments then decrease to $615 million in 2027, $650 million in 2028, and $585 million in 2029. A substantial repayment of $8 billion is due after 2029, representing a large portion of Abbott's long-term liabilities.[1]

Abbott's interest payments on long-term debt are expected to decrease in the near term, with $512 million in 2025 and declining to $384 million by 2029. However, similar to the principal payments, interest obligations are set to spike in 2030, with projected interest payments reaching $4.7 billion, reflecting the larger outstanding debt balance at that time.[1] Below is a table detailing Abbott's debt maturity schedule:

Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mil)
2025	$2,500
2026	2,888
2027	615
2028	650
2029	585
Thereafter	8,006
Total	$15,244

Source: ABT 10-K

While Abbott's near-term debt obligations appear manageable, the substantial payments due in the 2030s could create a future cash flow burden. The company will need to carefully manage its cash flow, refinancing options, and investment strategies as it approaches these larger maturities to ensure long-term financial stability.

ESG Analysis

Environmental Initiatives

Abbott's 2030 Sustainability Plan centers on integrating access and affordability into its life-changing technologies and products. The company aims to improve the lives of over 3 billion people annually by the decade's end, reaching 1 billion more than it currently serves each year. This effort involves designing technologies and products that promote broader access and affordability throughout the entire process, from research and development to manufacturing and distribution.[21]

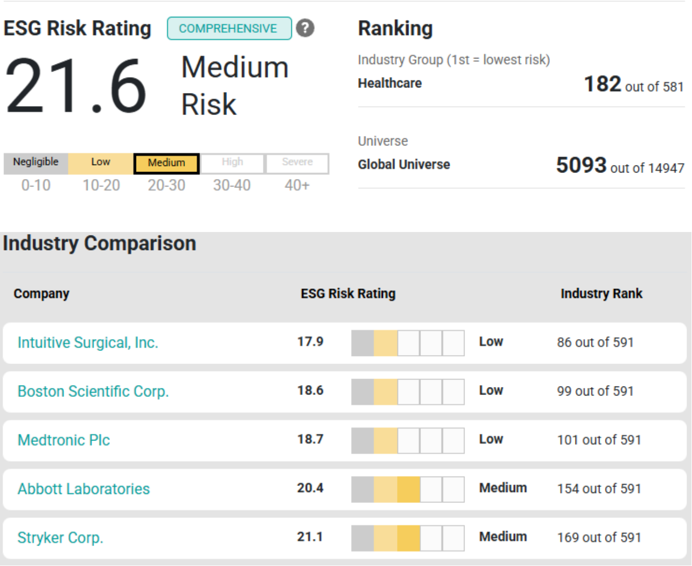
Social Commitments

Abbott's social initiatives focus on enhancing global health and well-being. The company emphasizes creating innovations that promote access and affordability, striving to eliminate barriers and bring solutions to those in need. This approach is woven into Abbott's core operations, demonstrating a deep commitment to making a positive societal impact.[21]

Governance Practices

Abbott aligns its reporting with top ESG ratings and sustainability indices, actively seeking stakeholder feedback to foster continuous improvement. The company's governance framework ensures strong oversight of its sustainability efforts, underscoring its commitment to transparency and accountability.[22]

Below is the Morningstar Sustainalytics ESG risk rating for Abbott Laboratories and an industry comparison:



ESG Risk Rating COMPREHENSIVE

21.6 Medium Risk

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

Ranking

Industry Group (1st = lowest risk)

Healthcare 182 out of 581

Universe

Global Universe 5093 out of 14947

Industry Comparison

Company	ESG Risk Rating		Industry Rank
Intuitive Surgical, Inc.	17.9	Low	86 out of 591
Boston Scientific Corp.	18.6	Low	99 out of 591
Medtronic Plc	18.7	Low	101 out of 591
Abbott Laboratories	20.4	Medium	154 out of 591
Stryker Corp.	21.1	Medium	169 out of 591

Source: Morningstar Sustainalytics

As shown above, while Abbott may boast strong ESG initiatives, their performance currently lags behind industry peers. To align more closely with industry standards and enhance stakeholder confidence, Abbott may need to reassess and strengthen its ESG policies and disclosures.

RECENT DEVELOPMENTS

Recent Earnings Announcement

Abbott had their most recent earnings call on January 22, 2025 to discuss their FY 2024 results and provide guidance for 2025. The key moments are as follows:

2024 FY Performance

- Sales growth of 9.5%, excluding COVID testing
- $8.5 Billion in operating cash flow
- Returned $5 Billion to shareholders
- Additionally, they forecast sales growth in a range of 7.5%-8.5%, and EPS growth to $5.05-5.15.

Sales Performance by Segment

- Nutrition – increased by 7%
  - Driven by Ensure & Glucerna
- Diagnostics – increased by 6% (excluding COVID)
  - Led by rapid diagnostics (e.g., diagnosing influenza or strep throat)
- Established Pharmaceuticals – increased by 8.5%
  - Growth in key emerging markets
- Medical Devices – increased by 14%
  - Key driver being CGMs (full year sales of $6.5 Billion, up 22% YoY)
  - Promising structural heart demand
  - New version of AVEIR (pacemaker) granted FDA breakthrough designation
- COVID testing now only represents less than 2% of total company sales in 2024

The beginning prepared remarks depict Abbott as a strong company within the healthcare sector. Abbott is a global company which exposes it to a lot of growth opportunities, however, that is also followed by more regulation and taxes. The discussion relating to taxes during the call are highlighted below:

- Reported unfavorable foreign exchange impact of 1.4% on Q4 sales
- Expects unfavorable foreign exchange of around 2.5% on full year reported sales, and 3.5% for Q1 2025
- Pillar 2 tax framework (global initiative ensuring that multinational enterprises pay a minimum level of tax on their income regardless of where headquartered or operate) expected around 16%-17%

The Q&A portion of the call comprises of the majority of earnings calls and provides the most insight as to what analysts are concerned/interested about. There was a fair number of things mentioned in the Abbott earnings call, but we will highlight the importance themes:

- Growth drivers and market conditions
  - Health of the medtech market and Abbott's growth drivers
- Operating margins and sustainability
  - Concerns over gross margins still being below pre-pandemic levels
- Tax and regulatory environment
  - Specifically, Pillar 2 and volume-based procurement (VBP) policy in China

Management addressed concerns confidently, reinforcing Abbott's position as a strong, diversified global leader in healthcare with a positive industry outlook. They emphasized the company's ability to capitalize on key tailwinds. Regarding operating margins and the tax and regulatory environment, management acknowledged that while they are not yet where they want to be, they are making significant progress through spending efficiencies and strategic initiatives.

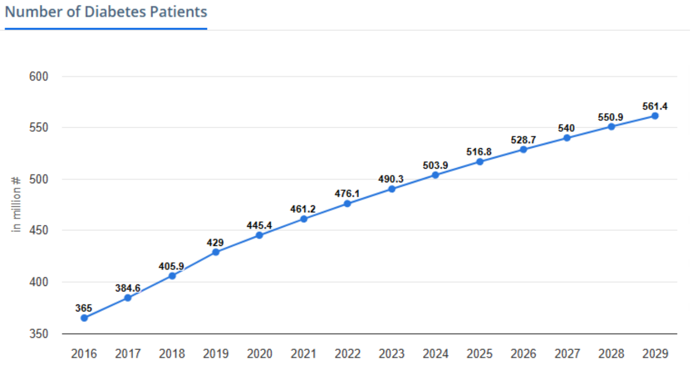
Abbott's diversified portfolio, strong financials, and innovation pipeline reinforce its ability to capitalize on industry tailwinds. Despite regulatory challenges, the company remains well-positioned for sustained growth through strategic investments and operational improvements. This is reflected in management's sentiment that "been through stuff like this before and a couple headwinds won't define Abbott, as there are plenty more tailwinds." Paired with expanding market opportunities in high-growth segments like CGMs, structural heart devices, and emerging markets, Abbott's long-term growth potential remains strong.

INDUSTRY TRENDS

Diabetes

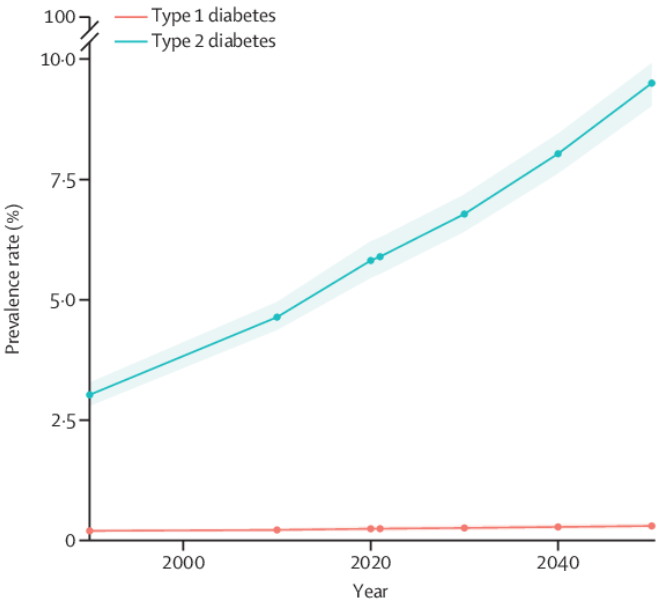
Within the past years, we have witnessed a shift in the world of diabetes management. With the rise of GLP-1 drugs—such as Ozempic, Mounjaro, and Wegovy—the way diabetes is treated has seen a streamlined approach. Diabetes is a chronic metabolic disease that affects how the body utilizes glucose for energy, stemming from inefficiencies in the body's creation of insulin or use of insulin. There are two types of diabetes, aptly named Type I and Type II diabetes. Type I diabetes is when the pancreas doesn't make insulin due to the body's immune system attacking the islet cells that make insulin in the pancreas. Alternatively, Type II diabetes is when the pancreas makes less insulin than it used to, and the body becomes resistant to insulin.[24] The main differentiator between the two types is that Type I is an autoimmune disease and can be present in anyone while Type II is a common disease resulting from too much body fat.[24]

The primary driver of diabetes prevalence is Type II diabetes, which is often associated with lifestyle factors such as weight and diet. While you can develop Type I diabetes later in life, meaning you do not have to be born with it, it is rarer than the development of Type II. To better understand the current landscape of the field of diabetes, below is a graph of global number of diabetes patients forecasted to 2029:



Source: Statista

We can see that there is an increasing trend, basically representing a straight line meaning close to equal growth from year to year. This reflects a CAGR of 3.1% from 2016 to 2029, indicating a consistent and steady growth trajectory. Additionally, to add a more granular level, below is a graph of the trend for the global prevalence rate of Type I and Type II diabetes from 1980-2050:



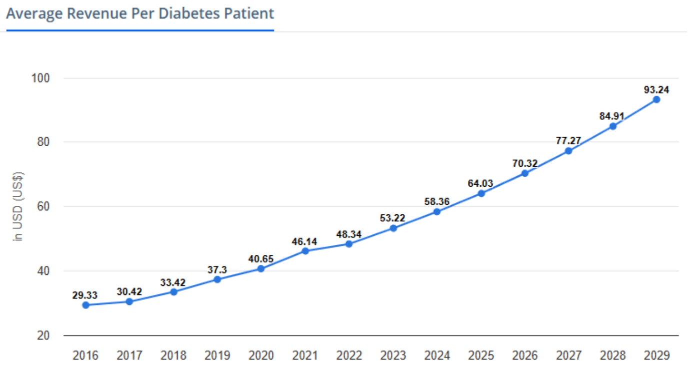
Source: Semantic Scholar

This figure depicts a very clear distinction between the main driver of the increasing trend of diabetes shown in the figure before. Type I diabetes follows a stable prevalence rate while Type II diabetes shows that same upward sloping straight-line growth that we saw with the number of diabetes patients. It is expected that diabetes prevalence will reach a global rate of around 9.8% in 2050.[16] This shows that the prevalence of diabetes is expected to continue to grow at a steady pace which in turn will increase the demand for diabetes care solutions such as CGMs and GLP-1s.

Continuous Glucose Monitoring (CGM)

With this expected increase in the prevalence of diabetes, healthcare companies that offer diabetes care products are well positioned to take advantage of this growing population. One of the main devices that will benefit from this industry tailwind is the continuous glucose monitoring system. A CGM is a device that automatically estimates the body's blood glucose level, also known as blood sugar, throughout the day and night.[25] This is a crucial device to those that have diabetes as it allows for continuous management of one's glucose levels resulting in fewer low blood glucose emergencies. This overall eases concerns as to where your blood glucose levels are which can inform you what actions need to be taken to stay in the necessary range. Abbott offers a line of CGMs under the FreeStyle Libre, having models ranging from 1-3. The FreeStyle Libre is a leading brand within the CGM market and is positioned as a strong product for Abbott to compete within the market. For instance, there are different types of glucose monitoring solutions with the cheapest being the well-known finger prick and test strip. However, innovation has allowed monitoring to become easier for the consumer by implementing a sensor that one can apply to their arm that is continually reading blood glucose levels. Additionally, there is a device that is paired with the sensor that can read the level being recorded by the sensor at any time. With the FreeStyle Libre 3, the sensor needed to be applied to the arm has become smaller, about the size of a penny, as well as allowing for smart phone connectivity.[26] This enables consumers to benefit from the convenience of using technology that they already own in order to read their blood glucose levels from a less intrusive sensor. The innovation achieved allows consumers to implement necessary medical devices into their everyday life more seamlessly.

When it comes to the translation of the prevalence of diabetes to demand for medical device solutions, the following figure depicts the increasing average revenue per diabetes patient across healthcare:



Source: Statista

Abbott maintains one of the leading brands within the CGM market and is positioned to benefit from the rising prevalence of diabetes and the demand for CGMs that will follow.

MARKETS AND COMPETITION

Abbott benefits from a diversified portfolio of products across its four main revenue segments. Therefore, when evaluating its market and its competition, it is essential to consider both companies that compete within their key revenue sources and other well-established, diversified healthcare companies.

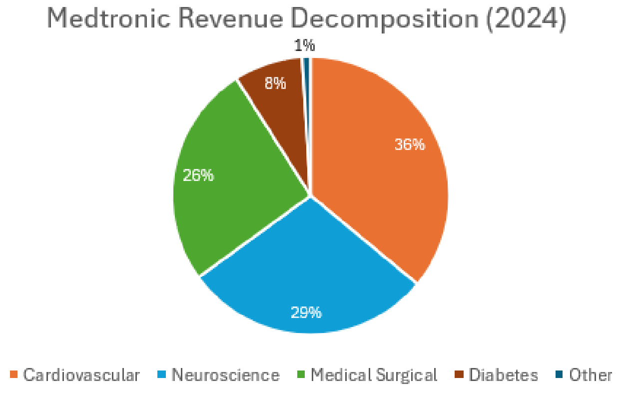
Peer Comparisons

For our analysis, we will focus on the following peers: Medtronic (MDT), Boston Scientific (BSX), Styker (SYK), Edwards Lifesciences (EW), DexCom, Inc. (DXCM), and Johnson & Johnson (JNJ). These companies represent strong competition within the medical devices industry as for most segments, they are in direct competition with Abbott's offerings.

Medtronic (MDT)

Medtronic plc, a global leader in healthcare technology headquartered in Dublin, Ireland, was founded in 1949 and now serves over 150 countries. Guided by its mission to alleviate pain, restore health, and extend life, Medtronic remains committed to integrity, innovation, and improving patient outcomes. The company drives growth by leveraging its strong product pipeline, advancing innovation to enhance patient care, and integrating cutting-edge technology like AI and data analytics to improve treatment delivery. Medtronic operates through four key segments: Cardiovascular, Neuroscience, Medical

Surgical, and Diabetes, continuously expanding its impact in global healthcare.[27]

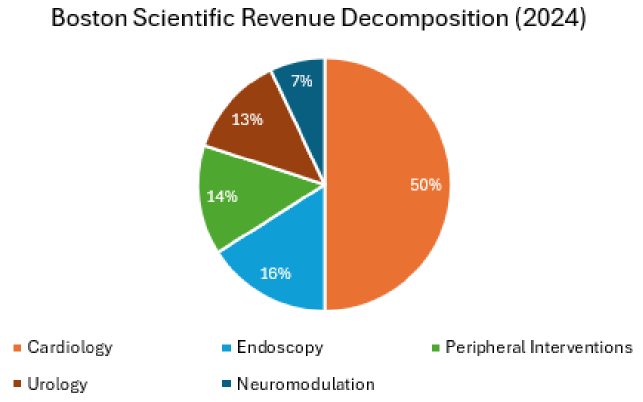


Source: MDT 10-K

Medtronic and Abbott are leading players in the global medical devices industry, with diversified portfolios and a shared focus on innovation. Abbott excels in diagnostics and nutrition, while Medtronic emphasizes surgical and device-based therapies. Both serve as benchmarks for growth, global reach, and shareholder value.

Boston Scientific (BSX)

Boston Scientific Corporation is a global medical device company focused on less invasive solutions that improve patient outcomes and reduce the need for traditional surgery. With over 45 years of industry leadership, the company drives innovation through research and development, strategic acquisitions, and digital tools to enhance physician education, patient engagement, and sales productivity. Its strategy centers on category leadership, expansion into high growth areas, and global growth, especially in emerging markets. Operating through two main segments, MedSurg and Cardiovascular, Boston Scientific advances medical technology while prioritizing social responsibility and sustainable growth.[28]

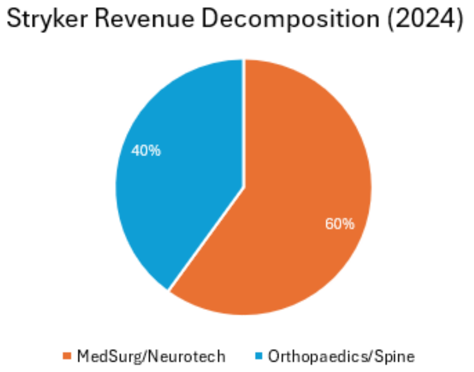


Source: BSX 10-K

Boston Scientific and Abbott compete in cardiovascular care, focusing on minimally invasive technologies. Abbott offers a more diversified portfolio, while Boston Scientific specializes in device-based therapies. Both are benchmarks for innovation and global growth in medtech.

Stryker (SYK)

Stryker Corporation is a global leader in medical technology, dedicated to improving healthcare through innovative solutions in MedSurg, Neurotechnology, and Orthopedics. Founded in 1941 and incorporated in 1946, Stryker has grown to serve over 150 million patients annually across approximately 75 countries. The company offers a diverse portfolio, including surgical equipment, robotic-assisted surgery through its Mako platform, neurosurgical and orthopedic implants, and AI-driven virtual care technologies. Stryker's commitment to innovation, direct engagement with healthcare providers, and advanced medical solutions positions it as a key player in enhancing patient outcomes and shaping the future of medical technology.[29]

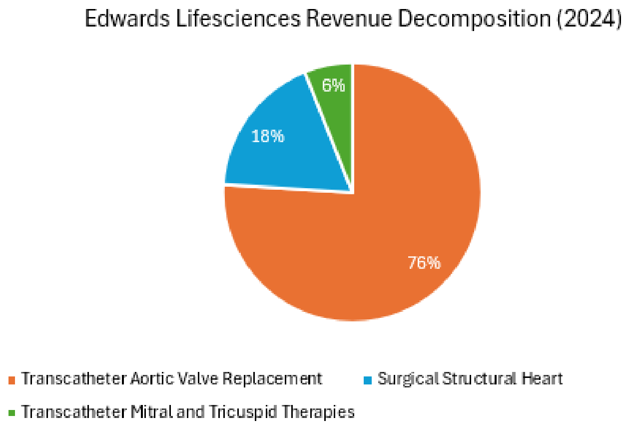


Source: SYK 10-K

Abbott and Stryker are key medtech peers with distinct strengths. Abbott's broad portfolio supports global reach and chronic disease management, while Stryker leads in surgical innovation, especially in orthopedics and robotics. Their complementary focus areas highlight unique advantages across the healthcare landscape.

Edwards Lifesciences (EW)

Edwards Lifesciences Corporation is a global leader in structural heart innovation, dedicated to improving patient lives through breakthrough technologies and strong clinical partnerships. With over six decades of leadership, Edwards focuses on both surgical and transcatheter therapies, offering a wide range of valve repair and replacement technologies for mitral and tricuspid heart conditions. The company's patient-centered approach drives transformative product innovation and evidence-based solutions aimed at improving real-world outcomes. As cardiovascular disease remains the leading cause of death globally, Edwards is committed to advancing care by providing solutions for structural heart diseases, including heart failure, and striving for earlier diagnosis, routine treatment, and improved quality of life for patients.[30]

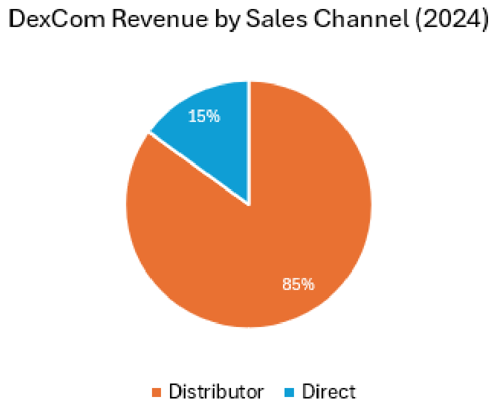

Edwards Lifesciences Revenue Decomposition (2024)

Source: EW 10-K

Abbott and Edwards Lifesciences both compete in cardiovascular care but with distinct strengths. Edwards leads in structural heart and transcatheter valve therapies, while Abbott offers a broader portfolio across diagnostics, electrophysiology, and medical devices. Their approaches reflect specialization versus diversification in addressing patient needs.

DexCom, Inc. (DXCM)

Dexcom Inc. is a leading medical device company specializing in continuous glucose monitoring (CGM) systems for diabetes and metabolic health management. Since receiving FDA approval for its first product in 2006, Dexcom has consistently advanced its technology, launching the Dexcom G6 in 2018 and the G7 in 2023. In August 2024, the company introduced Stelo, a new over-the-counter glucose biosensor for adults with prediabetes and Type 2 diabetes who do not use insulin. Dexcom's innovations enable patients, caregivers, and clinicians worldwide to better manage glucose levels and improve overall health outcomes.[31]

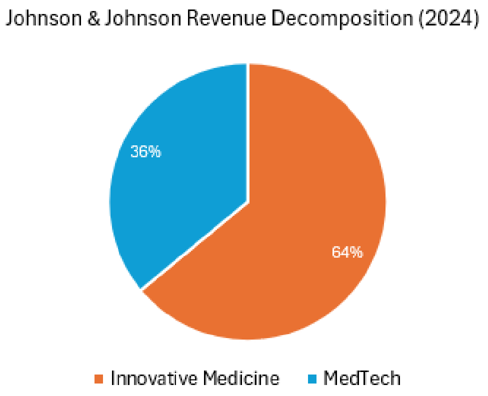

DexCom Revenue by Sales Channel (2024)

Source: DXCM 10-K

Abbott and Dexcom are leading competitors in the CGM market, with FreeStyle Libre competing against Dexcom's G6 and G7 systems. Abbott's strength lies in affordability and global reach, while Dexcom offers high-accuracy, innovation-driven solutions. Both thrive under similar market dynamics but differ in scale, focus, and strategy.

Johnson & Johnson (JNJ)

Johnson and Johnson is a global healthcare company with around 138,100 employees dedicated to researching, developing, manufacturing, and selling a broad range of healthcare products. Founded in 1887 and headquartered in New Jersey, the company operates through subsidiaries in nearly every country. It focuses on human health and well-being with a diverse portfolio across pharmaceuticals, medical devices, and consumer health products. Strategic direction is led by the Chief Executive Officer and Executive Committee, while senior management at both U.S. and international operating companies oversees daily operations and strategic initiatives.[32]


Johnson & Johnson Revenue Decomposition (2024)

Source: JNJ 10-K

Abbott and Johnson & Johnson are healthcare leaders with distinct strengths. Abbott focuses on diagnostics, medical devices, and nutrition, while J&J has a broader portfolio across pharmaceuticals, consumer health, and medical devices. Both leverage their unique strengths to lead in their markets.

Financial Metrics

The following table provides further insight into the importance of operating metrics such as R&D and inventory turnover for each peer:

Company	Mkt Cap (B)	R&D (M)	Sales (M)	R&D % Sales	Inv. Turnover
ABT	238	2,823	41,950	6.7%	3.23
MDT	120	2,735	32,364	8.5%	2.46
BSX	138	1,615	16,747	9.6%	2.45
SYK	141	1,414	22,595	6.3%	1.79
EW	40	1,053	5,439	19.4%	1.16
DXCM	27	545	4,033	13.5%	2.91
JNJ	403	17,265	88,819	19.4%	2.36

Source: FactSet

As well as the geographical composition of operations for the peer group:

Company	% International Sales	% Domestic (U.S.) Sales
ABT	61%	39%
MDT	49%	51%
BSX	39%	61%
SYK	25%	75%
EW	41%	59%
DXCM	28%	72%
JNJ	43%	57%

Source: Company 10-Ks

The financial metrics reveal that Abbott maintains a strong position with a balanced approach to R&D spending, lower than some of its peers like Johnson & Johnson and Edwards, but still significant in absolute terms. Abbott's higher international sales (61%) compared to many peers highlights its global reach, while companies like Stryker and Dexcom are more U.S.-focused. The peer group shows varying levels of investment in innovation, with companies like Edwards and J&J heavily focused on R&D, while Abbott’s efficiency in inventory turnover stands out. Overall, Abbott’s diversified portfolio and global presence position it well within this competitive group, though it faces significant competition from firms with higher R&D investments and more specialized focus areas.

ECONOMIC OUTLOOK

It’s essential to consider the broader macroeconomic environment that shapes business and investment decisions. With Abbott operating in the global healthcare sector, we decided to focus on the following variables: unemployment rate, regulatory environment, and global economic conditions.

Unemployment Rate

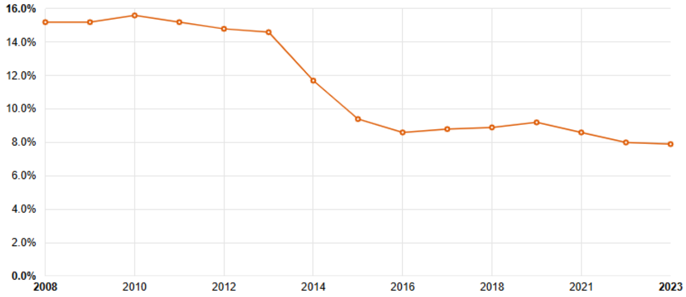
The unemployment rate is an essential metric to follow when considering investment within a healthcare company. Employment is one of the main ways in which a person can qualify for insurance, through employer-sponsored insurance. The population’s access to healthcare dictates their access to certain healthcare solutions that companies like Abbott offer to the public, therefore, impacting the volume demanded. If more and more of the population are losing their jobs and the unemployment rate is increasing, that signals that there is a decrease in the accessibility of health insurance through employer-sponsored plans. These individuals might not be able to qualify for government programs and are left with a hefty financial burden if care is needed. This leads to them not following through with elective procedures, and if this ideaology grows as unemployment rises, then the demand for medical devices will decrease proportianately to the decrease in accessibility of health insurance. Below is the unemployment rate from 2015:

Source: FRED

The noticeable spike in unemployment rate occurred in 2020 due to the COVID-19 pandemic. This reaction makes sense given the pandemic, and it ties well into the narrative that there was a decrease in elective procedures occuring during the pandemic years as some of it can be attributed to personal and financial challenges. The economic downturn and widespread job losses during the pandemic would often choose to delay elective procedures to avoid significant medical bills. This response has a direct impact on the top-line of a company like Abbott as the healthcare supplies and equipment they manufacture that would be used in these elective procedures are experiencing decreasing demand. Fortunately for Abbott, they benefited from their diverse portfolio and was able to cover losses from other segments through their boost from COVID diagnostic tests. Overall, unemployment rate is an important factor to keep track of as it relates to how closely health insurance coverage is linked to employment status.

Uninsured Rate

The uninsured rate is a critical factor for the healthcare sector, influencing overall access to care and patient utilization of services. Economic downturns or policy shifts that increase the uninsured population can reduce demand for elective procedures and routine diagnostics. For Abbott, this may impact volumes in areas like diagnostics and chronic disease monitoring, particularly among cost-sensitive populations. Below is uninsured rate within the United States from 2008 to 2023:



Source: KFF

The figure shows that the uninsured rate declined steadily from around 2013, reaching a stable level by 2016 with minimal fluctuation through 2023. This stability has supported consistent access to healthcare services across the sector, benefiting companies like Abbott by sustaining demand for diagnostics, chronic disease management tools, and other patient-facing medical technologies. However, if the uninsured rate rises due to economic or policy shifts, it could reduce patient access and negatively impact volumes across the healthcare industry.

Regulatory Environment

The regulatory environment plays a critical role in shaping the economic outlook for Abbott Laboratories, as it significantly impacts the development, production, and marketing of the company's products. Abbott operates in a highly regulated space, with oversight from various international, national, and local authorities such as the U.S. Food and Drug Administration (FDA) and the Centers for Medicare & Medicaid Services (CMS). These regulations govern numerous aspects of Abbott's operations, including clinical trials, product approvals, labeling, manufacturing, and post-market surveillance. While these regulations are designed to ensure product safety and efficacy, they can also lead to substantial delays, increased costs, and heightened complexity in bringing products to market.[1] Abbott's ability to navigate these regulations effectively will influence its competitive position and economic prospects, particularly as government agencies continue to scrutinize healthcare practices and pricing.

In addition to compliance with existing regulations, Abbott faces ongoing pressures from healthcare cost containment efforts, which could impact the company's pricing strategy and reimbursement rates for its products. The U.S. government's adoption of payment models like the diagnosis-related group (DRG) and prospective payment system (PPS) incentivizes healthcare providers to limit expenditures on medical products. Similarly, Abbott's nutritional products business faces pricing pressures, such as those from competitive bidding in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Abbott also must contend with evolving legislation on issues like data privacy and security, which are becoming more stringent, especially in jurisdictions like the European Union and China.[1] These regulatory challenges may increase compliance costs and limit Abbott's ability to expand into new markets or regions. As a result, the regulatory landscape is a key factor that will influence Abbott's long-term growth and profitability.

Global Conditions & Tariffs

Global conditions and tariffs are crucial factors influencing Abbott Laboratories' economic outlook, particularly given its international presence and diverse product portfolio. As a company with operations in over 160 countries, Abbott is significantly impacted by global trade policies and economic conditions. Tariffs, trade barriers, and fluctuations in currency exchange rates can affect the cost of raw materials, manufacturing, and the pricing of

Abbott's products. For instance, the U.S.-China trade tensions have led to increased tariffs on medical devices, including some of Abbott's products, which may increase operational costs and reduce profit margins. These geopolitical factors also pose risks to Abbott's global supply chain, potentially causing delays in the import and export of raw materials and finished goods. Additionally, global inflationary pressures and rising energy costs can increase the cost of production and transportation, which might further squeeze Abbott's margins.

The Trump administration's new tariff policies have added another layer of complexity to Abbott's pricing structure. As the U.S. repositions its trade relationships, tariffs on certain foreign-manufactured goods, including medical devices, could directly impact Abbott's cost base. Although Abbott operates with substantial in-house manufacturing capacity, it still relies on global supply chains for certain components and raw materials. Increased tariffs on these goods could force Abbott to adjust pricing structures, potentially raising product prices to offset the increased costs. In highly price-sensitive markets, this may reduce demand for Abbott's products or force the company to absorb the additional costs, thereby further compressing its margins. Moreover, these tariffs could intensify competition, as global competitors with more localized manufacturing could have a pricing advantage, putting additional pressure on Abbott to maintain its market position.

The overall economic environment also plays a significant role in shaping Abbott's prospects. Economic slowdowns in key markets, such as the U.S., Europe, and emerging markets, can reduce consumer and healthcare provider spending, particularly for elective procedures and non-essential healthcare products. In regions with weakened economic conditions, governments may impose stricter healthcare budget constraints or introduce price controls to curb public spending, further challenging Abbott's pricing strategies. However, there are also potential benefits for Abbott in certain global conditions, particularly in markets where healthcare spending is increasing, driven by aging populations and rising rates of chronic diseases. As governments and insurers seek ways to control healthcare costs, Abbott will need to navigate these complex economic dynamics, balancing the pressure of global tariffs and trade regulations while pursuing growth opportunities in emerging markets with expanding healthcare needs.

VALUATION

Revenue Assumptions

Revenue assumptions are a critical component of valuation, as they directly reflect expectations for a company's growth and financial health. Given Abbott Laboratories' diverse portfolio, the key revenue growth assumptions are outlined for each of its business segments (refer to the Revenue Segments section for details). Abbott is a large, mature company with a wide range of products spanning various industries and geographies. Despite its size, we anticipate continued strong growth, primarily driven by the medical devices segment, which accounts for a substantial portion of total revenue (45.3%). The main growth catalyst is Abbott's leadership in the continuous glucose monitoring (CGM) market, particularly with its FreeStyle Libre system. This is supported by the increasing focus on health and wellness, along with the favorable impact of the GLP-1 trend. Consequently, we expect the medical devices segment to account for the majority of Abbott's growth, with the other segments growing in line with the company's overall operations.

Capital Expenditure Assumptions

We forecast capital expenditures (CapEx) as a percentage of sales for Abbott Laboratories, which is a common and reliable approach for mature companies with stable revenue streams. This method assumes a consistent relationship between sales growth and the investments needed to support ongoing operations and expansion. Given Abbott's well-established market position and predictable investment patterns, using a percentage of sales allows for a straightforward projection that aligns with historical trends and the company's ability to scale its operations efficiently. This approach provides a reasonable estimate of CapEx requirements, ensuring alignment with the company's growth trajectory while reflecting the efficiency of its capital allocation.

Capital Structure & Debt

Abbott Laboratories maintains a strong capital structure, backed by AA- and Aa3 credit ratings from S&P and Moody's, highlighting its financial stability. As of December 31, 2024, Abbott holds $14.1 billion in long-term debt, with key maturities of $1.5 billion in 2025 and $2.9 billion in 2026. The company has $7.6 billion in cash and $5 billion in unsecured borrowing capacity, ensuring strong liquidity. Abbott's debt management, including a €590 million repayment in 2024, is supported by solid operating cash flow. With $2.2 billion in capital expenditures focused on growth, Abbott balances debt and equity effectively, maintaining financial flexibility for future investments.[1]

Payout Policy

Abbott Laboratories maintains a shareholder-friendly payout policy, increasing dividends and repurchasing shares. In 2024, it declared $3.8 billion in dividends, up 7.7%, with a 7.3% quarterly increase set for 2025. The company also authorized a $7 billion share repurchase program, buying back 10.2 million shares for $1.1 billion. Abbott's strong financials support its commitment to shareholder returns while preserving flexibility for strategic growth.[1]

WACC

The calculated weighted average cost of capital (WACC) estimate for Abbott Laboratories (ABT) is 7.56%. The cost of equity was derived using a risk-free rate of 4.28% (the 10-year U.S. Treasury YTM), a beta of 0.7 (Bloomberg raw beta), and an equity risk premium of 5.00% (as estimated by the Henry Fund). These assumptions resulted in a cost of equity of 7.80%.

The after-tax cost of debt was calculated using a pre-tax cost of debt of 4.97% (based on the YTM of ABT's debt) and a marginal tax rate of 19% (implied from ABT's FY23 filings). These assumptions led to an after-tax cost of debt of 4.01%. The market value of equity weight and the market value of total debt weight were determined to be 93.83% and 6.17%, respectively.

DCF & EP

Our enterprise discounted cash flow (DCF) and economic profit (EP) models suggest an implied price of $135.93 per share. The key inputs used in the models included a 2.5% CV growth in NOPLAT, a CV year ROIC of 80.52%, a WACC of 7.56%, and a cost of equity of 7.80%.

We discounted free cash flow and economic profit using the WACC, resulting in a total value of operating assets of $246,683 million. After making adjustments for non-operating assets—such as excess cash, investments, debt, the present value of operating leases, non-controlling interests, and employee stock options—the value of equity was calculated to be $233,412 million. This was divided by shares outstanding (1,734 million), giving us an intrinsic value of $134.58 per share. Finally, after accounting for the time elapsed since the last fiscal year-end, the implied price as of today is $135.93 per share.

DDM

Our dividend discount model (DDM) results in an implied price per share of $130.11. The key assumptions for this model include a 3% CV growth in EPS, a CV year ROE of 22.42%, and a cost of equity of 7.80%. To project future dividends, we applied a calculated payout ratio of 61.47%.

Forecasted dividends were discounted using the cost of equity to determine their present value. For the CV, we utilized a P/E multiple applied to the final EPS estimate, which was also discounted by the cost of equity. These discounted cash flows resulted in an intrinsic value of $128.92 per share. After adjusting for the time elapsed since the last fiscal year-end, the implied price as of today is $130.11.

Relative Valuation

The relative valuation model utilized P/E 2025 and 2026 multiples at 31.74x and 27.02x respectively. Paired with PEG for 2025 and 2026 multiples at 2.78x and 2.52x respectively. The relative valuation model provided the following valuations:

Implied Relative Value:

P/E (EPS25)	**$**	**123**
P/E (EPS26)	**$**	**128**
PEG (EPS25)	**$**	**130**
PEG (EPS26)	**$**	**144**

Source: ABT 10-K

It is difficult to take much from these findings as the closest valuations to the DCF/EP/DDM target is for PEG. We are cautious to give much weight to PEG relative valuation as we don't believe Abbott fits well within the category as they are a mature company with stable growth while PEG is more useful for higher-growth companies. However, taking the average of these gives a value of $131, within our DCF/EP and DDM model targets.

Summary

Abbott Laboratories (ABT) stands as a dominant player in the global healthcare space, with a well-rounded portfolio that spans Established Pharmaceuticals, Nutritional Products, Diagnostic Products, and Medical Devices. Operating in over 160 countries, the company benefits from its commitment to R&D, strategic acquisitions, and a robust manufacturing network, which together help it navigate through economic fluctuations. Abbott is well-positioned to capitalize on key trends, including the growing prevalence of chronic conditions like diabetes and the increasing demand for cutting-edge healthcare solutions, particularly in its medical devices segment. While Abbott faces competition and regulatory hurdles, its strong brand and broad international presence provide a solid base for long-term growth.

However, there are some challenges to consider. Despite a solid financial profile and a strong track record of returning value to shareholders through dividends and buybacks, Abbott's operating margins have been under pressure, which raises concerns about potential inefficiencies. External factors such as trade policies and cost containment efforts could also pose risks to profitability. Our valuation indicates that much of Abbott's future growth is already priced in, positioning it as a stable player with steady growth rather than explosive upside. Given this, we assign a "Hold" rating to ABT, as the current price reflects the company's strengths and near-term potential, with limited room for significant outperformance unless there's a major catalyst, such as improved operational efficiency or a breakthrough in its innovation pipeline.

KEYS TO MONITOR

Integration of AI

One key area to watch is the integration of artificial intelligence (AI) within Abbott's medical devices segment. The adoption of AI in healthcare holds significant promise, including enhanced diagnostic accuracy, improved device performance, and increased operational efficiency. However, these advantages depend on successful execution. If Abbott fails to effectively integrate AI into its product development or clinical workflows, it could face regulatory hurdles, delays in product approvals, or reduced physician adoption. Monitoring how well Abbott navigates AI implementation and aligns with regulatory expectations will be essential to evaluating its long-term growth potential.

Regulation & Approval Process

The regulatory and approval process remains a critical factor in Abbott's performance, particularly within its medical devices segment. Timely FDA approvals can act as catalysts for the stock, signaling that a product is market-ready and positioned to generate revenue. Conversely, setbacks such as unfavorable clinical trial results, extended review periods, or regulatory rejections can delay commercialization and negatively impact investor sentiment. As Abbott continues to innovate and expand its pipeline, close attention should be paid to the progress and outcomes of its clinical studies, as well as its ability to navigate evolving regulatory standards efficiently.

Over the Counter (OTC) CGMs

We discussed the market for CGMs and the opportunities for Abbott to take advantage of. Additionally there is a rising market for over the counter CGMs for adults not using insulin, or that are even diabetic. Abbott recently launched a device called the Lingo which is a CGM targeted to users that want to monitor how diet and excerise impact their blood glucose levels.[19] Additionally, their competitor, DexCom, also released their version called the Stelo.[34] Both of these products shows that there is another market out there for CGMs other than diabetic patients that hasn't been taken advantage of. This innovation and extension into the health concious market shows the level of compeition that is present within the industry as well as how these companies are positioned to take advantage of untapped markets. The consumer sentiment and overall success regarding this new branch of CGMs is something to keep track of moving forward.

Conclusion

Abbott Laboratories (ABT) demonstrates robust long-term growth potential, driven by its diversified portfolio across Medical Devices, Diagnostics, Nutritional Products, and Established Pharmaceuticals. The Medical Devices segment, particularly the FreeStyle Libre CGM system, is poised to capitalize on the rising global prevalence of Type II diabetes and increasing demand for health-conscious monitoring solutions, such as the newly launched Lingo device. Despite challenges like regulatory hurdles and tariff-related cost pressures, Abbott's global reach, strong brand recognition, and commitment to R&D positions them as a stable leader in the healthcare sector. The company's resilient revenue diversification and strategic acquisitions further mitigate risks, ensuring sustained value creation for shareholders.

However, our valuation models, including DCF, DDM, and relative valuation, suggest a target price range of $130 to $135, indicating limited short-term upside relative to the current market price. Regulatory uncertainty, macroeconomic conditions, and growing competition in the continuous glucose monitoring market further support our Hold rating. Looking ahead, it will be important to monitor Abbott's ability to integrate artificial intelligence within its medical devices, navigate the regulatory approval process, and successfully commercialize over-the-counter CGM products. These factors could serve as catalysts for long-term outperformance and strengthen Abbott's position as a reliable investment in the evolving healthcare landscape.

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32. JNJ 10-K
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Abbott Laboratories
Revenue Decomposition

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Established Pharmaceutical Products:													
Key Emerging Markets	3,766	3,807	3,858	3,935	4,262	4,709	5,062	5,366	5,677	6,006	6,353	6,721	7,110
% Growth	5.6%	1.1%	1.3%	2.0%	8.3%	10.5%	7.5%	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%
Other	1,146	1,259	1,336	1,360	1,451	1,608	1,711	1,813	1,918	2,030	2,147	2,271	2,403
% Growth	-0.6%	9.9%	6.1%	1.8%	6.7%	10.8%	6.4%	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%
Net Revenue from Established Pharmaceutical Products	4,912	5,066	5,194	5,295	5,713	6,317	6,773	7,180	7,595	8,035	8,500	8,993	9,513
% Growth	4.1%	3.1%	2.5%	1.9%	7.9%	10.6%	7.2%	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%
Nutritional Products:													
International Pediatric Nutritionals	1,919	1,957	1,815	1,735	1,659	1,586	1,516	1,450	1,386	1,325	1,267	1,211	1,158
% Growth	-8.9%	2.0%	-7.3%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%
U.S. Pediatric Nutritionals	1,562	1,977	2,208	2,321	2,440	2,564	2,696	2,834	2,978	3,131	3,291	3,459	3,636
% Growth	-28.7%	26.6%	11.7%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Pediatric Nutritionals	3,481	3,934	4,023	4,196	4,431	4,577	4,792	5,032	5,334	5,691	6,073	6,479	6,914
% Growth	-19.0%	13.0%	2.3%	4.3%	5.6%	3.3%	4.7%	5.0%	6.0%	6.7%	6.7%	6.7%	6.7%
International Adult Nutritionals	2,621	2,784	2,909	3,135	3,379	3,642	3,925	4,230	4,559	4,914	5,296	5,708	6,152
% Growth	-0.4%	6.2%	4.5%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
U.S. Adult Nutritionals	1,357	1,436	1,481	1,537	1,596	1,656	1,719	1,784	1,852	1,922	1,995	2,071	2,149
% Growth	-0.5%	5.8%	3.1%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Adult Nutritionals	3,978	4,220	4,390	4,583	4,909	5,262	5,599	5,985	6,428	7,013	7,651	8,347	9,107
% Growth	-0.5%	6.1%	4.0%	4.4%	7.1%	7.2%	6.4%	6.9%	7.4%	9.1%	9.1%	9.1%	9.1%
Net Revenue from Nutritional Products:	7,459	8,154	8,413	8,779	9,340	9,839	10,391	11,017	11,762	12,704	13,724	14,827	16,020
% Growth	-10.1%	9.3%	3.2%	4.4%	6.4%	5.3%	5.6%	6.0%	6.8%	8.0%	8.0%	8.0%	8.1%
Diagnostic Products:													
Core Laboratory	4,888	5,159	5,235	5,387	5,662	6,030	6,319	6,730	7,201	7,633	8,091	8,576	9,091
% Growth	-4.7%	5.5%	1.5%	2.9%	5.1%	6.5%	4.8%	6.5%	7.0%	6.0%	6.0%	6.0%	6.0%
Molecular	995	574	521	510	504	447	444	448	457	455	450	441	446
% Growth	-30.3%	-42.3%	-9.2%	-2.1%	-1.2%	-11.3%	-0.7%	1.0%	2.0%	-0.5%	-1.0%	-2.0%	1.0%
Point of Care	525	565	588	606	634	663	690	721	757	791	827	864	903
% Growth	-2.1%	7.6%	4.1%	3.1%	4.6%	4.5%	4.1%	4.5%	5.0%	4.5%	4.5%	4.5%	4.5%
Rapid Diagnostics	10,061	3,690	2,997	2,979	3,188	3,417	3,622	3,912	4,217	4,546	4,900	5,283	5,695
% Growth	19.3%	-63.3%	-18.8%	-0.6%	7.0%	7.2%	6.0%	8.0%	7.8%	7.8%	7.8%	7.8%	7.8%
Net Revenue from Diagnostic Products	16,469	9,988	9,341	9,482	9,987	10,556	11,075	11,811	12,632	13,425	14,268	15,164	16,134
% Growth	6.1%	-39.4%	-6.5%	1.5%	5.3%	5.7%	4.9%	6.6%	7.0%	6.3%	6.3%	6.3%	6.4%
Medical Devices:													
Rhythm Management	2,119	2,255	2,390	2,481	2,563	2,775	2,925	3,115	3,318	3,534	3,763	4,008	4,268
% Growth	-3.6%	6.4%	6.0%	3.8%	3.3%	8.3%	5.4%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Electrophysiology	1,927	2,195	2,467	2,637	2,835	3,391	3,801	4,295	4,853	5,484	6,197	7,003	7,913
% Growth	1.0%	13.9%	12.4%	6.9%	7.5%	19.6%	12.1%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Heart Failure	1,035	1,161	1,279	1,383	1,511	1,686	1,830	2,013	2,254	2,615	3,086	3,672	4,370
% Growth	2.8%	12.2%	10.2%	8.1%	9.3%	11.6%	8.5%	10.0%	12.0%	16.0%	18.0%	19.0%	19.0%
Vascular	2,483	2,681	2,837	2,908	3,013	3,257	3,452	3,681	3,921	4,175	4,426	4,691	4,973
% Growth	-6.4%	8.0%	5.8%	2.5%	3.6%	8.1%	6.0%	6.6%	6.5%	6.5%	6.0%	6.0%	6.0%
Structural Heart	1,712	1,944	2,246	2,520	2,885	3,367	3,778	4,156	4,530	4,960	5,431	5,947	6,512
% Growth	6.3%	13.6%	15.5%	12.2%	14.5%	16.7%	12.2%	10.0%	9.0%	9.5%	9.5%	9.5%	9.5%
Neuromodulation	770	890	962	1,007	1,051	1,097	1,143	1,234	1,358	1,453	1,569	1,694	1,830
% Growth	-1.4%	15.6%	8.1%	4.7%	4.3%	4.4%	4.2%	8.0%	10.0%	7.0%	8.0%	8.0%	8.0%
Diabetes Care	4,756	5,761	6,805	7,799	8,867	9,479	10,294	11,735	13,261	14,985	16,783	18,461	20,307
% Growth	9.9%	21.1%	18.1%	14.6%	13.7%	6.9%	8.6%	14.0%	13.0%	13.0%	12.0%	10.0%	10.0%
Net Revenue from Medical Devices:	14,802	16,887	18,986	20,734	22,724	25,052	27,223	30,230	33,494	37,206	41,255	45,477	50,174
% Growth	2.2%	14.1%	12.4%	9.2%	9.6%	10.2%	8.7%	11.0%	10.8%	11.1%	10.9%	10.2%	10.3%
Net Other Revenue:	11	14	16	15	14	14	13	13	13	13	13	14	15
% Growth	-78.8%	27.3%	14.3%	-8.5%	-4.0%	-2.0%	-2.0%	-2.0%	-1.0%	-1.0%	3.0%	4.0%	5.0%
Net Revenue from All Segments:	43,653	40,109	41,950	44,305	47,778	51,778	55,475	60,250	65,497	71,383	77,761	84,474	91,856
% Growth	1.3%	-8.1%	4.6%	5.6%	7.8%	8.4%	7.1%	8.6%	8.7%	9.0%	8.9%	8.6%	8.7%
Revenue by Geographic Segment:													
United States	18,142	15,452	16,323	17,574	18,649	20,299	21,802	23,606	25,693	28,008	30,493	33,136	36,031
International	25,511	24,657	25,627	26,732	29,129	31,480	33,673	36,645	39,804	43,375	47,268	51,339	55,825

Abbott Laboratories

Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues:													
Established Pharmeceutical Products	4,912	5,066	5,194	5,295	5,713	6,317	6,773	7,180	7,595	8,035	8,500	8,993	9,513
% Growth	4.1%	3.1%	2.5%	1.9%	7.9%	10.6%	7.2%	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%
Nutritional Products	7,459	8,154	8,413	8,779	9,340	9,839	10,391	11,017	11,762	12,704	13,724	14,827	16,020
% Growth	-10.1%	9.3%	3.2%	4.4%	6.4%	5.3%	5.6%	6.0%	6.8%	8.0%	8.0%	8.0%	8.1%
Diagnostic Products	16,469	9,988	9,341	9,482	9,987	10,556	11,075	11,811	12,632	13,425	14,268	15,164	16,134
% Growth	6.1%	-39.4%	-6.5%	1.5%	5.3%	5.7%	4.9%	6.6%	7.0%	6.3%	6.3%	6.3%	6.4%
Medical Devices	14,802	16,887	18,986	20,734	22,724	25,052	27,223	30,230	33,494	37,206	41,255	45,477	50,174
% Growth	2.2%	14.1%	12.4%	9.2%	9.6%	10.2%	8.7%	11.0%	10.8%	11.1%	10.9%	10.2%	10.3%
Other	11	14	16	15	14	14	13	13	13	13	13	14	15
% Growth	-78.8%	27.3%	14.3%	-8.5%	-4.0%	-2.0%	-2.0%	-2.0%	-1.0%	-1.0%	3.0%	4.0%	5.0%
Net Revenue:	43,653	40,109	41,950	44,305	47,778	51,778	55,475	60,250	65,497	71,383	77,761	84,474	91,856
Operating Costs:													
Cost of Products Sold, Less D&A	17,888	16,698	17,366	18,030	19,443	21,071	22,576	24,519	26,654	29,050	31,645	34,377	37,381
% Growth	4.9%	-6.7%	10.6%	3.0%	2.3%	5.3%	3.5%	3.7%	4.2%	3.8%	3.9%	4.0%	3.9%
Depreciation	1,254	1,277	1,340	1,505	1,411	1,334	1,273	1,225	1,188	1,162	1,145	1,135	1,133
% Growth	-15.9%	1.8%	5.9%	-2.7%	1.7%	1.6%	0.2%	1.2%	1.0%	0.8%	1.0%	0.9%	0.9%
Amortization of Intangible Assets	2,013	1,966	1,878	1,700	1,500	1,200	668	605	490	397	322	260	211
% Growth	-1.7%	-2.3%	-4.5%	-9.5%	-11.8%	-20.0%	-44.3%	-9.4%	-19.0%	-19.0%	-19.0%	-19.0%	-19.0%
Research & Development	2,888	2,741	2,844	2,988	3,222	3,491	3,741	4,063	4,416	4,813	5,243	5,696	6,194
% Growth	5.3%	-5.1%	10.1%	3.4%	2.8%	5.4%	3.9%	4.1%	4.5%	4.1%	4.2%	4.3%	4.2%
Selling, General, & Administrative	11,248	10,949	11,697	11,985	12,924	14,006	15,007	16,298	17,717	19,310	21,035	22,851	24,848
% Growth	-0.7%	-2.7%	6.9%	1.2%	1.8%	3.3%	2.1%	2.4%	2.6%	2.4%	2.4%	2.5%	2.4%
Total Operating Costs:	35,291	33,631	35,125	36,208	38,500	41,103	43,264	46,710	50,466	54,731	59,390	64,320	69,767
% Growth	1.8%	-4.7%	4.4%	3.1%	6.3%	6.8%	5.3%	8.0%	8.0%	8.5%	8.5%	8.3%	8.5%
Operating Profit:	8,362	6,478	6,825	8,097	9,278	10,675	12,211	13,541	15,030	16,651	18,371	20,154	22,090
% Growth	-0.7%	-22.5%	20.9%										
Interest Expense	558	637	559	566	621	684	601	620	636	662	691	724	759
% Growth	4.7%	14.2%	30.6%	16.5%	20.4%	22.5%	19.8%	20.9%	21.1%	20.6%	20.8%	20.8%	20.7%
Interest Income	183	385	344	372	1,017	1,017	1,202	1,249	1,389	1,549	1,727	1,919	2,132
% Growth	325.6%	110.4%	46.5%										
Other Income (expense), net	321	479	376	431	491	503	555	604	648	705	764	826	895
% Growth	15.9%	49.2%	-21.5%	14.5%	14.1%	2.4%	10.3%	8.9%	7.2%	8.8%	8.3%	8.1%	8.4%
Earnings (loss) from continuing operations before taxes	8,306	6,664	7,013	8,333	10,164	11,511	13,367	14,774	16,432	18,243	20,171	22,176	24,358
% Growth	1.2%	-19.8%	17.7%										
Taxes on earnings (loss) from continuing operations	1,373	941	(6,389)	1,610	1,964	2,224	2,582	2,854	3,174	3,524	3,897	4,284	4,706
% Growth	20.4%	-31.5%	55.5%										
Net Income:	6,933	5,723	13,402	6,723	8,201	9,287	10,785	11,920	13,257	14,719	16,274	17,892	19,653
Share Information (Basic):													
Earnings Per Share (EPS)	3.94	3.28	7.67	3.88	4.73	5.35	6.21	6.86	7.62	8.45	9.33	10.25	11.24
Year End Shares Outstanding	1,738	1,734	1,734	1,735	1,735	1,736	1,737	1,739	1,740	1,742	1,744	1,747	1,749
Weighted Average Shares Outstanding	1,753	1,740	1,740	1,734	1,735	1,736	1,737	1,738	1,740	1,741	1,743	1,746	1,748
Annual Dividends per Share	1.92	2.08	2.24	2.38	2.91	3.29	3.82	4.22	4.68	5.20	5.74	6.30	6.91

Abbott Laboratories

Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Assets:															
Current Assets:															
Cash and cash equivalents	6,838	9,799	9,882	6,896	7,616	22,924	27,268	28,325	31,612	35,357	39,532	44,043	49,028	54,542	60,602
Short-term investments	310	450	288	383	351	366	381	397	414	431	449	468	488	508	530
Trade receivables, less allowances	6,414	6,487	6,218	6,565	6,925	7,152	7,713	8,358	8,955	9,726	10,573	11,523	12,553	13,636	14,828
Total inventories	5,012	5,157	6,173	6,570	6,194	6,357	6,855	7,429	7,960	8,645	9,398	10,242	11,157	12,121	13,180
Prepaid expenses and other receivables	1,867	2,346	2,663	2,256	2,570	2,542	2,742	2,971	3,183	3,457	3,759	4,096	4,462	4,848	5,271
Total Current Assets:	20,441	24,239	25,224	22,670	23,656	39,342	44,959	47,481	52,124	57,617	63,710	70,372	77,688	85,655	94,410
Investments	821	816	766	799	886	924	963	1,005	1,048	1,093	1,139	1,188	1,239	1,292	1,347
Property and equipment, at cost:															
Land	538	525	511	529	528	569	590	611	634	657	681	706	732	759	787
Buildings	4,014	4,007	4,053	4,161	4,207	4,473	4,637	4,808	4,985	5,168	5,359	5,556	5,760	5,972	6,192
Equipment	12,884	13,528	14,164	15,179	15,517	16,317	16,917	17,539	18,185	18,854	19,547	20,267	21,012	21,785	22,587
Construction in progress	1,357	1,304	1,484	2,064	2,488	2,219	2,300	2,385	2,473	2,564	2,658	2,756	2,857	2,962	3,071
Total Property and Equipment	18,793	19,364	20,212	21,933	22,740	23,577	24,444	25,344	26,276	27,243	28,245	29,284	30,362	31,479	32,637
Accumulated depreciation and amortization	(9,764)	(10,405)	(11,050)	(11,779)	(12,082)	(13,587)	(14,998)	(16,333)	(17,605)	(18,830)	(20,018)	(21,180)	(22,325)	(23,460)	(24,593)
Net property and equipment	9,029	8,959	9,162	10,154	10,658	9,989	9,446	9,011	8,671	8,413	8,227	8,104	8,037	8,019	8,044
Intangible assets, net of amortization	14,784	12,739	10,454	8,815	6,647	4,947	3,447	2,247	1,579	974	484	87	(234)	(495)	(706)
Goodwill	23,744	23,231	22,799	23,679	23,108	23,108	23,108	23,108	23,108	23,108	23,108	23,108	23,108	23,108	23,108
Deferred income taxes and other assets	3,729	5,212	6,033	7,097	16,459	6,901	8,418	9,533	11,070	12,235	13,608	15,108	16,705	18,365	20,172
Total Assets:	72,548	75,196	74,438	73,214	81,414	85,211	90,341	92,385	97,599	103,439	110,276	117,968	126,542	135,944	146,376
Liabilities and Shareholders' Investment:															
Current Liabilities:															
Trade accounts payable	3,946	4,408	4,607	4,295	4,195	4,687	5,055	5,478	5,869	6,374	6,929	7,552	8,227	8,937	9,718
Salaries, wages and commissions	1,416	1,625	1,556	1,597	1,701	1,725	1,860	2,016	2,160	2,346	2,550	2,779	3,027	3,289	3,576
Other accrued liabilities	5,165	5,181	5,845	5,422	5,143	5,432	5,858	6,348	6,801	7,387	8,030	8,751	9,533	10,356	11,261
Dividends payable	798	831	887	955	1,024	1,033	1,260	1,427	1,657	1,832	2,037	2,262	2,501	2,750	3,020
Income taxes payable	362	306	343	492	594	540	658	746	866	957	1,064	1,182	1,307	1,436	1,578
Current portion of long-term debt	7	754	2,251	1,080	1,500	1,500	2,888	615	650	583	650	650	650	650	650
Total Current Liabilities:	11,907	13,105	15,489	13,841	14,157	14,917	17,579	16,629	18,003	19,478	21,260	23,176	25,245	27,418	29,803
Long-term debt	18,527	17,296	14,522	13,599	12,625	13,999	14,167	14,380	14,809	15,275	15,871	16,586	17,393	18,269	19,255
Post-employment obligations, deferred income taxes and other long-term liabilitie	9,111	8,771	7,522	6,947	6,731	6,058	5,452	4,907	4,416	3,975	3,577	3,219	2,897	2,608	2,347
Common shares	24,145	24,470	24,709	24,869	25,153	25,619	26,084	26,550	27,016	27,482	27,947	28,413	28,879	29,345	29,810
Common shares held in treasury, at cost	(10,042)	(11,822)	(15,229)	(15,981)	(16,844)	(17,573)	(18,303)	(19,032)	(19,761)	(20,491)	(21,220)	(21,949)	(22,678)	(23,408)	(24,137)
Earnings employed in the business	27,627	31,528	35,257	37,554	47,261	49,852	53,011	56,590	60,745	65,338	70,446	76,117	82,387	89,281	96,854
Accumulated other comprehensive income / loss	(8,946)	(8,374)	(8,051)	(7,839)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)	(7,906)
Total Abbott Shareholders' Investment:	32,784	35,802	36,686	38,603	47,664	49,991	52,887	56,202	60,094	64,423	69,267	74,675	80,682	87,312	94,621
Noncontrolling interests in subsidiaries	219	222	219	224	237	246	256	267	277	288	300	312	324	337	351
Total Shareholders' Investment:	33,003	36,024	36,905	38,827	47,901	50,237	53,144	56,469	60,371	64,711	69,567	74,987	81,006	87,650	94,972
Total Liabilities and Shareholders' Investment:	72,548	75,196	74,438	73,214	81,414	85,211	90,341	92,385	97,599	103,439	110,276	117,968	126,542	135,944	146,376

Abbott Laboratories
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash Flow from Operations:											
Net Earnings	2,284	4,423	1,400	477	2,368	3,687	4,495	7,071	6,933	5,723	13,402
Depreciation	918	871	803	1,046	1,100	1,078	1,195	1,491	1,254	1,277	1,340
Amortization of Intangible Assets	630	601	550	1,975	2,178	1,936	2,132	2,047	2,013	1,966	1,878
Share-Based Compensation	246	292	310	406	477	519	546	640	685	644	673
Amortization of Inventory Step-Up	-	-	-	907	32	-	-	-	-	-	-
Investing & Financing Losses (Gains), Net	69	(18)	86	47	126	184	425	55	215	126	482
Amortization of Bridge Financing Fees	-	-	165	5	-	-	-	-	-	-	-
Loss (Gain) on Extinguishment of Debt	18		-	-	167	63	-	-	-	-	-
Losses (Gains) on Sale of Businesses	-	(2,840)	(25)	(1,163)	-	-	-	-	-	-	-
Loss (Gain) on Sale of Mylan N.V. Shares	-	(207)	-	(45)	-	-	-	-	-	-	-
Trade Receivables	(195)	(171)	(177)	(207)	(190)	(275)	(924)	(383)	(68)	(356)	(691)
Inventories	(297)	(257)	(98)	249	(514)	(593)	(493)	(456)	(1,413)	(232)	(58)
Prepaid Expenses & Other Assets	30	57	113	109	23	(138)	(627)	(312)	(75)	(542)	(796)
Trade Accounts Payable & Other Liabilities	(225)	(742)	(652)	615	747	220	1,766	1,288	420	(760)	356
Income Taxes	197	957	(699)	1,149	(214)	(545)	(614)	(908)	(383)	(585)	(8,028)
Net Cash Flows from Operating Activities:	3,675	2,966	3,203	5,570	6,300	6,136	7,901	10,533	9,581	7,261	8,558
Cash Flow from Investing:											
Acquisitions of Property & Equipment	(1,077)	(1,110)	(1,121)	(1,135)	(1,394)	(1,638)	(2,177)	(1,885)	(1,777)	(2,202)	(2,207)
Acquisitions of Business & Technologies, Net of Cash Acquired	(3,317)	(235)	(80)	(17,183)	-	(170)	(42)	(187)	-	(877)	-
Proceeds from Business Dispositions	5	230	25	6,042	48	48	58	134	48	40	1
Proceeds from the Sale of Mylan N.V. Shares	-	2,290	-	2,704	-	-	-	-	-	-	-
Purchases of Investment Securities	(1,507)	(4,933)	(2,823)	(210)	(131)	(103)	(83)	(173)	(185)	(159)	(169)
Proceeds from Sales of Investment Securities	5,624	4,112	3,709	129	73	21	10	77	152	43	28
Other Investing Activities	70	52	42	35	48	27	19	26	22	22	9
Net Cash Flows from Investing Activities:	(202)	406	(248)	(9,618)	(1,356)	(1,815)	(2,215)	(2,008)	(1,740)	(3,133)	(2,338)
Cash Flow from Financing											
Proceeds from Issuance of (Repayments of) Short-Term Debt, Net & Other Financing Activities	1,343	(1,281)	(1,767)	(1,034)	(26)	-	2	(204)	47	21	(100)
Proceeds from Issuance of Long-Term Debt & Debt with Maturities over 3 Months	-	2,485	14,934	6,742	4,009	1,842	1,281	4	7	2	223
Repayments of Long-Term Debt & Debt with Maturities over 3 Months	(577)	(57)	(12)	(8,650)	(12,433)	(3,441)	(1,333)	(48)	(753)	(2,498)	(660)
Purchase of Alere Preferred Stock	-	-	-	(710)	-	-	-	-	-	-	-
Acquisition & Contingent Consideration Payments Related to Business Acquisitions	(400)	(17)	(25)	(13)	-	-	-	-	-	-	-
Purchases of Common Shares	(2,195)	(2,237)	(522)	(117)	(238)	(718)	(403)	(2,299)	(3,795)	(1,227)	(1,295)
Proceeds from Stock Options Exercised	429	314	248	350	271	298	245	255	167	167	264
Dividends Paid	(1,342)	(1,443)	(1,539)	(1,849)	(1,974)	(2,270)	(2,560)	(3,202)	(3,309)	(3,556)	(3,836)
Other Financing Activities	-	-	-	-	-	-	(11)	-	-	-	-
Net Cash Flows from Financing Activities:	(2,742)	(2,236)	11,147	(5,281)	(10,391)	(4,289)	(2,779)	(5,494)	(7,636)	(7,091)	(5,404)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(143)	(198)	(483)	116	(116)	(16)	71	(70)	(122)	(23)	(96)
Net Increase (Decrease) in Cash & Cash Equivalents	588	938	13,619	(9,213)	(5,563)	16	2,978	2,961	83	(2,986)	720
Cash & Cash Equivalents, Beginning of Year	3,475	4,063	5,001	18,620	9,407	3,844	3,860	6,838	9,799	9,882	6,896
Cash & Cash Equivalents, End of Year	4,063	5,001	18,620	9,407	3,844	3,860	6,838	9,799	9,882	6,896	7,616

Abbott Laboratories

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Operating Cash Flow										
Net Income	6,723	8,201	9,287	10,785	11,920	13,257	14,719	16,274	17,892	19,653
(+) Depreciation	1,505	1,411	1,334	1,273	1,225	1,188	1,162	1,145	1,135	1,133
(+) Amortization	1,700	1,500	1,200	668	605	490	397	322	260	211
Change in Trade Receivables	(227)	(561)	(646)	(597)	(771)	(847)	(950)	(1,030)	(1,084)	(1,192)
Change in Inventory	(163)	(498)	(574)	(530)	(685)	(753)	(845)	(915)	(963)	(1,059)
Change in Prepaid Expenses & Other Receivables	28	(199)	(230)	(212)	(274)	(301)	(338)	(366)	(385)	(424)
Change in Trade Accounts Payable	492	367	423	391	505	555	623	675	710	781
Change in Salaries, Wages & Commissions	24	135	156	144	186	204	229	248	261	287
Change in Other Accrued Liabilites	289	426	490	453	585	643	722	782	823	905
Change in Income Taxes Payable	(54)	119	87	120	91	107	117	125	130	141
Change is Deferred Income Taxes and Other Assets	9,558	(1,516)	(1,115)	(1,537)	(1,165)	(1,373)	(1,500)	(1,597)	(1,661)	(1,807)
Change in Post-Employment Obligations, Deferred Income Taxes and Other Long-Term Liabilities	(673)	(606)	(545)	(491)	(442)	(397)	(358)	(322)	(290)	(261)
Net Cash Flow from Operating Activities:	19,202	8,778	9,868	10,467	11,780	12,774	13,978	15,341	16,830	18,369
Investing Cash Flow										
Change in Short-Term Investments	(38)	(40)	(41)	(43)	(45)	(47)	(49)	(51)	(53)	(55)
Change in Long-Term Investments	(15)	(15)	(16)	(17)	(17)	(18)	(19)	(20)	(20)	(21)
Change in Total Property and Equipment	(837)	(867)	(899)	(932)	(967)	(1,002)	(1,039)	(1,077)	(1,117)	(1,158)
Change in Intangible Assets										
Change Noncontrolling Interests in Subsidiaries	9	10	10	11	11	12	12	12	13	13
Net Cash Flows from Investing Activities:	(880)	(913)	(946)	(982)	(1,018)	(1,056)	(1,095)	(1,136)	(1,178)	(1,221)
Financing Cash Flow										
Change in Dividends Payable	9	227	167	230	174	206	225	239	249	271
Change in Current Portion of Long-Term Debt	-	1,388	(2,273)	35	(67)	67	-	-	-	-
Change in Long-Term Debt	1,374	168	213	429	466	596	714	808	875	986
Change in Common Shares	466	466	466	466	466	466	466	466	466	466
Change in Treasury Stock	(729)	(729)	(729)	(729)	(729)	(729)	(729)	(729)	(729)	(729)
Change in Dividends Paid	(4,133)	(5,041)	(5,709)	(6,629)	(7,327)	(8,149)	(9,048)	(10,004)	(10,998)	(12,080)
Net Cash Flows from Financing Activities:	(3,013)	(3,522)	(7,865)	(6,199)	(7,017)	(7,544)	(8,372)	(9,221)	(10,138)	(11,087)
Net Increase in Cash & Cash Equivalents	15,308	4,344	1,057	3,286	3,746	4,175	4,511	4,985	5,514	6,060
Cash & Cash Equivalents at the Beginning of the Period	7,616	22,924	27,268	28,325	31,612	35,357	39,532	44,043	49,028	54,542
Cash & Cash Equivalents at the End of the Period	22,924	27,268	28,325	31,612	35,357	39,532	44,043	49,028	54,542	60,602

Abbott Laboratories

Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues:													
Established Pharmeceutical Products	11.25%	12.63%	12.38%	11.95%	11.96%	12.20%	12.21%	11.92%	11.60%	11.26%	10.93%	10.65%	10.36%
Nutritional Products	17.09%	20.33%	20.05%	19.82%	19.55%	19.00%	18.73%	18.29%	17.96%	17.80%	17.65%	17.55%	17.44%
Diagnostic Products	37.73%	24.90%	22.27%	21.40%	20.90%	20.39%	19.96%	19.60%	19.29%	18.81%	18.35%	17.95%	17.56%
Medical Devices	33.91%	42.10%	45.26%	46.80%	47.56%	48.38%	49.07%	50.17%	51.14%	52.12%	53.05%	53.84%	54.62%
Other	0.03%	0.03%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
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 D&A	40.98%	41.63%	41.40%	40.70%	40.70%	40.70%	40.70%	40.70%	40.70%	40.70%	40.70%	40.70%	40.70%
Depreciation	2.87%	3.18%	3.19%	3.40%	2.95%	2.58%	2.29%	2.03%	1.81%	1.63%	1.47%	1.34%	1.23%
Amortization of Intangible Assets	4.61%	4.90%	4.48%	3.84%	3.14%	2.32%	1.20%	1.00%	0.75%	0.56%	0.41%	0.31%	0.23%
Research & Development	6.62%	6.83%	6.78%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%
Selling, General, & Administrative	25.77%	27.30%	27.88%	27.05%	27.05%	27.05%	27.05%	27.05%	27.05%	27.05%	27.05%	27.05%	27.05%
Total Operating Costs:	80.84%	83.85%	83.73%	81.72%	80.58%	79.38%	77.99%	77.53%	77.05%	76.67%	76.37%	76.14%	75.95%
Operating Profit:	19.16%	16.15%	16.27%	18.28%	19.42%	20.62%	22.01%	22.47%	22.95%	23.33%	23.63%	23.86%	24.05%
Interest Expense	1.28%	1.59%	1.33%	1.28%	1.30%	1.32%	1.08%	1.03%	0.97%	0.93%	0.89%	0.86%	0.83%
Interest Income	0.42%	0.96%	0.82%	0.84%	2.13%	1.96%	2.17%	2.07%	2.12%	2.17%	2.22%	2.27%	2.32%
Other income (expense), net	0.74%	1.19%	0.90%	0.97%	1.03%	0.97%	1.00%	1.00%	0.99%	0.99%	0.98%	0.98%	0.97%
Earnings (loss) from continuing operations before taxes	19.03%	16.61%	16.72%	18.81%	21.27%	22.23%	24.09%	24.52%	25.09%	25.56%	25.94%	26.25%	26.52%
Taxes on earnings (loss) from continuing operations	3.15%	2.35%	-15.23%	3.63%	4.11%	4.29%	4.65%	4.74%	4.85%	4.94%	5.01%	5.07%	5.12%
Net Income:	15.88%	14.27%	31.95%	15.18%	17.16%	17.94%	19.44%	19.78%	20.24%	20.62%	20.93%	21.18%	21.39%

Abbott Laboratories
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Assets:													
Current Assets:													
Cash and cash equivalents	22.64%	17.19%	18.15%	51.74%	57.07%	54.71%	56.98%	58.68%	60.36%	61.70%	63.05%	64.57%	65.97%
Short-term investments	0.66%	0.95%	0.84%	0.83%	0.80%	0.77%	0.75%	0.72%	0.69%	0.66%	0.63%	0.60%	0.58%
Trade receivables, less allowances	14.24%	16.37%	16.51%	16.14%	16.14%	16.14%	16.14%	16.14%	16.14%	16.14%	16.14%	16.14%	16.14%
Inventories:													
Finished products	8.72%	9.84%	0.00%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%
Work in process	1.56%	2.01%	0.00%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%
Materials	3.87%	4.53%	0.00%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%
Total inventories:	14.14%	16.38%	14.77%	14.35%	14.35%	14.35%	14.35%	14.35%	14.35%	14.35%	14.35%	14.35%	14.35%
Prepaid expenses and other receivables	6.10%	5.62%	6.13%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%
Total Current Assets:	57.78%	56.52%	56.39%	88.80%	94.10%	91.70%	93.96%	95.63%	97.27%	98.58%	99.91%	101.40%	102.78%
Investments	1.75%	1.99%	2.11%	2.09%	2.02%	1.94%	1.89%	1.81%	1.74%	1.66%	1.59%	1.53%	1.47%
Property and equipment, at cost:													
Land	1.17%	1.32%	1.26%	1.28%	1.23%	1.18%	1.14%	1.09%	1.04%	0.99%	0.94%	0.90%	0.86%
Buildings	9.28%	10.37%	10.03%	10.10%	9.71%	9.29%	8.99%	8.58%	8.18%	7.78%	7.41%	7.07%	6.74%
Equipment	32.45%	37.84%	36.99%	36.83%	35.41%	33.87%	32.78%	31.29%	29.84%	28.39%	27.02%	25.79%	24.59%
Construction in progress	3.40%	5.15%	5.93%	5.01%	4.81%	4.61%	4.46%	4.26%	4.06%	3.86%	3.67%	3.51%	3.34%
Total Property and Equipment	46.30%	54.68%	54.21%	53.21%	51.16%	48.95%	47.37%	45.22%	43.12%	41.02%	39.05%	37.26%	35.53%
Accumulated depreciation and amortization	-25.31%	-29.37%	-28.80%	-30.67%	-31.39%	-31.54%	-31.74%	-31.25%	-30.56%	-29.67%	-28.71%	-27.77%	-26.77%
Net property and equipment	20.99%	25.32%	25.41%	22.55%	19.77%	17.40%	15.63%	13.96%	12.56%	11.35%	10.34%	9.49%	8.76%
Intangible assets, net of amortization	23.95%	21.98%	15.85%	11.17%	7.21%	4.34%	2.85%	1.62%	0.74%	0.12%	-0.30%	-0.59%	-0.77%
Goodwill	52.23%	59.04%	55.08%	52.16%	48.37%	44.63%	41.65%	38.35%	35.28%	32.37%	29.72%	27.36%	25.16%
Deferred income taxes and other assets	13.82%	17.69%	39.23%	15.58%	17.62%	18.41%	19.95%	20.31%	20.78%	21.17%	21.48%	21.74%	21.96%
Total Assets:	170.52%	182.54%	194.07%	192.33%	189.09%	178.42%	175.93%	171.68%	168.37%	165.26%	162.73%	160.93%	159.35%
Liabilities and Shareholders' Investment:													
Current Liabilities:													
Trade accounts payable	10.55%	10.71%	10.00%	10.58%	10.58%	10.58%	10.58%	10.58%	10.58%	10.58%	10.58%	10.58%	10.58%
Salaries, wages and commissions	3.56%	3.98%	4.05%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%
Other accrued liabilities	13.39%	13.52%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%	12.26%
Dividends payable	2.03%	2.38%	2.46%	2.84%	2.99%	3.20%	3.30%	3.38%	3.45%	3.50%	3.54%	3.58%	0.00%
Income taxes payable	0.79%	1.23%	1.42%	1.22%	1.38%	1.44%	1.56%	1.59%	1.63%	1.66%	1.68%	1.70%	1.72%
Current portion of long-term debt	5.16%	2.69%	3.58%	3.39%	6.04%	1.19%	1.17%	0.97%	0.99%	0.91%	0.84%	0.77%	0.71%
Total Current Liabilities:	35.48%	34.51%	33.75%	33.67%	36.79%	32.12%	32.45%	32.33%	32.46%	32.47%	32.46%	32.46%	32.45%
Long-term debt	33.27%	33.91%	30.10%	31.60%	29.65%	27.77%	26.69%	25.35%	24.23%	23.24%	22.37%	21.63%	20.96%
Post-employment obligations, deferred income taxe	17.23%	17.32%	16.05%	13.67%	11.41%	9.48%	7.96%	6.60%	5.46%	4.51%	3.73%	3.09%	2.56%
Common shares, without par value	56.60%	62.00%	59.96%	57.82%	54.60%	51.28%	48.70%	45.61%	42.67%	39.80%	37.14%	34.74%	32.45%
Common shares held in treasury, at cost	-34.89%	-39.84%	-40.15%	-39.66%	-38.31%	-36.76%	-35.62%	-34.01%	-32.40%	-30.75%	-29.16%	-27.71%	-26.28%
Earnings employed in the business	80.77%	93.63%	112.66%	112.52%	110.95%	109.29%	109.50%	108.44%	107.56%	106.63%	105.95%	105.69%	105.44%
Accumulated other comprehensive income / loss	-18.44%	-19.54%	-18.85%	-17.84%	-16.55%	-15.27%	-14.25%	-13.12%	-12.07%	-11.08%	-10.17%	-9.36%	-8.61%
Total Abbott Shareholders' Investment:	84.04%	96.25%	113.62%	112.83%	110.69%	108.54%	108.32%	106.93%	105.76%	104.61%	103.76%	103.36%	103.01%
Noncontrolling interests in subsidiaries	0.50%	0.56%	0.56%	0.56%	0.54%	0.51%	0.50%	0.48%	0.46%	0.44%	0.42%	0.40%	0.38%
Total Shareholders' Investment:	84.54%	96.80%	114.19%	113.39%	111.23%	109.06%	108.82%	107.40%	106.21%	105.05%	104.17%	103.76%	103.39%
Total Liabilities and Shareholders' Investment:	170.52%	182.54%	194.07%	192.33%	189.09%	178.42%	175.93%	171.68%	168.37%	165.26%	162.73%	160.93%	159.35%

Abbott Laboratories
Value Driver Estimation

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPLAT:													
Revenue	43,653	40,109	41,950	44,305	47,778	51,778	55,475	60,250	65,497	71,383	77,761	84,474	91,856
Less: Cost of Product Sold, Less D&A	17,888	16,698	17,366	18,030	19,443	21,071	22,576	24,519	26,654	29,050	31,645	34,377	37,381
Less: Depreciation	1,254	1,277	1,340	1,505	1,411	1,334	1,273	1,225	1,188	1,162	1,145	1,135	1,133
Less: Amortization of Intangible Assets	2,013	1,966	1,878	1,700	1,500	1,200	668	605	490	397	322	260	211
Less: Research & Development	2,888	2,741	2,844	2,988	3,222	3,491	3,741	4,063	4,416	4,813	5,243	5,696	6,194
Less: Selling, General & Administrative	11,248	10,949	11,697	11,985	12,924	14,006	15,007	16,298	17,717	19,310	21,035	22,851	24,848
Plus: Implied Interest on Operating Leases	56	55	57	57	57	57	57	57	57	57	57	57	57
EBIT:	8,418	6,533	6,882	8,154	9,334	10,731	12,268	13,597	15,087	16,708	18,428	20,211	22,146
Income Tax Provision:	1,373	941	(6,389)	1,610	1,964	2,224	2,582	2,854	3,174	3,524	3,897	4,284	4,706
Plus: Tax Shield on Interest Expense	107	114	109	109	120	132	116	120	123	128	134	140	147
Less: Tax Shield on Interest Income	35	69	67	72	196	196	232	241	268	299	334	371	412
Less: Tax Shield on Non-Operating Income	62	86	73	83	95	97	107	117	125	136	148	160	173
Plus: Tax Shield on Operating Leases	212	204	216	11	11	11	11	11	11	11	11	11	11
Adjusted Tax:	1,596	1,104	(6,205)	1,575	1,803	2,073	2,370	2,627	2,915	3,228	3,560	3,904	4,278
Deferred Tax Assets:	2,719	2,863	10,409	10,089	9,699	9,257	8,744	8,177	7,546	6,846	6,072	5,221	4,286
Deferred Tax Liabilities:	2,666	2,449	2,298	1,941	1,506	1,013	441	(192)	(895)	(1,676)	(2,540)	(3,490)	(4,532)
Changes in Deferred Taxes:	(239)	(361)	(7,697)	(37)	(45)	(51)	(59)	(66)	(73)	(81)	(89)	(98)	(108)
NOPLAT:	6,583	5,068	5,389	6,542	7,486	8,607	9,839	10,905	12,100	13,399	14,778	16,208	17,760
Invested Capital (IC):	25,691	26,005	25,025	22,627	21,066	20,124	19,652	19,648	19,891	20,406	21,143	22,055	23,179
Operating Current Assets:													
Normal Cash	5,281	4,853	5,075	5,360	5,781	6,265	6,712	7,290	7,924	8,636	9,408	10,220	11,113
Accounts Receivable, Net	6,218	6,565	6,925	7,152	7,713	8,358	8,955	9,726	10,573	11,523	12,553	13,636	14,828
Inventories	6,173	6,570	6,194	6,357	6,855	7,429	7,960	8,645	9,398	10,242	11,157	12,121	13,180
Other Prepaid Expenses & Receivables	2,663	2,256	2,570	2,542	2,742	2,971	3,183	3,457	3,759	4,096	4,462	4,848	5,271
Total Operating Current Assets	20,335	20,244	20,764	21,412	23,090	25,023	26,810	29,118	31,653	34,498	37,580	40,825	44,392
Operating Current Liabilities:													
Trade Accounts Payable	4,607	4,295	4,195	4,687	5,055	5,478	5,869	6,374	6,929	7,552	8,227	8,937	9,718
Salaries, Wages & Commissions	1,556	1,597	1,701	1,725	1,860	2,016	2,160	2,346	2,550	2,779	3,027	3,289	3,576
Dividends Payable	887	955	1,033	1,033	1,260	1,427	1,657	1,832	2,037	2,262	2,501	2,750	3,020
Other Accrued Liabilities	5,845	5,422	5,143	5,432	5,858	6,348	6,801	7,387	8,030	8,751	9,533	10,356	11,261
Income Taxes Payable	343	492	594	540	658	746	866	957	1,064	1,182	1,307	1,436	1,578
Total Operating Current Liabilities:	13,238	12,761	12,666	13,417	14,691	16,014	17,353	18,895	20,610	22,526	24,595	26,768	29,153
Net Operating Working Capital:	7,097	7,483	8,098	7,995	8,399	9,009	9,457	10,223	11,043	11,972	12,986	14,057	15,239
Property & Equipment, Net:	9,162	10,154	10,658	9,989	9,446	9,011	8,671	8,413	8,227	8,104	8,037	8,019	8,044
Other Operating Assets:													
Intangible Assets, Net	10,454	8,815	6,647	4,947	3,447	2,247	1,579	974	484	87	(234)	(495)	(706)
PV of Operating Leases	1,107	1,138	1,208	1,283	1,362	1,446	1,535	1,629	1,730	1,836	1,949	2,069	2,197
Net Other Operating Assets:	11,561	9,953	7,855	6,230	4,809	3,693	3,114	2,603	2,214	1,923	1,715	1,575	1,491
Other Operating Liabilities:													
All Other	2,129	1,585	1,586	1,587	1,588	1,589	1,590	1,591	1,592	1,593	1,594	1,595	1,596
Free Cash Flow (FCF):													
NOPLAT	6,583	5,068	5,389	6,542	7,486	8,607	9,839	10,905	12,100	13,399	14,778	16,208	17,760
Change in IC	(1,860)	314	(979)	(2,398)	(1,561)	(942)	(472)	(4)	243	515	737	912	1,123
FCF	**8,443**	**4,754**	**6,369**	**8,940**	**9,047**	**9,549**	**10,311**	**10,909**	**11,856**	**12,884**	**14,041**	**15,296**	**16,636**
Return on Invested Capital (ROIC):													
NOPLAT	6,583	5,068	5,389	6,542	7,486	8,607	9,839	10,905	12,100	13,399	14,778	16,208	17,760
Beginning IC	27,551	25,691	26,005	25,025	22,627	21,066	20,124	19,652	19,648	19,891	20,406	21,143	22,055
ROIC	**23.89%**	**19.73%**	**20.72%**	**26.14%**	**33.08%**	**40.86%**	**48.89%**	**55.49%**	**61.58%**	**67.36%**	**72.42%**	**76.66%**	**80.52%**
Economic Profit (EP):													
Beginning IC	27,551	25,691	26,005	25,025	22,627	21,066	20,124	19,652	19,648	19,891	20,406	21,143	22,055
x (ROIC - WACC)	16.33%	12.17%	13.16%	18.58%	25.52%	33.30%	41.33%	47.93%	54.02%	59.80%	64.86%	69.10%	72.96%
EP	**4,500**	**3,125**	**3,423**	**4,649**	**5,775**	**7,014**	**8,317**	**9,419**	**10,614**	**11,895**	**13,235**	**14,610**	**16,092**

Abbott Laboratories

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*	
Risk-Free Rate	4.28%	*10y Treasury YTM*	U.S. Treasury
Beta	0.70	*5y Raw Beta*	Bloomberg
Equity Risk Premium	5.00%	*Henry Fund Estimate*	
Cost of Equity	**7.80%**		
Cost of Debt:			
Risk-Free Rate	4.28%	*10y Treasury YTM*	U.S. Treasury
Implied Default Premium	0.69%		
Pre-Tax Cost of Debt	4.97%	*YTM on ABT's 10-20 year corporate bond*	Bloomberg
Marginal Tax Rate	19%		
After-Tax Cost of Debt	**4.01%**		

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1740	
Current Stock Price	$133.02	
MV of Equity	**231,455**	93.83%
Market Value of Debt:		
Short-Term Debt	-	
Current Portion of LTD	1,500	
Long-Term Debt	12,625	
PV of Operating Leases	1,105	
MV of Total Debt	**15,230**	6.17%
Market Value of the Firm	**246,685**	100.00%

Estimated WACC	**7.56%**

Abbott Laboratories

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

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	80.52%
WACC	7.56%
Cost of Equity	7.80%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
DCF Model:										
Free Cash Flow (FCF)	8,940	9,047	9,549	10,311	10,909	11,856	12,884	14,041	15,296	16,636
Continuing Value (CV)										340,002
PV of FCF	8,312	7,820	7,674	7,703	7,577	7,656	7,735	7,837	7,937	176,432
Value of Operating Assets:	246,683									
Non-Operating Adjustments										
Plus: Excess Cash	2,541									
Plus: Short-Term Investments	351									
Plus: Long-Term Investments	886									
Less: Debt Obligations	(14,125)									
Less: PV of Op. Lease Liabilities	(1,105)									
Less: Non-Controlling Interest	(237)									
Less: ESOP	(1,581)									
Value of Equity	233,412									
Shares Outstanding	1734									
Intrinsic Value of Last FYE	$ 134.58									
Implied Price as of Today	**$ 135.93**									
EP Model:										
Economic Profit (EP)	4,649	5,775	7,014	8,317	9,419	10,614	11,895	13,235	14,610	16,092
Continuing Value (CV)										317,946
PV of EP	4,323	4,992	5,637	6,214	6,542	6,854	7,141	7,387	7,581	164,987
Total PV of EP	221,657									
Invested Capital (last FYE)	25,025									
Value of Operating Assets:	246,683									
Non-Operating Adjustments										
Plus: Excess Cash	2,541									
Plus: Short-Term Investments	351									
Plus: Long-Term Investments	886									
Less: Debt Obligations	(14,125)									
Less: PV of Op. Lease Liabilities	(1,105)									
Less: Non-Controlling Interest	(237)									
Less: ESOP	(1,581)									
Value of Equity	233,412									
Shares Outstanding	1734									
Intrinsic Value of Last FYE	$ 134.58									
Implied Price as of Today	**$ 135.93**									

Abbott Laboratories

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

Fiscal Years Ending	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**
EPS	$ 3.88	$ 4.73	$ 5.35	$ 6.21	$ 6.86	$ 7.62	$ 8.45	$ 9.33	$ 10.25	$ 11.24
Key Assumptions										
CV growth of EPS	3.00%									
CV Year ROE	22.42%									
Cost of Equity	7.80%									
Future Cash Flows										
P/E Multiple (CV Year)										18.06
EPS (CV Year)										$ 11.24
Future Stock Price										$ 203.09
Dividends Per Share	$ 2.38	$ 2.91	$ 3.29	$ 3.82	$ 4.22	$ 4.68	$ 5.20	$ 5.74	$ 6.30	
Discounted Cash Flows	$ 2.21	$ 2.50	$ 2.63	$ 2.83	$ 2.90	$ 2.99	$ 3.07	$ 3.15	$ 3.21	103.3477
Intrinsic Value as of Last FYE	$ 128.82									
Implied Price as of Today	$ 130.11									

Abbott Laboratories

Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Est. 5yr EPS gr.	PEG 25	PEG 26
MDT	Medtronic	$93.80	$4.07	$4.66	23.05	20.13	8.9	2.60	2.50
BSX	Boston Scientific	$94.13	$1.85	$2.30	50.88	40.93	20.4	2.50	2.20
SYK	Stryker	$370.12	$10.87	$12.31	34.05	30.07	9.2	3.70	3.30
EW	Edwards Lifesciences	$68.53	$2.40	$2.70	28.55	25.38	7.5	3.80	3.40
DXCM	DexCom, Inc.	$70.72	$1.97	$2.46	35.90	28.75	21.1	1.70	1.40
JNJ	Johnson & Johnson	$167.70	$9.30	$9.94	18.03	16.87	7.5	2.40	2.30
				Average	**31.74**	**27.02**		**2.78**	**2.52**
ABT	Abbott Laboratories	$137.36	3.88	4.73	35.4	29.1	12.1	2.9	2.4

Implied Relative Value:

P/E (EPS25)	**$**	**123**
P/E (EPS26)	**$**	**128**
PEG (EPS25)	**$**	**130**
PEG (EPS26)	**$**	**144**

Abbott Laboratories
Key Management Ratios

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:															
Current Ratio *(Current Assets/Current Liabilities)*	1.72	1.85	1.63	1.64	1.67	2.64	2.56	2.86	2.90	2.96	3.00	3.04	3.08	3.12	3.17
Quick Ratio *((Cash + Marketable Securities + Receivables)/Current Liabilities)*	1.18	1.30	1.09	1.03	1.09	2.08	2.04	2.27	2.31	2.37	2.41	2.45	2.49	2.53	2.58
Cash Ratio *((Cash + Marketable Securities)/Current Liabilites)*	0.64	0.81	0.69	0.56	0.60	1.60	1.61	1.76	1.81	1.87	1.91	1.95	1.99	2.04	2.08
Asset-Management Ratios:															
Inventory Turnover Ratio *(COGS/Inventory)*	2.75	3.31	2.90	2.54	2.80	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84
Receivables Turnover *(Revenue/Receivables)*	5.40	6.64	7.02	6.11	6.06	6.19	6.19	6.19	6.19	6.19	6.19	6.19	6.19	6.19	6.19
Payables Turnover *(COGS/Accounts Payable)*	3.50	3.87	3.88	3.89	4.14	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Total Asset Turnover *(Revenue/Total Assets)*	0.48	0.57	0.59	0.55	0.52	0.52	0.53	0.56	0.57	0.58	0.59	0.61	0.61	0.62	0.63
Financial Leverage Ratios:															
Debt-To-Capital Ratio *(Total Liabilities/(Total Liabilities + Total Shareholders' Equity))*	0.55	0.52	0.50	0.47	0.41	0.41	0.41	0.39	0.38	0.37	0.37	0.36	0.36	0.36	0.35
Debt-To-Equity Ratio *(Total Liabilities/Total Shareholders' Equity)*	1.20	1.09	1.02	0.89	0.70	0.70	0.70	0.64	0.62	0.60	0.59	0.57	0.56	0.55	0.54
Financial Leverage Ratio *(Total Assets/Total Shareholders' Equity)*	2.20	2.09	2.02	1.89	1.70	1.70	1.70	1.64	1.62	1.60	1.59	1.57	1.56	1.55	1.54
Profitability Ratios:															
Return on Equity *(Net Income/Beginning Total Shareholders' Equity)*	14.36%	21.43%	19.25%	15.51%	34.52%	14.04%	16.32%	17.48%	19.10%	19.74%	20.49%	21.16%	21.70%	22.09%	22.42%
Return on Assets *(Net Income/Total Assets)*	6.20%	9.40%	9.31%	7.82%	16.46%	7.89%	9.08%	10.05%	11.05%	11.52%	12.02%	12.48%	12.86%	13.16%	13.43%
Gross Profit Margin *(Gross Profit/Revenue)*	60.10%	60.43%	59.02%	58.37%	58.60%	59.30%	59.30%	59.30%	59.30%	59.30%	59.30%	59.30%	59.30%	59.30%	59.30%
Net Profit Margin *(Net Income/Revenue)*	12.99%	16.42%	15.88%	14.27%	31.95%	15.18%	17.16%	17.94%	19.44%	19.78%	20.24%	20.62%	20.93%	21.18%	21.39%
Payout Policy Ratios:															
Dividend Payout Ratio *(Dividend/EPS)*	60.29%	45.41%	48.13%	63.02%	28.99%	61.47%	61.48%	61.49%	61.49%	61.50%	61.50%	61.50%	61.51%	61.51%	61.51%
Total Payout Ratio *((Dividends + Repurchases)/Net Income)*						72.32%	70.37%	69.34%	68.25%	67.61%	67.00%	66.46%	65.99%	65.59%	65.23%

Abbott Laboratories

Valuation of Options Granted under ESOP

Current Stock Price	$133.02	
Risk Free Rate	4.28%	
Current Dividend Yield	1.74%	
Annualized St. Dev. of Stock Returns	25.28%	*FactSet 5yr St. Dev.*

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	27	80.70	4.60	$ 59.55	$ 1,581
Total	27	$ 80.70	4.60	$ 68.97	**$ 1,581**

Abbott Laboratories

Sensitivity Tables

	DCF	Equity Risk Premium						
	135.93	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Beta	0.40	202.66	200.31	198.00	195.75	193.54	191.37	189.25
	0.50	178.01	175.70	173.43	171.23	169.07	166.96	164.89
	0.60	158.32	156.08	153.89	151.76	149.68	147.65	145.67
	0.70	142.23	140.08	137.98	135.93	133.95	132.01	130.12
	0.80	128.85	126.79	124.78	122.83	120.93	119.09	117.29
	0.90	117.55	115.58	113.66	111.80	110.00	108.24	106.53
	1.00	107.89	106.00	104.18	102.40	100.68	99.01	97.39

	DCF	Inventory % Sales (2025-2034)						
	135.93	11.35%	12.35%	13.35%	14.35%	15.35%	16.35%	17.35%
AR % Sales (2025-2034)	13.14%	139.06	138.54	138.02	137.50	136.98	136.46	135.93
	14.14%	138.54	138.02	137.50	136.98	136.46	135.93	135.41
	15.14%	138.02	137.50	136.98	136.46	135.93	135.41	134.89
	16.14%	137.50	136.98	136.46	135.93	135.41	134.89	134.37
	17.14%	136.98	136.46	135.93	135.41	134.89	134.37	133.85
	18.14%	136.46	135.93	135.41	134.89	134.37	133.85	133.33
	19.14%	135.93	135.41	134.89	134.37	133.85	133.33	132.81

	DCF	Risk-Free Rate						
	135.93	3.98%	4.08%	4.18%	4.28%	4.38%	4.48%	4.58%
Marginal Tax Rate	17.82%	147.81	144.60	141.50	138.53	135.66	132.89	130.23
	18.32%	146.90	143.70	140.62	137.66	134.81	132.06	129.41
	18.82%	145.98	142.80	139.74	136.80	133.96	131.23	128.59
	19.32%	145.06	141.90	138.86	135.93	133.11	130.40	127.78
	19.82%	144.14	141.00	137.97	135.07	132.26	129.56	126.96
	20.32%	143.22	140.09	137.09	134.20	131.41	128.73	126.14
	20.82%	142.30	139.19	136.21	133.33	130.56	127.90	125.32

	DCF	AP % Sales (2025-2034)						
	135.93	7.58%	8.58%	9.58%	10.58%	11.58%	12.58%	13.58%
SGA % Sales (2025-2034)	26.75%	136.24	136.77	137.29	137.81	138.33	138.85	139.37
	26.85%	135.62	136.14	136.66	137.18	137.70	138.23	138.75
	26.95%	135.00	135.52	136.04	136.56	137.08	137.60	138.12
	27.05%	134.37	134.89	135.41	135.93	136.46	136.98	137.50
	27.15%	133.75	134.27	134.79	135.31	135.83	136.35	136.87
	27.25%	133.12	133.64	134.16	134.69	135.21	135.73	136.25
	27.35%	132.50	133.02	133.54	134.06	134.58	135.10	135.62

	DCF	CV Growth of NOPLAT						
	135.93	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
WACC	7.26%	131.45	135.77	140.52	145.76	151.59	158.10	165.43
	7.36%	128.72	132.84	137.36	142.35	147.88	154.04	160.96
	7.46%	126.08	130.01	134.33	139.08	144.33	150.17	156.70
	7.56%	123.53	127.30	131.41	135.93	140.93	146.47	152.65
	7.66%	121.08	124.67	128.60	132.92	137.67	142.92	148.78
	7.76%	118.70	122.15	125.90	130.01	134.54	139.53	145.08
	7.86%	116.41	119.71	123.30	127.22	131.53	136.28	141.55

	DDM	Cost of Equity						
	130.11	7.50%	7.60%	7.70%	7.80%	7.90%	8.00%	8.10%
CV EPS Growth	2.25%	127.71	124.86	122.12	119.48	116.94	114.49	112.13
	2.50%	131.47	128.43	125.50	122.69	119.99	117.39	114.88
	2.75%	135.63	132.36	129.22	126.22	123.33	120.56	117.89
	3.00%	140.25	136.72	133.35	130.11	127.02	124.05	121.20
	3.25%	145.42	141.59	137.93	134.44	131.10	127.90	124.85
	3.50%	151.23	147.05	143.06	139.26	135.65	132.19	128.89
	3.75%	157.82	153.21	148.84	144.69	140.74	136.98	133.40