ABT 8-K Analysis Report

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Quick Summary for 8-K

Business description Abbott Laboratories is a diversified global healthcare company operating across Medical Devices (diabetes care/CGM, electrophysiology, structural heart, rhythm management), Diagnostics (core lab, rapid, molecular), Nutrition (adult and pediatric) and Established Pharmaceuticals (international branded generics). Its revenue mix is balanced between high-growth device franchises and steady, recurring consumables, supported by an investment-grade balance sheet and a multi-decade dividend growth record.

Earnings results commentary In Q3 2025, Abbott delivered total sales growth of 6.9% year over year and organic growth (ex-COVID testing) of 7.5%. Adjusted EPS was $1.30, up 7.4% YoY. Adjusted operating margin improved by 40 bps to 23%, reflecting ongoing cost discipline. Medical Devices led growth with double-digit gains in Diabetes Care (CGM up 20.5% YoY), Electrophysiology, Rhythm Management, and Structural Heart. Diagnostics was pressured by waning COVID testing; excluding COVID, core diagnostics grew modestly. Management reaffirmed full-year organic sales growth and EPS guidance and highlighted product approvals (TriClip in Japan, Navitor expansion in EU) and continued strength in Nutrition. Dividend growth remains a key capital return pillar (53 consecutive annual increases).

Comparable companies and key ratios (from provided data only) Note: EBITDA/EV yield approximates 1/(EV/EBITDA). “Ncfo_yield” approximated as 1/(EV/Cash Flow), where “EV/Cash Flow” is provided.

Ticker	Market_Cap	EV/Revenue	EV/EBITDA	EV/Cash Flow	EBITDA/EV yield	Current_Ncfo_yield	TTM_Rev_CHG	TTM_Ebitda_CHG
ABT	$232.35B	5.53	20.60	26.37	4.85%	3.79%	5.85%	11.65%
BDX	N/A	3.31	14.38	21.73	6.95%	4.60%	7.86%	11.77%
BSX	N/A	8.27	32.88	35.71	3.04%	2.80%	21.45%	27.44%
EW	N/A	7.12	8.86	50.91	11.29%	1.96%	9.14%	150.12%
MDT	N/A	4.35	15.95	20.80	6.27%	4.81%	4.98%	12.86%
SYK	N/A	6.46	40.68	32.28	2.46%	3.10%	11.36%	-14.53%
ZBH	N/A	3.28	11.29	156.86	8.86%	0.64%	4.10%	3.95%

Observations from comps

- Growth: ABT’s TTM revenue and EBITDA growth (5.85% / 11.65%) are healthy and broadly in line with large-cap med-tech peers like BDX and MDT; below BSX’s higher growth and above ZBH’s slower cadence. EW shows very strong EBITDA growth but is an outlier in the data set.

- Yield vs. EV: ABT’s EBITDA/EV yield (4.85%) and NCFO yield (~3.79%) are lower than BDX/MDT, reflecting a quality premium but also a richer valuation.

- Multiples: ABT's EV/EBITDA (20.6x) and EV/Revenue (5.53x) screen premium to BDX/MDT and below only the highest-multiple growers (e.g., SYK on EV/EBITDA, BSX on EV/Revenue).

- Reasonableness of comps: BDX and MDT are the closest diversified peers. BSX, EW, SYK skew more procedure/mix/growth-biased (and carry different capital intensity and innovation cycles). ZBH is more ortho-focused with differing growth/FCF dynamics. Using BDX/MDT as "core" peers and treating BSX/SYK as high-multiple outliers and EW as a low multiple outlier (per provided table) is reasonable.

Comps-based valuation (annualized EBITDA used)

- ABT TTM EBITDA (annual): $11.569B. This is an annual number, not quarterly.

- Outlier-adjusted peer multiple: As per the provided approach, excluding outliers (SYK/BSX/ZBH) and using BDX (14.38x), MDT (15.95x), and ABT (20.60x) yields an average of ~17.0x.

- Target EV = 17.0x × $11.569B ≈ $196.67B.

- Net debt = Long-term debt $12.93B – Cash $6.951B = $5.979B.

- Target equity value ≈ $196.67B – $5.979B = $190.69B.

- Shares: 1.7434B.

- Comps target price ≈ $190.69B / 1.7434B ≈ $109.55 per share.

- Sensitivity: 16–18x yields ~$103–$116 per share.

Discounted cash flow (DCF) summary and inputs

- WACC: 8.0%; Terminal growth: 4.0%.

- Forecast horizon: 10 years.

- Revenue path: $43.1B growing modestly to ~$54.5B by Year 10 (low single-digit CAGR).

- FCF margins: 16.58% in Year 1, 19.71% in Year 2, 21.57% from Year 3 onward.

- Cash: $6.951B; Long-term debt: $12.93B; Shares: 1.7434B.

- Terminal value (undiscounted): ~$305.98B; PV of terminal: ~$141.85B.

- Enterprise value (PV of FCFs + PV Terminal): ~$212.04B.

- Equity value: ~$206.06B.

- DCF target price: $118.08 per share.

- Sensitivity note: Per the provided sensitivity context, the DCF target is within 15% of the current price, so no model tuning was applied.

On the DCF growth reasonableness vs. classification context

- The DCF's revenue path implies low single-digit CAGR, consistent with a mature large-cap med-tech. That is reasonable.

- The separate classification context shows a projected_revenue_cagr ~40% and explosive revenue trajectory; that is not reasonable for a mature, diversified firm like Abbott and conflicts with the stated DCF assumptions and observed history. The DCF assumptions are the appropriate basis here.

Analysis comparing methods

- Comps pick up current market appetite for quality growth in med-tech; ABT's premium multiple (low EBITDA/EV yield) vs. BDX/MDT suggests some valuation stretch. Normalizing to peer multiples yields ~$110 per share.

- The DCF, grounded in modest growth and stable FCF margins, supports a somewhat higher value ($118) but still below the current price ($128.54).

- Both methods point to modest downside from current levels, with conclusions broadly consistent (valuation-rich vs. quality).

Qualitative context and drivers

- Growth is anchored by Medical Devices: Libre CGM, EP, structural heart, rhythm management. Ongoing international approvals (TriClip Japan; Navitor EU) expand the TAM. Nutrition stabilizes with improving demand.

- Diagnostics normalizes as COVID testing fades; ex-COVID, core diagnostics grows slightly.

- Margin progress continues via mix and manufacturing, with adjusted operating margin at 23% (+40 bps YoY). Strong cash generation supports ongoing dividend growth (53 consecutive increases) and R&D.;

Macro and industry commentary

- Large-cap med-tech has benefited from procedure normalization, innovation cycles (minimally invasive, structural heart), and secular adoption of CGM. However, sector multiples remain full relative to long-run growth (mid-single digits for diversified names) and a higher-rate backdrop.

- Capital intensity is moderate; pricing power is mixed, with reimbursement and procurement dynamics varying across segments. FX and supply chain costs remain watch points.

Tariffs and uncertainty (up to 20% on goods from China, Canada, Mexico)

- Abbott’s diversified global supply chain sources components and finished goods from these regions. Increased tariffs could lift input costs (electronics, plastics, disposables) and marginally pressure gross margins if not passed through. Near-term mitigation includes supplier diversification, cost offsets, and selective price increases; however, pricing power is not uniform across businesses (greater in devices/consumables, less in diagnostics kits in tendered markets). On valuation, we apply a modest risk premium qualitatively, reinforcing a preference for a slight discount to current market pricing until clarity improves.

THIS IS MY FINAL INTERPRETATION

Weighting of valuation methods

- Given Abbott’s maturity and cash-flow visibility, DCF is highly relevant, but market comps capture current sector premium. We apply 50% DCF / 50% comps as a base case per instruction.

Final target price and justification

- Comps target: $109.55 per share.

- DCF target: $118.08 per share.

- Weighted target (50/50): ~$113.82 per share.

- Versus current price ($128.54): approximately -11.5% downside, which is less than a 15% gap. Conclusion: Abbott remains a high-quality operator with durable growth drivers and strong balance sheet, but the stock trades at a premium (low EBITDA/EV and NCFO/EV yields) relative to normalized growth and cash flows. A pullback toward the $110–$120 range would enhance risk-adjusted returns.

Additional notes on comparables

- Closest comps for valuation: BDX and MDT. We exclude SYK and BSX as high-multiple outliers and treat EW as a low-multiple outlier per provided dataset; ZBH is also excluded in the provided approach due to different growth/FCF dynamics. Using annualized EBITDA ($11.569B) ensures apples-to-apples vs. EV/EBITDA.

Key Earnings Information

Abbott delivered steady Q3 2025 performance: reported sales rose 6.9% (organic +5.5%, +7.5% ex-COVID testing), GAAP diluted EPS was $0.94 (flat YoY) and adjusted diluted EPS increased 7.4% to $1.30. Reported operating margin was 18.1% and adjusted operating margin improved 40 bps to 23.0%. Growth was led by

Medical Devices (+14.8% reported; +12.5% organic), notably Diabetes Care (CGM sales $2.0B, +20.5% reported, +17.2% organic), while Diagnostics declined due to COVID testing normalization and China headwinds in Core Lab. Management reaffirmed 2025 guidance: organic sales growth ex-COVID 7.5%–8.0% (including COVID 6.0%–7.0%) and narrowed adjusted EPS to $5.12–$5.18 (midpoint reaffirmed; double-digit growth at midpoint). Regulatory milestones (TriClip approval in Japan; expanded Navitor TAVI CE Mark; supportive ESC guidelines for MitraClip/TriClip) support sustained device growth.

Key qualitative observations: Diagnostics COVID testing revenue fell to $69M (from $265M), with Core Lab up modestly but pressured in China by volume-based procurement. Nutrition grew low-single-digits, led by Adult Nutrition (Ensure, Glucerna); Established Pharmaceuticals rose 7.5% with double-digit growth in Key Emerging Markets. Specified items in Q3 included $420M intangible amortization and $128M of restructuring/acquisition/MDR-IVDR costs; tax also reflected a ~$160M adjustment related to a previously recognized non-cash deferred tax benefit. Abbott declared its 407th consecutive quarterly dividend ($0.59/share) and maintained its Dividend Aristocrat status.

Key Financial Metrics (extracted; all dollar figures in millions unless noted)

- Weighted Diluted Shares Outstanding (Quarterly): 1,749,000,000 {Computed as |Net income| / |Diluted EPS| = 1,644 / 0.94}
- Revenue (Quarterly): 11,369
- Revenue (Prior-year Quarter): 10,635
- Gross Profit (Quarterly): 5,874
- Gross Profit (Prior-year Quarter): 5,467
- SG&A; (Quarterly): 3,051
- Operating Income (Quarterly): 2,057
- Operating Income (Prior-year Quarter): 1,859
- Interest Expense, net (Quarterly): 44
- Net Income (Quarterly): 1,644
- Diluted EPS (Quarterly GAAP): $0.94
- Diluted EPS (Prior-year Quarter GAAP): $0.94
- Adjusted Net Income (Quarterly): 2,278
- Adjusted Diluted EPS (Quarterly): $1.30

• R&D; (Quarterly): 766

• Amortization of Intangibles (Quarterly): 420

• Depreciation: Not disclosed

• Amortization (other than intangibles): Not disclosed

• Operating Cash Flow for the quarter: Not disclosed in Q3 2025 8-K (reference prior quarter Q2 2025: $2,047; from older financial data)

• Capital Expenditures for the quarter: Not disclosed in Q3 2025 8-K (reference prior quarter Q2 2025: $502; derived from prior-quarter FCF 1,545 = 2,047 - 502; from older financial data)

• Free Cash Flow for the quarter: Not disclosed in Q3 2025 8-K (reference prior quarter Q2 2025: $1,545; from older financial data)

• Total Assets: Not disclosed

• Accounts Receivable: Not disclosed

• Total Current Assets: Not disclosed

• Cash and Equivalents: Not disclosed (reference as of 2025-06-30: 6,951; older data)

• Net Property, Plant & Equipment: Not disclosed

• Goodwill: Not disclosed

• Intangible Assets: Not disclosed

• Current Portion of Debt: Not disclosed

• Total Current Liabilities: Not disclosed

• Long-Term Debt: Not disclosed (reference as of 2025-06-30: 12,930; older data)

• Total Liabilities: Not disclosed

• Shareholders’ Equity: Not disclosed

• Number of Outstanding Shares: Not disclosed (Average diluted shares: 1,749,000,000)

• Share-based Compensation: Not disclosed

- Major Expense Adjustments/One-time Charges (Q3 2025): Net after-tax charges of $634 (or $0.36 per share) comprising $420 intangible amortization and $128 other net expenses (restructuring/cost reductions, acquisition-related, MDR/IVDR compliance)

Calculations and Ratios Inputs used:

- Stock Price: 128.54
- Shares (diluted average): 1,749M
- Revenue (Q3’25): 11,369
- Revenue (Q3’24): 10,635
- Gross Profit (Q3’25): 5,874; (Q3’24): 5,467
- Operating Income (Q3’25): 2,057; (Q3’24): 1,859
- Net Income (Q3’25): 1,644; (Q3’24): 1,646
- Amortization of Intangibles (Q3’25): 420
- Cash (reference 6/30/2025): 6,951; Long-term debt (reference 6/30/2025): 12,930
- TTM Operating Cash Flow Margin (reference): 20.96% (older data)

Market Capitalization

- {Market Cap = Shares * Price = 1,749,000,000 * 128.54 = 224,816.46}

Annual Revenue Estimate

- {Annual Revenue Estimate = Quarterly Revenue * 4 = 11,369 * 4 = 45,476}

Enterprise Value (using latest available cash/debt, 6/30/2025)

- {EV = Market Cap - Cash + Long-Term Debt = 224,816.46 - 6,951 + 12,930 = 230,795.46}

Price-based Ratios

- {P/E = Market Cap / (Quarterly Net Income * 4) = 224,816.46 / (1,644 * 4) = 224,816.46 / 6,576 = 34.20}
- {P/S = Market Cap / Quarterly Revenue = 224,816.46 / 11,369 = 19.78}

- Price-to-Book: Not available from 8-K; reference as of 2025-06-30: 4.57 (older data)

Cash Flow and Free Cash Flow

- Operating Cash Flow (Q3): Not disclosed in 8-K
- Capital Expenditures (Q3): Not disclosed in 8-K
- Free Cash Flow (Q3): Not disclosed in 8-K
- Important: The free cash flow number must be quarterly for margin calculations. As Q3 data is missing, FCF margin for Q3 cannot be computed. Reference only: Q2 2025 OCF = 2,047; Capex ≈ 502; FCF = 1,545 (older data).

Profitability and Margins

- {Operating Margin (Q3’25) = Operating Income / Revenue = 2,057 / 11,369 = 18.10%}
- {Operating Margin (Q3’24) = 1,859 / 10,635 = 17.47%}
- {Operating Margin % change = (18.10% / 17.47%) - 1 = 3.60%}
- {Gross Margin (Q3’25) = Gross Profit / Revenue = 5,874 / 11,369 = 51.67%}
- {Gross Margin (Q3’24) = 5,467 / 10,635 = 51.42%}
- {Gross Margin % change = (51.67% / 51.42%) - 1 = 0.49%}
- {Revenue Growth YoY = 11,369 / 10,635 - 1 = 6.90%}
- {Operating Income Growth YoY = 2,057 / 1,859 - 1 = 10.67%}
- {Earnings Growth Rate (GAAP EPS) = (0.94 - 0.94) / 0.94 = 0.00%}
- {Net Income Growth YoY = 1,644 / 1,646 - 1 = -0.12%}
- {TTM Operating Cash Flow Margin (reference) = 20.96%}

Leverage and Coverage

- Debt-to-Equity: Not calculable (equity and total liabilities not provided)
- Debt Coverage Ratio: Not calculable precisely; Q3 OCF and total debt not disclosed (only LT debt reference available)

EBITDA and EV/EBITDA

- EBITDA (Q3): Not computable from 8-K because depreciation is not disclosed. EBITDA = Operating Income + Depreciation + Amortization of Intangibles; we have 2,057 + [Depreciation N/A] + 420.
- EBITDA Growth (YoY): Not computable (missing depreciation for both periods).
- Annualized EBITDA: Not computable for the same reason; no “three_quarter_ebitda” context provided.
- EV/EBITDA: Not computable due to missing EBITDA.

EV/Revenue (annualized)

- {EV/Revenue (annualized) = EV / (Quarterly Revenue * 4) = 230,795.46 / (11,369 * 4) = 230,795.46 / 45,476 = 5.08}

Display key financial metrics and ratios

- Stock Price: 128.54
- Market Cap: 224,816.46
- Enterprise Value: 230,795.46
- Annual Revenue Estimate: 45,476
- Free Cash Flow for quarter: Not disclosed in Q3 2025 8-K (reference Q2 2025: 1,545)
- EV/EBITDA: N/A (depreciation not disclosed; EBITDA not derivable)
- Price-to-Earnings (P/E) Ratio: 34.20
- Price-to-Sales (P/S) Ratio: 19.78
- Price-to-Book (P/B) Ratio: N/A from Q3 8-K; reference 4.57 (as of 2025-06-30)
- Return on Equity (ROE): N/A (equity not disclosed)
- Free Cash Flow Yield: N/A (Q3 quarterly FCF not disclosed)
- Debt-to-Equity Ratio: N/A (liabilities and equity not disclosed)
- Return on Assets (ROA): N/A (assets not disclosed)
- Operating Margin: 18.10% (Q3’25); 17.47% (Q3’24); +3.60% relative

• TTM-Operating Cash Flow Margin: 20.96% (reference, older data)

• Gross Margin: 51.67% (Q3’25); 51.42% (Q3’24); +0.49% relative

• Revenue Growth: 6.90% YoY

• Operating Income Growth: 10.67% YoY

• Earnings Growth Rate: 0.00% (GAAP diluted)

• Net Income Growth: -0.12% YoY

• EBITDA: N/A (depreciation not disclosed)

• Percentage Change in Assets, Liabilities, and Shareholders’ Equity (QoQ/YoY): N/A (balance sheet not provided)

• Debt Coverage Ratio: N/A (OCF and total debt not available for period)

• EV/Revenue (annualized): 5.08

Return on Assets (ROA)

• Not calculable from Q3 8-K due to lack of total assets. We avoid estimating to prevent introducing assumptions.

Management outlook and qualitative insights

• Revenue trends: Company-wide growth of 6.9% YoY, driven by Medical Devices (+14.8% reported; double-digit growth across Electrophysiology, Rhythm Management, Heart Failure, Structural Heart; Diabetes Care CGM sales $2.0B, +20.5% reported, +17.2% organic). Diagnostics down 6.6% reported (-7.8% organic) as COVID testing revenue fell to $69M (from $265M); Core Lab grew in low single digits but was impacted by China’s volume-based procurement. Nutrition up 4.2% reported (Adult Nutrition strong; Ensure and Glucerna led).

• Earnings commentary/costs: Adjusted EPS +7.4% to $1.30; adjusted operating margin +40 bps to 23.0% with continued investment (R&D; +7.5%, SG&A; +5.4%). GAAP net was flat due to specified items: $420M intangible amortization and $128M restructuring/acquisition/MDR-IVDR costs; tax line included a ~$160M adjustment tied to prior deferred tax benefit recognition.

• Liquidity/capital resources: No Q3 cash flow or balance sheet disclosed in the 8-K; reference prior quarter cash $6.95B and LT debt $12.93B (as of 6/30/2025). Dividend of $0.59/share declared (payable Nov. 17, 2025).

- Guidance: Reaffirmed 2025 organic sales growth ex-COVID 7.5%–8.0% (including COVID 6.0%–7.0%); narrowed adjusted diluted EPS to $5.12–$5.18 with midpoint reaffirmed (double-digit growth). Regulatory milestones (TriClip Japan approval; Navitor TAVI expanded CE Mark; supportive ESC guidelines for MitraClip/TriClip) bolster medium-term Structural Heart opportunity. Risks include continued COVID testing normalization and China Core Lab headwinds.

Differences vs. prior analysis and corrections

- Added EV/Revenue (annualized): 5.08 (new).
- Clarified that Free Cash Flow margin cannot be computed for Q3 due to missing OCF/Capex; prior-quarter FCF provided only as reference.
- Reiterated inability to compute EBITDA, EBITDA growth, EV/EBITDA due to absent depreciation in 8-K.
- All other previously presented figures remain consistent with the filing.

Missing or ambiguous data that could not be extracted

- No Q3 balance sheet: total assets, liabilities, equity, current assets/liabilities, receivables, PP&E;, goodwill, intangibles, and current portion of debt not disclosed.
- No Q3 cash flow statement: operating cash flow, capex, and free cash flow not disclosed.
- Depreciation and share-based compensation not disclosed.
- Total debt (including current portion) not disclosed; prevents precise Debt Coverage Ratio.

Verification (selected items)

- Revenue (Q3’25) 11,369 confirmed
- Revenue (Q3’24) 10,635 confirmed
- Gross Profit (Q3’25) 5,874 confirmed
- Operating Income (Q3’25) 2,057 confirmed
- Net Income (Q3’25) 1,644 confirmed
- Diluted EPS (Q3’25) $0.94 confirmed
- Weighted Diluted Shares 1,749,000,000 confirmed
- Amortization of Intangibles (Q3’25) 420 confirmed

- Market Cap 224,816.46 confirmed
- EV 230,795.46 confirmed
- P/E 34.20 confirmed
- P/S 19.78 confirmed
- Operating Margin 18.10% (vs. 17.47%) confirmed
- Gross Margin 51.67% (vs. 51.42%) confirmed
- Revenue Growth 6.90% confirmed
- Operating Income Growth 10.67% confirmed
- EPS Growth 0.00% confirmed
- Net Income Growth -0.12% confirmed
- EV/Revenue (annualized) 5.08 confirmed

Notes on required but uncomputable items:

- Free Cash Flow (quarter), Free Cash Flow Margin, EBITDA (quarter), EBITDA growth, EV/EBITDA, ROE, ROA, Debt-to-Equity, Debt Coverage Ratio, and changes in assets/liabilities/equity are not calculable from this 8-K due to missing cash flow and balance sheet details and missing depreciation. Where helpful, prior-quarter reference metrics were provided and clearly labeled as such.

Sensitivity

AFTER REVIEWING THE CURRENT PRICE MY TARGET IS WITHIN 15% OF MY TARGET

Details and Calculations

- **Target Price (DCF-derived intrinsic value):** $118.08
- **Current Price:** $128.54
- **Difference:** \[\text{Difference} = \frac{\text{Target Price} - \text{Current Price}}{\text{Current Price}} = \frac{118.08 - 128.54}{128.54} = -8.13\% \]

• **Threshold:** 15%

• **Assessment:** The DCF target price is within 15% of the current stock price. No further sensitivity analysis or input adjustment is necessary as the valuation is within the prescribed range.

Summary of Original DCF Assumptions (for transparency)

• **Revenues (next 10 years):**

• $43,109M; $46,677M; $49,174M; $50,923M; $52,146M; $53,003M; $53,603M; $54,023M; $54,316M; $54,522M

• **Free Cash Flow Margins (next 10 years):**

• 16.58%, 19.71%, 21.57% (and stays at 21.57% through year 10)

• **Discount Rate:** 8%

• **Terminal Growth Rate:** 4%

• **Alpha:** 0.3

• **Fade Period:** 10 years

• **Shares Outstanding:** 1,743,437,000

• **Cash / Debt:** $6.95B cash, $12.93B long-term debt

This DCF-based price is 8.1% below the current market price, so the valuation is deemed robust and no further model tuning is required.