

## Summary of the financial reports for Abbott/AbbVie from 2003-2015

By David Belk MD

First, some definitions:

*-Sales/revenue:* Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

*-Profit:* Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to their net income after taxes. In such cases I'll use net income attributable to that company for profit.

*-Research* includes research and development and purchased in-process research.

*-Marketing* is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

*-Revisions:* Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

**Abbott** makes pharmaceuticals, diabetic supplies and nutritional products for health care. In 2013 AbbVie split off from Abbott as a separate company and took most of

Abbott's pharmaceutical business in the split. For convenience, I combined Abbott's and AbbVie's finances as though the 2013 split never occurred.

In 2004 Hospira spun off from Abbott which caused Abbott to revise their 2003 revenue down by \$2.4 billion.

Here are the composite numbers for Abbott from 2003-2015:

Total Revenue (Sales):	\$404 Billion
Total Profit:	\$61 Billion
Total Spent on Research:	\$46 Billion
Total Spent on Marketing:	\$120 Billion
Total Spent on Taxes	\$13 Billion
US Revenue:	\$189 Billion
Revenue from All Other Countries:	\$215 Billion

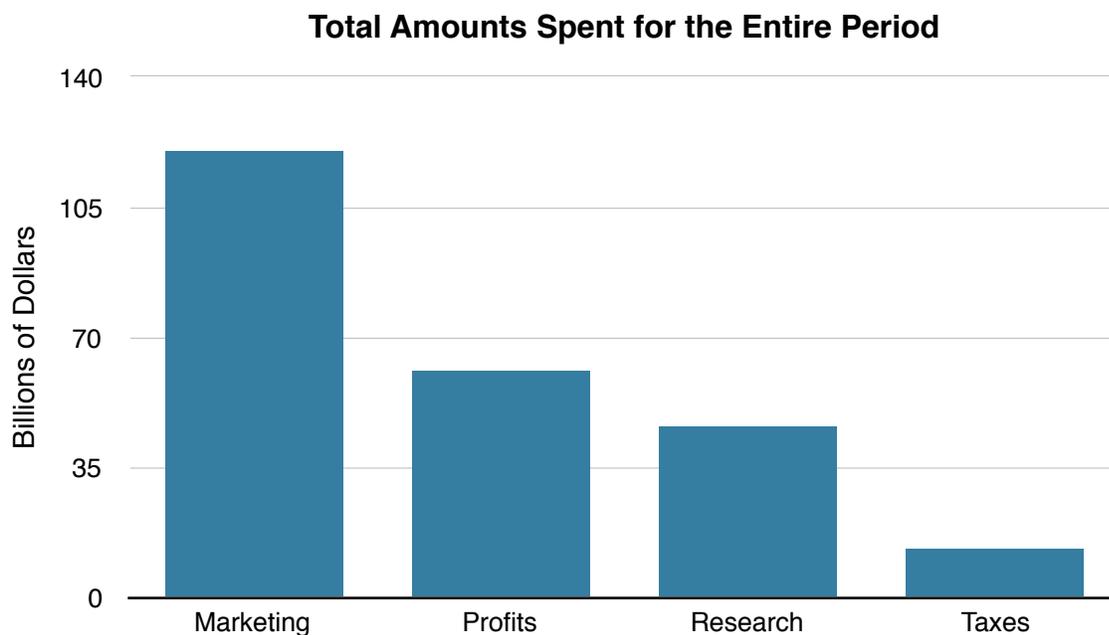
Total Executive pay for Abbott was \$32 million in 2015 with \$19.4 million going to their CEO Miles D. White.

Total Executive pay for AbbVie was \$49.38 million in 2015 with \$20.81 million going to their CEO Richard A. Gonzalez.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=ABT>

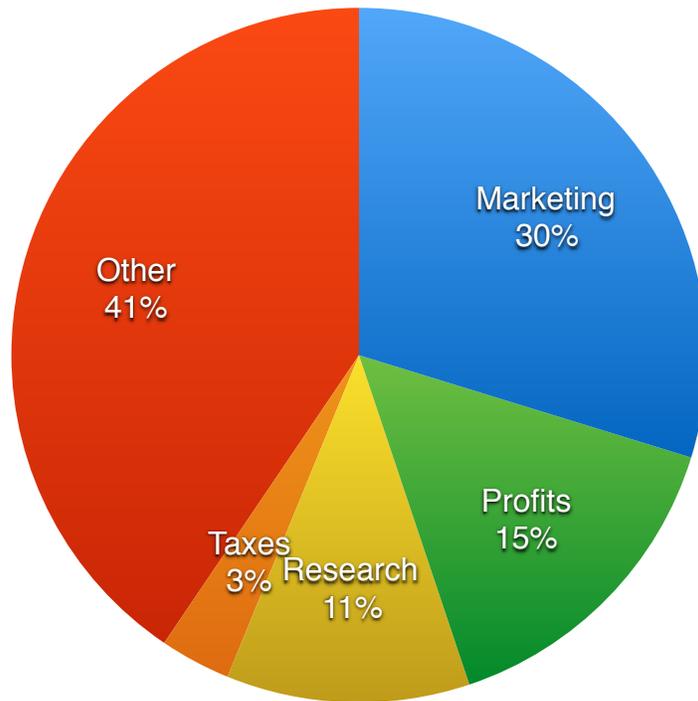
<http://insiders.morningstar.com/trading/executive-compensation.action?t=ABBV>

[http://truecostofhealthcare.net/pharmaceutical\\_financial\\_index/](http://truecostofhealthcare.net/pharmaceutical_financial_index/)



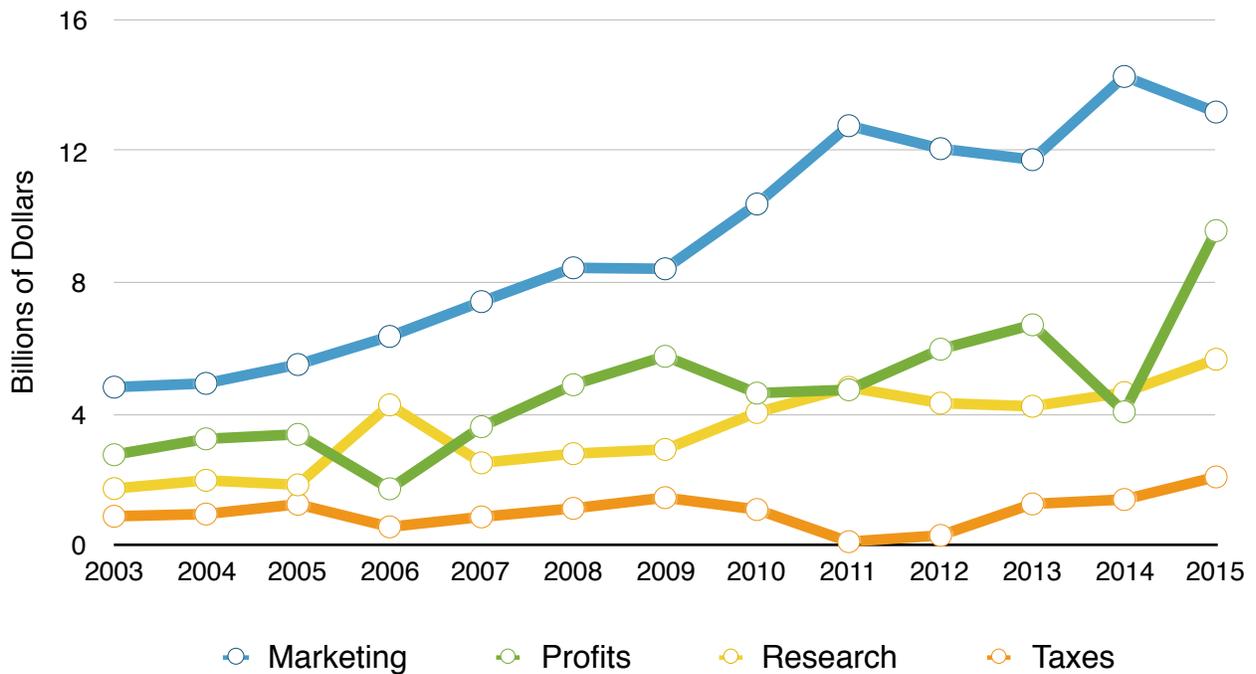
**Figure 1:** Total amount Abbott/AbbVie earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Abbott's total revenue that was allocated toward research, marketing, taxes and profits.

**Proportion of Total Revenue from 2003-2015**



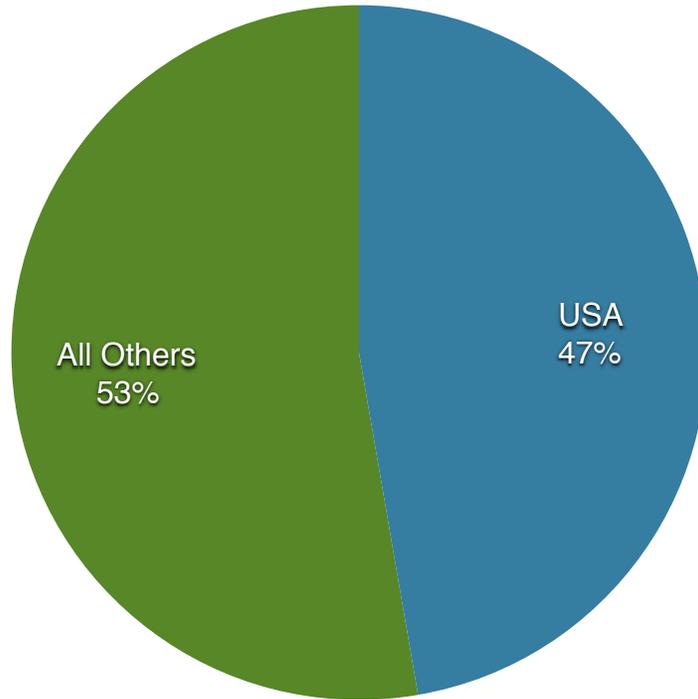
**Figure 2**

**Annual Expenditure Data for Abbott/AbbVie**



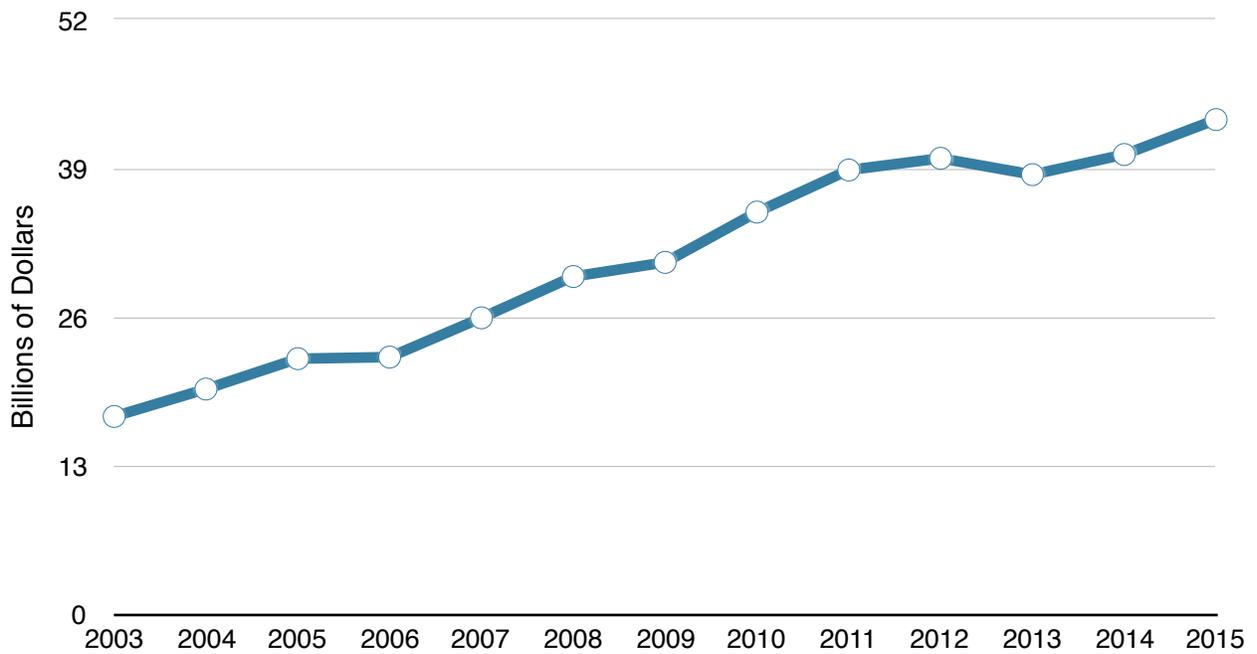
**Figure 3:** Abbott's profit compared with amount spent on research, marketing and taxes each year from 2003-2015

### Total Revenue from US vs. All Other Countries



**Figure 4:** 47% of Abbott/AbbVie's revenue since 2003 has come from sales in the US.

### Total Annual Revenue for Abbott/AbbVie



**Figure 5:** Annual total revenue.