

Summary of the financial reports for AbbVie from 2011-2018

By David Belk MD

First, some definitions:

-Sales/revenue: For these reports I try to stick to the revenues from pharmaceutical sales only whenever possible. Many of these companies have other product lines such as medical devices, over-the counter (OTC) health aids or nutritional products. When possible, I separate out the revenues from those product sales, though.

-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 might even include such expenses as 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.

-Rebates/Chargebacks: Rebates are payments that go mostly to pharmacy benefit managers (PBMs) in the U.S. and providers who administer medications in a clinical setting. These rebates are incentives for the PBMs "prefer" certain medications when deciding which medications to cover. Chargebacks are normally refunds given to medication suppliers to balance the rebates given to the PBMs. Both rebates and chargebacks are normally deducted from the total pharmaceutical revenue of a company prior to the revenue being assessed, and not listed as an expense.

-Revisions: When a figure is revised in a subsequent report it's often because that company divested one or more products by either selling that line to another company or splitting off a new company. When companies do this, they often retroactively deduct the revenues and expenses related to that division from the finances of previous years, but not the profits. This makes year over year comparisons for these companies challenging. For the most part, I only use original data, and not revised data in such cases.

AbbVie: In 2013 AbbVie split off from Abbott as a separate company and took most of Abbott’s pharmaceutical business in the split. Though AbbVie markets several medications, nearly all of their revenue in 2018 came from the sales of three products: Humira, Imbruvica and Mavret. In 2018 these three medications accounted for more than 80% of their total revenue and nearly 85% of their U.S. revenue.

Here are the composite numbers for AbbVie from 2011-2018:

Total Sales:	\$184 Billion
Total Profit:	\$37 Billion
Total Spent on Research:	\$38 Billion
Total Spent on Marketing:	\$50 Billion
Total Spent on Taxes	\$8.9 Billion
US Revenue:	\$110 Billion
Revenue from All Other Countries:	\$74 Billion

Total Executive pay for AbbVie was \$70.38 million in 2017 with \$22.63 million going to their CEO Richard A. Gonzalez.

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

http://truecostofhealthcare.net/pharmaceutical_financial_index/

Proportional Allocation of Revenue 2011-2018



Figure 1: The proportion of Abbvie’s total revenue that was allocated toward research, marketing, taxes and profits.

Proportion of AbbVie's Revenue from US vs. All Other Countries 2011-2018

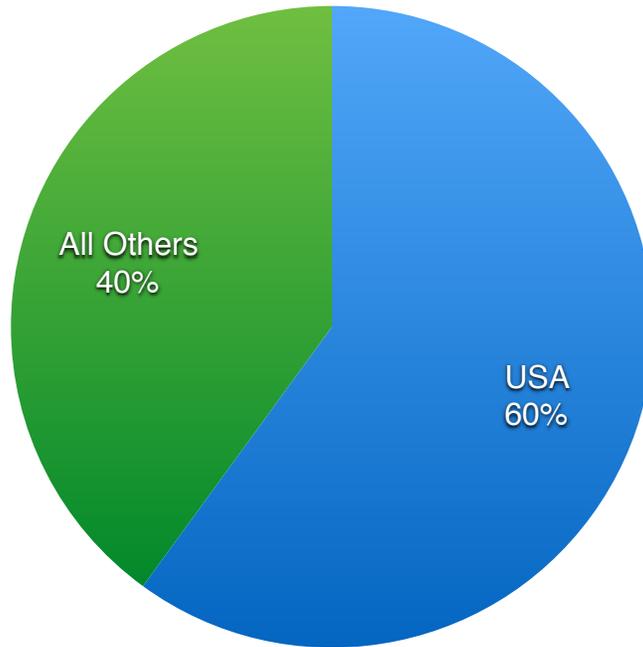


Figure 2: 59% AbbVie's total revenue since 2011 has come from sales in the US.

Proportion of 2018 Revenue from Top Three Selling Medications

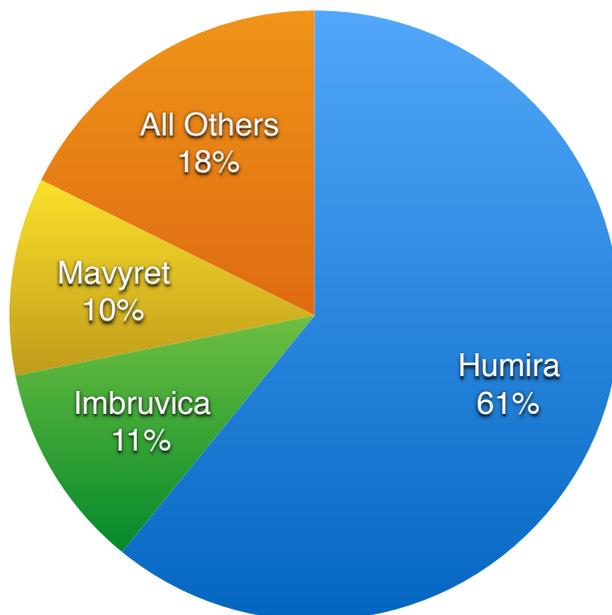


Figure 3: Over 80% of AbbVie's total revenue in 2018 came from the sale of three medications: Humira, Imbruvica and Mavret.

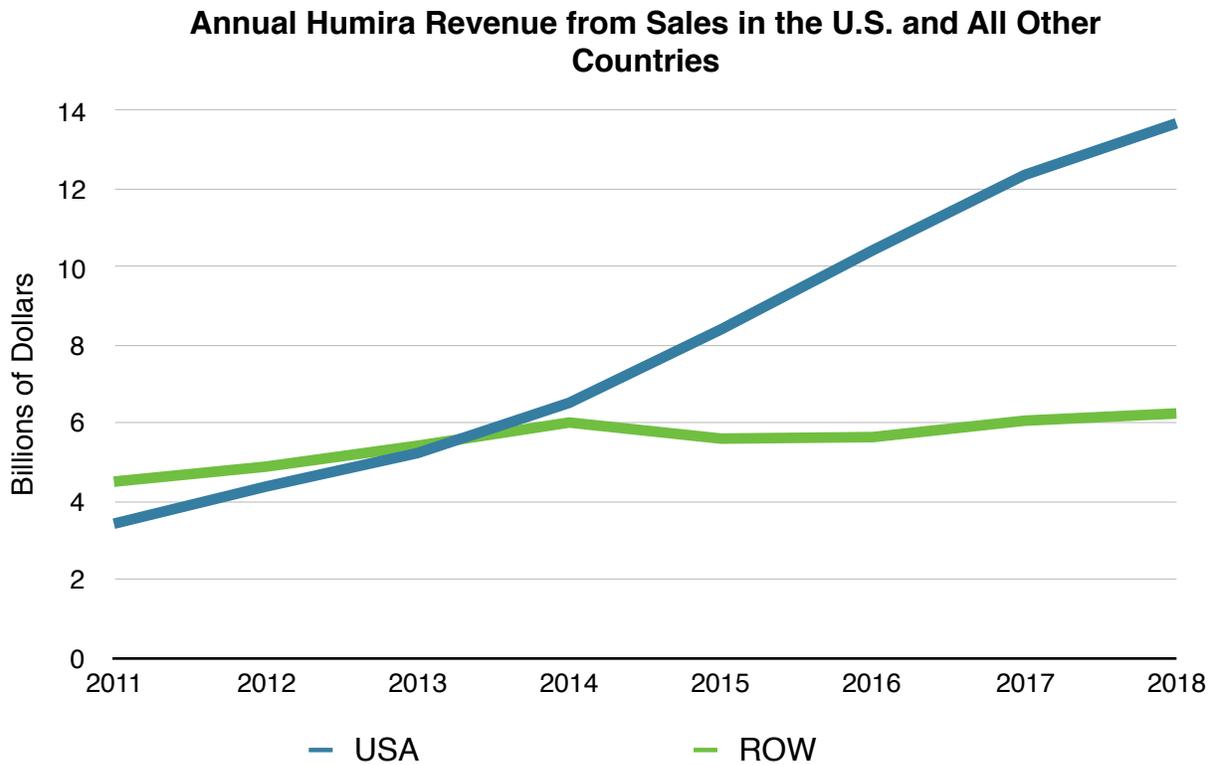


Figure 3: An increasing proportion of AbbVie’s revenue from Humira sales each year comes from sales in the U.S.

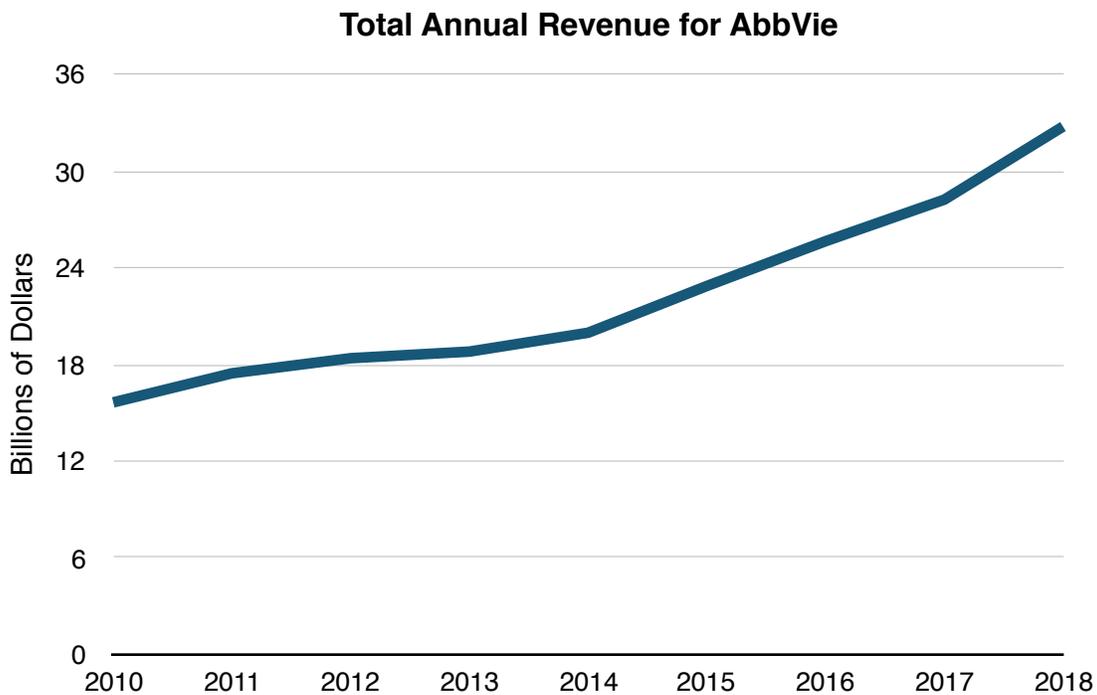


Figure 4: AbbVie’s annual total revenue continues to increase, mostly as the result of U.S. sales of their top three selling medications.

Pharmaceutical Revenue in the U.S. and Other Countries vs. Pharmaceutical Rebates in the U.S.

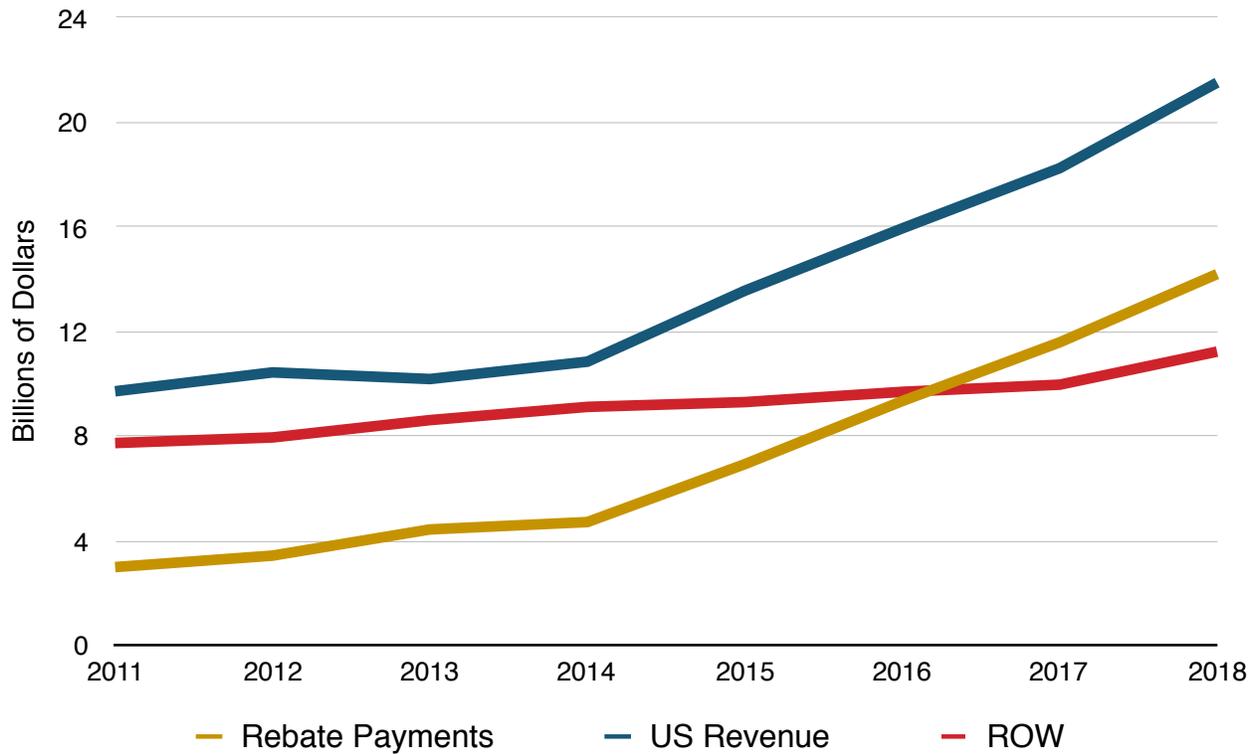


Figure 5: Rebates definitely boost sales for pharmaceutical companies. Increasing rebates given by AbbVie to PBMs in the U.S. (yellow line) have clearly led to a proportional increase in revenues from U.S. sales (blue line) relative to their sales in the rest of the world (red line).