



## A U.S. Dividend Stock With 35% Upside Potential

### Description

It costs about 30% more to buy U.S. stocks because of the strong U.S. dollar compared to the weak Canadian dollar. The interest rate in the United States is rising steadily, and its economy is viewed as stronger than ours, so it might still be worth it to buy U.S. stocks.

With so many U.S. dividend stocks, which ones should you consider? Again, because of the pricey foreign exchange, it makes sense to look for companies that are priced at a discount. I think dividend stocks have added safety because a portion of their earnings are returned to shareholders regularly.

I happened to come across an A-grade U.S. dividend stock that is discounted by 26%: **AbbVie Inc.** ([NYSE:ABBV](#)).

### The business

AbbVie is a research-based biopharmaceutical company with a focus on immunology and oncology. It has an S&P credit rating of A, and it employs more than 28,000 people around the world and markets medicines in more than 170 countries. Last year it generated US\$22.8 billion in sales.

AbbVie was spun off from **Abbott Laboratories** in 2013. Since then, AbbVie has increased its earnings per share (EPS) on average by 16.6% per year. This growth supported its dividend increase of 12.5% on average per year. At about US\$55, it yields 4.1% with a payout ratio of about 53% based on its 2015 earnings per share.

### Concerns and future growth

Interested investors should note that last year AbbVie generated 58% of its sales from one drug, Humira, which may partly explain why the shares are discounted.

However, so far the company continues to deliver strong results. Additionally, its cancer drug, Imbruvica, also contributes meaningfully to its sales. By 2020, AbbVie expects total sales to reach US\$37 billion, of which Humira sales would make up more than US\$18 billion and Imbruvica sales would make up about US\$5 billion.

AbbVie's Duodopa/Duopa drug, a leader in the treatment of advanced Parkinson's Disease, can also reach blockbuster status. And AbbVie estimates the drug could generate sales of more than \$1 billion by 2020.

On top of all that, AbbVie could potentially launch more than 20 new products through 2020, which would help support the company's forecast of double-digit EPS growth on average through 2020. For 2016, AbbVie anticipates EPS to increase about 17%.

## Conclusion

AbbVie is priced at 12.5 times its earnings and is discounted by about 26% for the company's 17% EPS growth forecast. So, it has an upside potential of 35%.

If you have U.S. dollars lying around or have a long-term view in investing, AbbVie should make a nice addition to your portfolio for double-digit price appreciation and dividend growth potential, while you get a decent 4% yield to start.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:ABBV (AbbVie Inc.)

## Category

1. Dividend Stocks
2. Investing

## Date

2025/06/30

## Date Created

2016/03/18

## Author

kayng

default watermark