

Company Description: AbbVie, Inc. is a global, researched-based biopharmaceutical company. AbbVie engages in the development and marketing of advanced therapies for worldwide diseases. Their products are focused on treating conditions relating to chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, virology, neurological disorders, metabolic diseases, and other serious health conditions. Not only has AbbVie produced some of the most successful drugs in the world, but they have an extensive pipeline of promising new medicines still in clinical development. AbbVie broke away from Abbott Laboratories and was incorporated in Delaware in 2012.

HOLD

Current Price:	\$118.60
Target Price:	\$134.22
Market Cap:	\$189.06B
Beta:	1.61
WACC:	11.4%
ROIC:	18.2%
Revenue Growth:	12.2%
52wk High/ Low:	125.86 – 61.30
Avg Volume (3mo):	5.90M
Float:	99.9%
T12M EBITDA Margin:	44.18%
D/E:	0.20



Thesis: AbbVie has proven to be one of the leaders in the biopharmaceutical space. Their strategy has focused on delivering strong financial results and investing in their pipeline to return value to shareholders. Worldwide net revenues of \$28.2 billion grew by 10% over the past year, driven by HUMIRA, IMBRUVICA, and MAVYRET. As their pipeline continues to grow and margins increase, AbbVie will continue to provide strong returns for investors in the near future and long term.

Catalysts:

- Short Term(within the year):
Core/Organic Growth
- Mid Term(1-2 years):
Capital Return Program
- Long Term(3+):
Pipeline

Earnings Performance/Outlook:

AbbVie has made a strong name for themselves in their relatively short life as a publically traded company, mostly due to their rapid rate of dividend growth. AbbVie delivered a very impressive Q4 2017 and year with results ahead of expectations. Adjusted earnings per share grew more than 16% from 2016, coupled with global operational sales growth of more than 12% in the fourth quarter, and full-year net revenues of \$28.2 billion- up 10.1% on an operational basis. The three main drivers of business for AbbVie are: HUMIRA, IMBRUVICA, and MAVYRET.

AbbVie: An Innovation-Driven, Patient-Focused, Specialty Biopharmaceutical Company

Immunology

- Strong leadership position with **Humira**
- Late-stage assets, **upadacitinib** and **risankizumab**, will sustain leadership
- AbbVie Immunology will evolve from a single product to a **portfolio of therapies**

Oncology

- Building strong leadership in blood cancers with **Imbruvica** and **Venclexta**
- Expanding and advancing pipeline to **transform treatment approaches in solid tumors**
- **Pioneering early-stage programs**, including Stemcentrx platform, immuno-oncology, bi-specifics and ADCs will continue to broaden AbbVie's solid tumor pipeline

Neuroscience

- **Long-term vision** to create **innovative disease-modifying therapies** for neurodegenerative disorders
- Advancing research across several neurodegenerative disorders, including **Alzheimer's disease, Parkinson's disease and multiple sclerosis**
- AbbVie Neuroscience to begin **fueling sales growth by ~2025**

Virology

- HCV represents **large global market**, sustainable well into the 2020s
- Recently approved **Mavyret** offers a **compelling clinical profile** and allows AbbVie to **grow our position in HCV**

Focused Investments

- **Women's Health: Elagolix** – Late-stage programs in **endometriosis** and **uterine fibroids**, both **large, under-served patient populations**
- Other programs, including **cystic fibrosis**, where we're evaluating CFTR modulators in early clinical studies for a **triple combination therapy**

Continued momentum with HUMIRA drove U.S. growth up by more than 15% year over year, 10% of this growth is tied to an increase in volume and the rest from price increases. The ability to grow volume while increasing prices is very promising for investors. HUMIRA continues to take more market share while not sacrificing margins. HUMIRA remains the undisputed market leader across a broad range of therapeutic indications. International HUMIRA sales were \$1.6 billion in 2017, which is up 6.5% operationally. The strength of HUMIRA drew attention from Amgen (AMGN), which has already received FDA approval for its biosimilar. AbbVie and Amgen have come to an agreement that Amgen won't start selling their biosimilar in the U.S. until after 2022, however Amgen can sell in Europe starting in October 2018. This is very good news for AbbVie, despite competing in Europe, since 75% of the company's 2017 HUMIRA sales were in the United States.

IMBRUVICA has also delivered strong momentum, they became the clear market leader in CLL (Chronic Lymphocytic Leukemia), while approaching \$2.6 billion in sales- an increase of 41% over the prior year. IMBRUVICA had net revenues of \$708 million just last quarter, up 39% compared to the same period last year. MAVYRET has bolstered global sales approaching \$500 million, where the market in HCV (Hepatitis

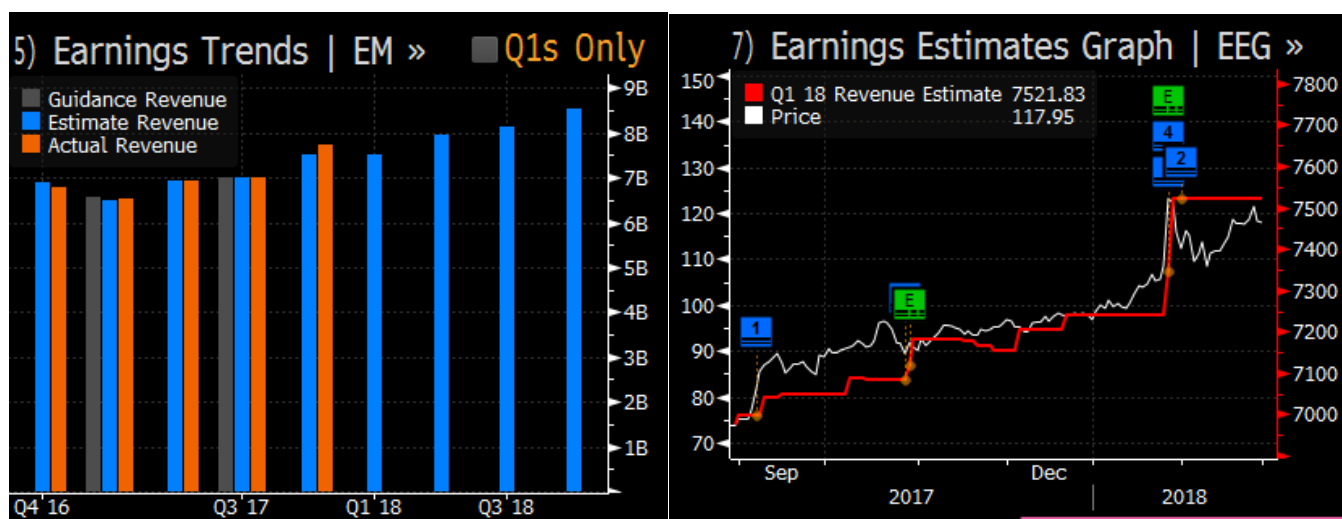
C Virus) was nearly \$1.3 billion in 2017. The HCV market grew more than 62% in the just fourth quarter, versus the prior year. AbbVie clearly has achieved market leadership in most of the markets in which they have willfully positioned products.

AbbVie's outperformance was strengthened through their base business, with products such as LUPRON, Creon, and Duodopa. Sales for Duodopa increased 20.3% on an operational basis. Creon and Synagis were up 11% and 4% respectively.

Overall, adjusted gross margins were 79% of sales last quarter. This was down versus the prior year due to dilutive impacts of exchange hedged currencies and partnership accounting. Adjusted R&D was 17.1% of sales- reflecting a strong push of pipeline growth. Adjusted operating margins improved by over 90bps compared to the prior year, and the adjusted tax rate for the fourth quarter was 18.9%. Guidance range for EPS has recently been raised from \$7.33 to \$7.43 from the last earnings call in Q3 2017. This guidance is \$1.78 higher than the 2017 results- derived from \$0.95 of operating performance growth, and \$0.83 of contribution from tax rate reductions. Non-GAAP tax rates have been modeled at approximately 9% in 2018. The lower tax rate is forecasted to increase gradually to 13% within the next 5 years. The anticipated tax rate is due to the one-time benefit of timing of the phase-in of provisions of the new law on certain foreign subsidiaries.

Turning to 2018, strong fundamentals point to strong top and bottom line growth for AbbVie. Revenues are expected to approach \$32 billion, with U.S. sales growth of 13-14%. International sales growth is expected to peak this year at \$6.2 billion. The adjusted gross margin ratio is forecasted at 80%, which will include partnership accounting impacts. Operating margins are forecasted to be 44%, which is 150bps higher than 2017 since it is including investments for upcoming product launches.

Despite the stock nearly doubling in price over the last year, there is a lot of room for growth for AbbVie moving forward, especially due to strong industry factors. The company's relative valuation does not reflect the robust 2018 growth potential, with their topline growth set to eclipse peers. R&D costs are trending upwards, however AbbVie will continue to expand their margins through 2018. HUMIRA sales will eventually be eroded from other biosimilars, but new drug approval each year in 2018 through 2019 will help to offset this erosion.



Above are both the Earnings Trends (left) and Earnings Estimates (right). Last quarter (Q4 2017), AbbVie beat revenue estimates by approximately \$221 million, nearly a 3% surplus. Their estimates for adjusted net income also had a surplus of 3.50% last quarter.

<https://seekingalpha.com/article/4140615-abbvies-abbv-ceo-richard-gonzalez-q4-2017-results-earnings-call-transcript>

Industry Outlook:

Although 2017 was one of the best years for the stock market ever recorded, the market is still not over-priced in terms of big-cap pharma and biotech. The recent passage of the U.S. tax reform enables more efficient deployment of foreign cash in the U.S., this allows for much easier accessibility and deployment for all pharma and biotech companies to push R&D. The new U.S. tax laws will have a profound effect on the industry as a whole.

Opportunities are available in big-cap pharma and biotech through changes in operating structure among the frothy equity market prices. A similar phenomenon is taking place across the industry. Diversification outside of core biotech/pharmaceuticals has masked the stellar growth within their pharma product portfolios. Novartis (NVS), Shire Plc (SHPG), and Eli Lilly (LLY) are some of the major players making this mistake. This strategy of disrupting traditional business models for improved growth has proven unsuccessful. Continuous success in the pharma/biotech area, invariably, is derived from new successful treatments for diseases, organic growth, and focused R&D. The difficulty is stringing a line of multi-billion dollar hits in a row.

Many big pharma management teams have begun to follow suit after Bristol-Meyers and Abbott Laboratories, by spinning off divisions in order to refocus the company back into pharma/biotech. In 2009 Bristol Meyers spun off their nutrition division Mead Johnson to shareholders, since revenue was taking a huge hit when patent protection began to run out on their top selling product Plavix. Abbott Laboratories split themselves in half to create AbbVie, which specialized in drug discovery and Abbott remained in the medical device and nutrition division. Today, Pfizer has signaled their willingness to detach from their consumer goods division in order to dispatch non-core assets for continued strong growth that the healthcare sector has recently seen.

Another important industry impact is the 2018 tax law change. Most firms within the biotech industry hold large amounts of cash overseas, changes to the tax law in 2018 could help these firms to deploy cash held overseas in order to fund acquisitions of promising new drugs with strong sales potential. In specific relation to AbbVie, they plan to invest roughly \$2.5 billion of capital that would be repatriated cash from overseas into R&D. Thus furthering their growth in their extensive pipeline.

<https://seekingalpha.com/article/4135533-2018-healthcare-biotech-outlook>

Competitor Analysis:

Below is a chart detailing a peer group analysis for AbbVie. A longitudinal valuation comparison would not be as useful, since AbbVie has only been a publically traded company for such a short lifespan. AbbVie's year over year growth is far above the industry median at 10.26% which has been supported by their ability to string together one successful drug after the next, while maintaining market control through patent protections. EBITDA to Net Sales is 39.31%, boasting another 10% margin between them and the

industry median. It also appears that a normal valuation for pharma and biotech companies is around 15.7 times earnings- which directly aligns with AbbVie's current 12mo forward P/E of 15.53, showing that they are not overvalued. AbbVie has an ROE of over 168%, since inception AbbVie has returned almost 270%. AbbVie also has a dividend yield above the industry average.

Name (BI Peers)	Mkt Cap (USD)	Rev Gr Adj YoY:Y	EBITDA to Net Sales:Y	Dvd Yld:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Best↑ P/E:1BF
Median	169.49B	6.64%	29.52%	2.64%	14.14%	20.84	28.89%	15.77
100) ABBVIE INC	189.14B	10.26%	39.31%	2.72%	14.74%	23.37	168.01%	15.53
101) PFIZER INC	219.45B	-0.53%	37.85%	3.53%	1.68%	17.42	19.65%	12.45
102) MERCK & CO. INC.	149.84B	0.79%	27.18%	3.36%	177.20%	12.28	21.71%	13.09
103) ELI LILLY & CO	86.60B	7.77%	16.23%	2.51%	22.46%	21.13	30.88%	16.01
104) JOHNSON & JOHNSON	354.81B	6.34%	31.86%	2.38%	2.33%	20.56	26.89%	16.23
105) BRISTOL-MYERS SQUIBB ...	111.13B	6.94%	21.58%	2.56%	13.55%	21.33	37.78%	20.31

Growth Strategy/Pipeline:

AbbVie's growth strategy can be summarized into: 1- Increased stability of existing core products and 2- An attractive pipeline of new therapies that represents significant growth potential. The sales of HUMIRA have been the driving force behind their strong stock performance. HUMIRA is now the bestselling drug in the world, and sales from these legacy products are stable and well positioned for continued performance moving forward. However, the Long-Range Plan horizon must always be on the current agenda.

AbbVie will evolve their immunology product to an entire portfolio of therapies. They will introduce Upadacitinib and Risankizumab. Oncology, which has been lacking, will become a key driver of growth by pushing IMBRUVICA and Venclexta, which are ground breaking therapies in hematological malignancies, and by expanding and advancing their solid tumor pipeline. Other contributors to this overall growth story include: HCV with MAVYRET, Women's Health with Elagolix, and a long term vision for innovative disease therapies in neuroscience. AbbVie management is expecting sales growth of IMBRUVICA to increase 27% to \$3.3 billion and HCV sales will be strong under the launch of MAVYRET reaching \$2.5 billion. Doubling 2017 sales figures. MAVYRET is also uniquely positioned since the cost for a two-month treatment is \$26,400, which is much cheaper than the competitors price points.

AbbVie has built a compelling pipeline of late-stage and innovative products. Strong results were seen through several pivotal trials in Phase III studies for upadacitinib in RA, risankizumab in psoriasis, and for VENCLEXTA. On their company website you can see the stage in which various drugs are in, with many (already mentioned) positioned for solid sales growth in a space in which AbbVie has already proved their dominance.

<https://seekingalpha.com/article/4140615-abbvies-abbv-ceo-richard-gonzalez-q4-2017-results-earnings-call-transcript>

AbbVie Immunology Pipeline

Differentiated Late-Stage Assets and Promising Early-Stage Programs

Risankizumab Anti-IL-23 Antibody	Upadacitinib Oral JAK1-Selective Inhibitor	Early-Stage Programs Innovative Biologics & Small-Molecules, Novel Targets
<ul style="list-style-type: none"> Recently reported Phase 3 psoriasis data support high levels of complete skin clearance and strong durability 	<ul style="list-style-type: none"> Strong results from the first three Phase 3 studies in rheumatoid arthritis support our view of potential best-in-class therapy 	<ul style="list-style-type: none"> Anti-TNF/Steroid ADC (ABBV-3373) targeting RA, IBD and HS
<ul style="list-style-type: none"> Phase 2 data in Crohn's disease demonstrate strong activity and support advancement to Phase 3 	<ul style="list-style-type: none"> Phase 2 data in atopic dermatitis and Crohn's disease demonstrate strong activity and support advancement to Phase 3 	<ul style="list-style-type: none"> CD40 antagonist (ABBV-323) targeting IBD, SLE and Sjögren's
<ul style="list-style-type: none"> Expect to begin a Phase 3 study in ulcerative colitis in the first half of 2018 	<ul style="list-style-type: none"> Development also ongoing in psoriatic arthritis, ankylosing spondylitis, ulcerative colitis 	<ul style="list-style-type: none"> JAK1i/BTKi combo (ABBV-599) targeting RA, SLE and Sjögren's
<ul style="list-style-type: none"> Expect to launch in four indications by 2023, starting with PsO in 2019 	<ul style="list-style-type: none"> Expect to launch in six indications by 2022, starting with RA in 2019 	

Upadacitinib and risankizumab expected to be significant growth drivers, with 2025 nominal sales potential of ~\$6.5Bn and ~\$5Bn, respectively

AbbVie will continue to push their fastest growing products as well. They have two high value components, one being their high growth platform and the second being HUMIRA.

AbbVie: Two High Value Components

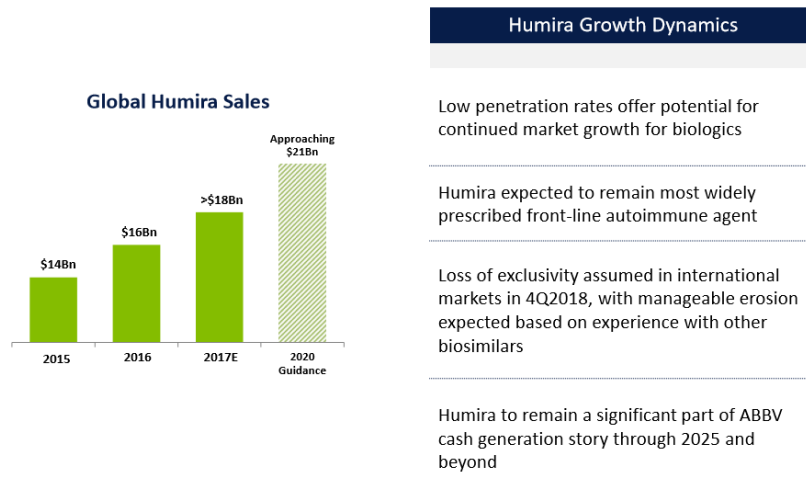
Humira plus attractive pipeline of new medicines represents significant growth potential

AbbVie Growth Platform	Humira
Currently >\$9Bn of on-market sales with strong growth trajectory	Humira to remain a cornerstone of leading Immunology franchise
Potential for >\$35Bn in risk-adjusted sales in 2025	Strong growth dynamics leading up to direct biosimilar competition in 2022 at the earliest <ul style="list-style-type: none"> Recent developments support confidence Increasing guidance for 2020 Manageable erosion after biosimilar entry
De-risked late-stage pipeline with 20+ launches (new products/indications) by 2020	
Leadership positions in Immunology and Oncology	Robust cash flow generation through 2025 creates opportunities to fund: <ul style="list-style-type: none"> Pipeline Shareholder returns
Attractive prospects in HCV, Women's Health and Neuroscience	

AbbVie projects global HUMIRA sales to increase to \$21B by year 2020. At their current growth rate they can easily attain this level of sales within the next 2 years. Morningstar estimates that only 25% of the patients suffering from rheumatoid arthritis, psoriasis, and Chron's disease in the United States are using HUMIRA.

Humira Growth Dynamics to Continue into the 2020s

Global Sales Approaching \$21 Billion in 2020



<file:///C:/Users/John/Downloads/2017%20AbbVie%20Strategy%20Presentation.pdf>

Capital Return Program Impact:

AbbVie's shares were halted on February 15, 2018 ahead of the news the company later announced. Usually this artificial illiquidity is used before the release of bad news. However, AbbVie announced the increase in their quarterly dividend payment and an impactful share repurchase program.

There are two components to the share repurchase program: 1- the increase in the company's quarterly dividend, 2- a new \$10 billion share repurchase authorization. The quarterly dividend has been increased to \$0.96 per share, from \$0.71, which is a 35.2% increase. This is following a dividend hike from last quarter from \$0.64 to \$0.71, which was a 10.9% increase. The share repurchase program has a vague timeline, but the estimated time for completion is about two years. This share repurchase program will be a key driver to total returns in the near term, \$10 billion in stock buyback is roughly 5.5% of AbbVie's current market cap of \$183 billion.

The combination of these two recent events provides ample evidence for a strong total return once again this year, even though AbbVie's stock has nearly doubled in value over the past year. AbbVie's quarterly dividend provides a yield of approximately 3.3%, while the S&P 500 provides only a 1.8% yield. This has a unique value for income oriented investors, which can be categorized as a majority of retirees. This population has been increasing at a rapid rate over the past few years, and will continue to grow. This is reflected in the change in ownership/ size of ownership under investment advisors. If the share repurchase program is completed in two years max, this could add 300bps per year to AbbVie's returns in the near term.

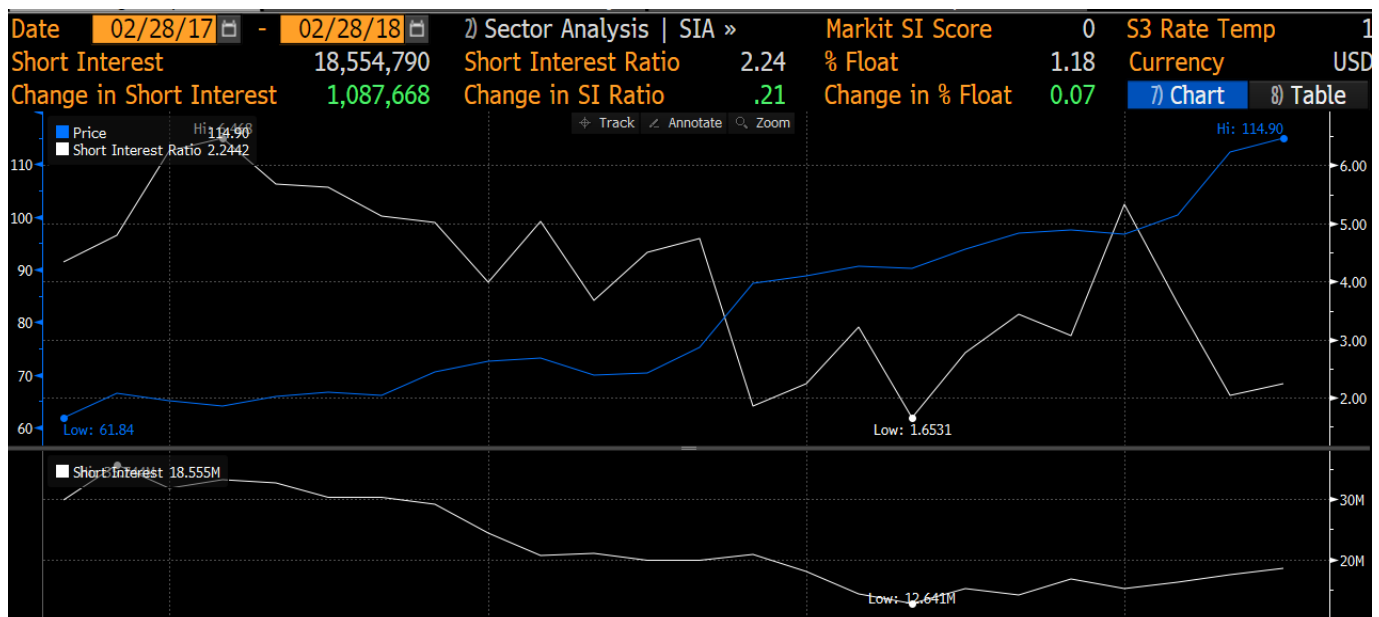
<https://seekingalpha.com/article/4147666-abbvies-new-capital-return-program-impacts-expected-total-returns>

Ownership/Insider Transactions:

Compare Current Stats Against 08/27/17				Insider - Based on Last 6 Months			
Top Ownership Type (%)				52) Insider	08/27/17	Curr	Change
51) Ownership Type	08/27/17	Curr	Change	21) % of Shares Held	0.08	0.10	+0.02
11) Investment Advisor	85.95	87.63	+1.68	22) % Chg Insider Positions	-27.90	+25.32	+53.22
12) Pension Fund	2.69	3.38	+0.69	23) # of Insiders	20	19	-5.00%
13) Bank	3.11	2.70	-0.41	24) # of Buyers Opn Mkt	1	0	-100.00%
14) Insurance Company	2.29	2.20	-0.09	25) # of Sellers Opn Mkt	8	7	-12.50%
15) Government	1.55	1.31	-0.24	26) # of Shrs Bought Opn Mkt	4,000	0	-100.00%
16) Hedge Fund Manager	2.38	1.19	-1.19	27) # of Shrs Sold Opn Mkt	719,375	510,667	-29.01%
17) Sovereign Wealth Fund	1.04	0.89	-0.15	28) Avg Opn Mkt Buy Price	70.45	0	-100.00%
18) Brokerage	0.30	0.26	-0.04	29) Avg Opn Mkt Sell Price	68.48	95.27	+39.12%
19) Holding Company	0.22	0.14	-0.08				

The ownership chart for AbbVie with their 6 month change is shown above to the left. Most of the company's shares are held by investment advisors at 87.63%, pension funds at 3.38%, and banks at 2.70%. The uptick in ownership by pension funds shows that the investment is "safe", but also has long term growth potential. The decline in ownership by hedge funds was most likely due to some profit taking as AbbVie has continued to provide substantial returns year over year. There has also been a notable change in insider positions, this chart is shown above to the right. There has been a positive change of 53.22% in the last 6 months in insider positions. On February 2, 2018 there were approximately 401,614 net share buys at a price point around \$110. These were all insider transactions, through stock based compensation. This drives management to continue to have a vested interest in the growth of the stock.

AbbVie also has 99.9% of its shares outstanding as freely floated, with very high volume of 5.90M. Below is the short interest chart.



The short interest days to cover is at 2.24 days. This has increased marginally over the last year. There has also been a substantial change in short interest of 1,087,668. Although this may seem concerning, the change is only about 6% and represents slight consolidation of the price around the 50 day moving average.

Conclusion:

In conclusion, AbbVie is a HOLD at the current price. AbbVie currently has a 2.948% weight in The Bjorklund Fund's Portfolio. AbbVie was purchased in April of 2016 at a market price of \$56.12. This has driven a 110.7% return over *almost* the past 2 years. AbbVie has strongly shown their ability to create value through sales, operating margins, and their pipeline of products developed through focused R&D. HUMIRA will continue to maintain their market share in the U.S. and increase their revenue over the next 5 years. IMBRUVICA and MAVYRET are strong pipeline products with very promising growth opportunities. AbbVie will continue to drive their pipeline and expand operating margins through continued leverage from revenue growth and borrowing money to invest in more R&D. AbbVie's capital return program will add to returns in the short term, as the pharma/biotech industry continues to thrive.

AbbVie Inc. (ABBV)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Al Capone
2/28/2018

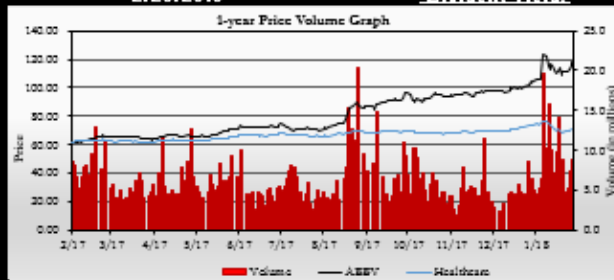
Current Price:
Dividend Yield:

\$118.60
3.2%

Intrinsic Value
Target Price:

\$122.21
\$134.68

Target 1 year Return: 16.79%
Probability of Price Increase: 99%



Description	
AbbVie Inc. discovers, develops, manufactures, and sells pharmaceutical products worldwide.	
General Information	
Sector	Healthcare
Industry	Biotechnology
Last Guidance	February 12, 2018
Next earnings date	April 25, 2018
Market Assumptions	
Estimated Equity Risk Premium	5.29%
Effective Tax rate	23%

Market Data	
Market Capitalization	\$188,333.56
Daily volume (mil)	8.83
Shares outstanding (mil)	1587.97
Diluted shares outstanding (mil)	1603.00
% shares held by institutions	109%
% shares held by investment managers	63%
% shares held by hedge funds	1%
% shares held by insiders	0.00%
Short interest	1.10%
Days to cover short interest	2.94
52 week high	\$125.86
52 week low	\$61.30
Volatility	27.58%

Part Earning Surprise	
Quarter ending	Revenue
12/31/2016	-1.34%
3/31/2017	0.58%
6/30/2017	0.27%
9/30/2017	0.45%
12/31/2017	2.83%
Mean	0.56%
Standard error	1.0%

Market and Credit Scores	
Recommendation (STARS) Value	4
Recommendation (STARS) Description	Buy
Quality Ranking Value	NR
Quality Ranking Description	Not Ranked
Short Score	0
Market Signal Probability of Default % (Non-Rating)	0.085%
Credit Model Score (Non-Rating)	++

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segments
United States--76%	Pharmaceutical Products--100%
Germany--5%	--
United Kingdom--3%	--
Japan--3%	--
France--3%	--

Management	
Gonzalez, Richard	Chairman & CEO
Chase, William	Executive VP & CFO
Soverino, Michael	Executive VP of Research & Development and
Schumacher, Laura	Executive VP of External Affairs, General Coun
Garebruch, Henry	Executive VP & Chief Strategy Officer
Salokhi-Gerhardt, Azita	Senior Vice President of Operations

Paritition	
Chairman & CEO	30.44% per annum over 5y
Executive VP & CFO	37.16% per annum over 5y
Executive VP of Research & Development and	-20.78% per annum over 2y
Executive VP of External Affairs, General Coun	8.1% per annum over 5y
Executive VP & Chief Strategy Officer	0% per annum over 0y
Senior Vice President of Operations	

Peers	
Eli Lilly and Company	Amgen Inc.
Merck & Co., Inc.	Celgene Corporation
Bristol-Myers Squibb Company	Bioogen Inc.
Gilead Sciences, Inc.	Vortech Pharmaceuticals Incorporated
Pfizer Inc.	Shire plc

Profitability	
Return on Capital (GAAP)	18.2%
Operating Margin	37%
Revenue/Capital (GAAP)	0.49
ROE (GAAP)	42.8%
Net margin	22.7%
Revenue/Book Value (GAAP)	1.89

ABBV Historical	
Return on Capital	14.09%
Operating Margin	26.44%
Revenue/Capital	0.53
ROE	19.1%
Net margin	17.8%
Revenue/Book Value	1.07

Peers' Median (LTM)	
Return on Capital	8.71%
Operating Margin	19.45%
Revenue/Capital	0.45
ROE	9.5%
Net margin	14.1%
Revenue/Book Value	0.68

Invested Funds	
Cost/Capital	19.7%
NWC/Capital	0.7%
Operating Assets/Capital	50.3%
Goodwill/Capital	29.3%

ABBV Historical	
Cost/Capital	17.7%
NWC/Capital	-2.9%
Operating Assets/Capital	63.6%
Goodwill/Capital	21.6%

Peers' Median (LTM)	
Cost/Capital	22.0%
NWC/Capital	-1.7%
Operating Assets/Capital	68.0%
Goodwill/Capital	11.7%

Capital Structure	
Total Debt/Market Capitalization	0.71
Cost of Debt	3.1%
OGFS Rating (F-rare, Z-rare, and default Probability: BB	
WACC	11.4%

ABBV Historical	
Total Debt/Market Capitalization	0.42
Cost of Debt	2.6%
WACC	6.9%

Peers' Median (LTM)	
Total Debt/Market Capitalization	0.37
Cost of Debt	3.7%
WACC	8.0%

Forecast Assumptions	
Revenue Growth CAGR	12%
Average Operating Margin	41%
Average Net Margin	34%
Growth in Capital CAGR	12%
Growth in Claims CAGR	0%
Average Return on Capital	19%
Average Return on Equity	27%
Average Cost of Capital	12%
Average Cost of Equity	13%

