

Continuously Monitoring Care

Abbott Laboratories is a key player in the field of continuous medical innovation. A household name in the medical device subsector due to their arrangement of diagnostic testing systems and quality medical devices, specifically, the relevance of their continuous glucose monitoring device (CGM), the Freestyle Libre. Through Abbott's acquisition of Exact Sciences and medical device revenue growing within the margins Abbott expects subdued yet notable growth throughout the rest of 2026. **Therefore, we suggest ABT as a BUY rating with a price target of \$119.**

Thesis Point 1: Exact Sciences Acquisition is A High-Conviction Strategic Bet on Cancer Diagnostics

Abbott Laboratories' acquisition of Exact Sciences on March 23rd, 2026, demonstrates an expansion of its diagnostic testing portfolio. The deal brings Exact Sciences' oncology-based diagnostic testing systems under Abbott's umbrella, diversifying the segment. Management has guided for a \$3 billion increase in diagnostics revenue because of the transaction, reinforcing confidence in near-term revenue contribution through the remainder of 2026 and into early 2027. Acquiring high-quality oncology diagnostics assets, such as Cologuard, Oncotype DX, OncoExTra, and CancerGuard, Abbott gains a strong foothold for a commercial entrance into one of the fastest-growing corners of health care. The oncology molecular diagnostics market, which corresponds to the Exact Sciences asset base, is growing at a CAGR of 12.2%, expanding from \$5.65 billion in 2025 to a projected \$10.13 billion by 2030. Exact Sciences reported total revenue of \$851 million in Q3 2025 alone, representing 20% year-over-year growth, with adjusted EBITDA up 37% to \$135 million. Within that, Cologuard's screening segment grew 22% year-over-year, while Oncotype DX's precision oncology segment grew 12%, with international revenue accelerating 19% in the same period. These products are not only commercially established but also carry strong brand recognition and clinical validation.

Thesis Point 2: Medical Devices are Becoming a Structurally Higher-Margin Revenue Model

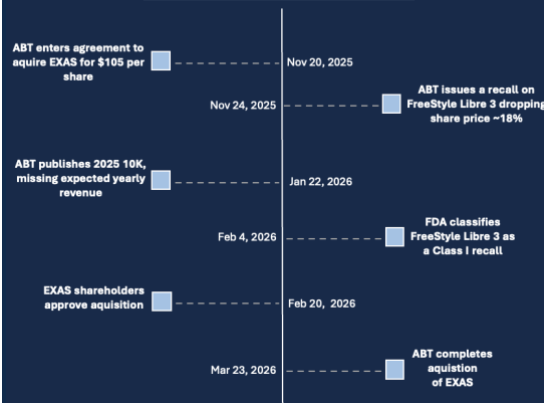
Abbott's Medical Devices segment is demonstrating key indicators of a high-margin business. Segment operating margins have expanded consistently, from 31.4% in 2023 to 32.4% in 2024 and further to 33.7% in 2025, reflecting meaningful operating leverage from a fixed manufacturing base blended across four high-growth subsegments: Continuous Glucose Monitoring, Electrophysiology, Structural Heart, and Leadless Pacing. CGM grew 17% for the full year, generating ~\$7.6 billion in revenue and marking the third consecutive year the segment added more than \$1 billion in incremental sales. Rhythm Management grew 10%, also its third consecutive year of significantly outperforming the broader market. Structural Heart and Electrophysiology each delivered double-digit growth, with Q4 EP tracking at approximately 13–14%. In Electrophysiology, Abbott received FDA approval in December 2025 for its Volt Pulsed Field Ablation system, a catheter-based device using targeted high-energy electrical pulses to treat atrial fibrillation. Additionally, the FDA approved Tendyne in May 2025. Complementing this, Navitor's expanded CE Mark now allows Abbott to offer its TAVI system across all surgical risk categories in Europe,

TICKER:	\$ABT
RATING:	BUY
PRICE:	\$86.30
PRICE TARGET:	\$119
MARKET CAP:	\$150.32bn
52-W RANGE:	86.15\$ - 139.06\$
P/E:	24.38x
IMPLIED UPSIDE:	37.5%

1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



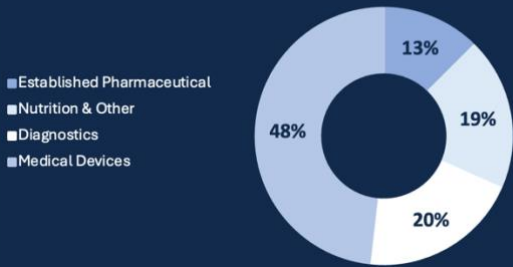
expanding the treatable population. Collectively, these approvals deepen Abbott's competitive positioning by enforcing an ecosystem of complementary cardiovascular products.

Company Overview: Abbott Laboratories, founded in 1888 and based in Abbott Park, Illinois, is a publicly traded healthcare company, a leading innovator in MedTech and CGM devices. Abbott focuses on improving patient health outcomes through medical technologies spanning diabetes care, cardiovascular health, diagnostic testing, and nutrition. Its products are designed to address medical needs across various stages of life, from pediatric nutrition to advanced cardiac devices designed to serve older ages. Enabling the company to concentrate its efforts across multiple demographic groups. Abbott’s total revenue is composed of four separate segments: Medical Devices (48%), Diagnostic Products (20%), Nutritional Products (19%), and Established Pharmaceuticals (13%). The key driver of revenue is the Freestyle Libre family, which brought in \$2 billion in Q4 of 2025 alone. Abbott’s diverse revenue streams, combined with operations in more than 160 countries, provide the company with a heterogeneous market and overall revenue stability, promoting sustained long-term growth across global markets.

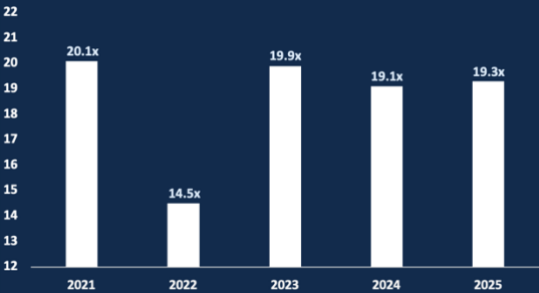
Risk 1: Abbott's most consequential near-term risk stems from the November 2025 recall of approximately 3 million FreeStyle Libre 3 and Libre 3 Plus sensors. The FDA issued a Class I recall on the medical device, the highest severity classification. As of January 7, 2026, Abbott reported 860 serious injuries and 7 deaths associated with a manufacturing defect causing false glucose readings. The already issued damage was compounded when the FDA delivered a warning letter on January 23, 2026, alleging that Abbott released finished FreeStyle Libre CGMs without performance testing after final assembly and sterilization. The market responded as Abbott's shares fell approximately 5.5% immediately following the recall news and declined further upon Class I classification, leaving the stock down ~30% YTD. CGM growth visibly decelerated from 17% in Q3 2025 to approximately 12% in Q4, analysts questioned whether the recall was a contributing factor. Slower remediation, expanded litigation, or weakened physician confidence could push CGM growth below 15–17%, a pace analysts currently see as a serious risk given that CGM generated ~\$7.6 billion in revenue in 2025 and remains Abbott's single most important growth engine.

Risk 2: FreeStyle Libre's growth has prompted intensifying competition from traditional medtech peers and emerging technology entrants alike. The competitive landscape can be illustrated by Abbott's CGM portfolio generating ~\$7.6 billion in revenue in 2025, growing 17%, against a total company market cap of approximately \$218 billion at the end of 2025. Dexcom generated \$4.66 billion in CGM revenue in 2025, growing 16% year-over-year, at a market cap of roughly \$26 billion, trading at a significantly richer CGM revenue multiple despite generating nearly half of Abbott's CGM revenue. This valuation disparity demonstrates how the market rewards CGM exposure and suggests that any erosion of Abbott's CGM growth rate in relation to Dexcom could compress Abbott's implied CGM valuation significantly. Dexcom predicts 2026 revenue between \$5.16 billion and \$5.25 billion, signaling aggressive volume growth and keeping competitive pressure on Abbott’s CGM portfolio.

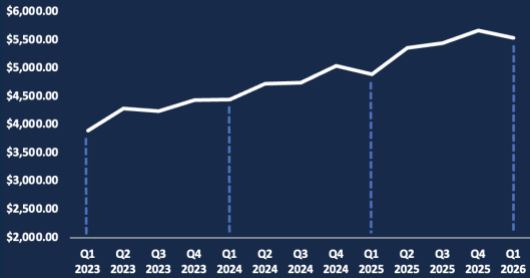
Revenue Segments



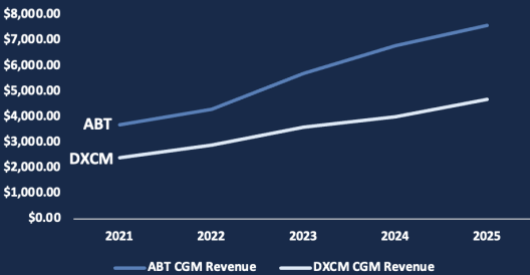
ABT EV/EBITDA Multiple (2021-2025)



Medical Device Revenue by Quarter (2023-2026)



Abbott Vs. Dexcom (Revenue From CGM's)



Catalyst 1: Abbott's Medical Devices segment is the company's fastest-growing and highest-margin business, operating at a 33.7% segment margin while compounding at approximately 12% on an ex-FX basis. As medical devices become a structurally larger share of total revenue, they pull the margin higher, a dynamic already visible in Abbott's overall operating margin expansion from 16.2% in 2023 to 18.2% in 2025. If medical devices reach 50% or more of total revenue, a trajectory the current growth differential implies within a few years. Abbott's consolidated margin structure begins to resemble a dynamic medtech company far more than a diversified healthcare conglomerate. Diversified healthcare companies have historically traded at a discount to independent medtech companies, reflecting the drag of slower-growth, lower-margin businesses within the portfolio. As that drag diminishes, the market should begin to award Abbott a higher blended multiple.

Catalyst 2: The FreeStyle Libre family is already a \$7 billion revenue line growing in double digits annually, but the more compelling long-term story is what lies beyond the diabetic patient population. Abbott's Lingo CGM system targets non-diabetic wellness consumers and the broader metabolic health market. Critically, Lingo requires no prescription, does not compete with Dexcom on the same clinical terms. Any meaningful commercial traction in Lingo, or a label expansion into adjacent indications such as pre-diabetes or gestational diabetes management, would signal to the market that Abbott's CGM growth runway extends well beyond the existing diabetes patient population. Abbott's commitment to sustaining this optionality is reflected in its R&D guidance of approximately 7% of sales in 2026, underwriting continued innovation across the CGM platform.

Valuation

DCF Analysis (\$mm)

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/2026	12/31/27	12/30/28	12/30/29	12/30/30	12/31/31
Revenue	48,326	50,961	53,622	56,296	58,967	61,622
Revenue Growth	8.9%	5.5%	5.2%	5.0%	4.7%	4.5%
Established Pharmaceutical	5,704	5,949	6,175	6,379	6,558	6,709
Nutrition & Other	8,335	8,377	8,433	8,505	8,592	8,695
Diagnostics	11,937	12,653	13,318	13,917	14,439	14,872
Medical Devices	22,350	23,982	25,696	27,495	29,378	31,347
EBIT	8,581	10,702	11,529	12,385	13,268	14,173
EBIT Margin	18%	21%	22%	22%	23%	23%
Tax Expense	1,891	2,451	2,695	2,954	3,227	3,515
Effective Tax Rate	22%	23%	23%	24%	24%	25%
NOPAT	6,690.00	8,251.05	8,833.94	9,431.24	10,040.22	10,658.20
D&A	3,068	3,431	4,019	4,648	5,318	6,027
Capex	2,200	2,456	2,759	3,079	3,417	3,771
Changes in NWC	627	698	1,009	1,348	1,714	2,107
UFCF	6,931	8,528	9,084	9,652	10,226	10,806
PV of FCF	6,767	7,836	7,756	7,656	7,536	7,399

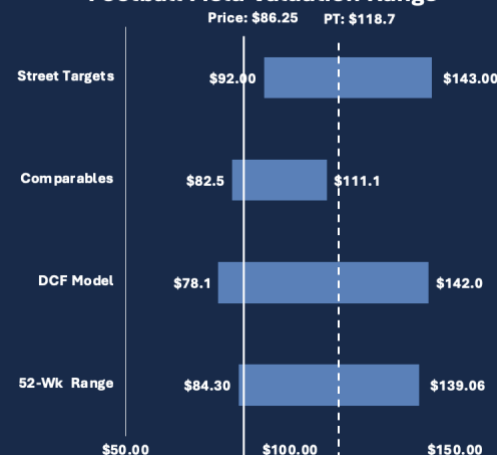
Our base case DCF assumes a 17.2x exit multiple EV/EBIT exit multiple with EBIT Margins expanding from 18% in FY2026 towards 23% by FY2031 as Exact Sciences fully integrates into Abbott's structure. These projections account for a decrease in FreeStyle Libre 3 revenue, improvements in diagnostic testing, and growth from recently approved products. Our model considers the guided \$3B increase in diagnostic testing within 2026 and implies 1-year share price of \$118.67, representing a 37.5% upside from current levels.

Conclusion: Abbott Laboratories entered 2026 with shares pressured by a variety of concerns, post-acquisition leverage and the FreeStyle Libre 3 recall overhang, that we view as disconnected from the company's true earnings power. Leverage will compress as Exact Sciences' organic growth accretes to the balance sheet and Medical Devices continues its twelfth consecutive quarter of double-digit growth. As the market reprices a diagnostics segment it has yet to fully value, we see a compelling entry point.

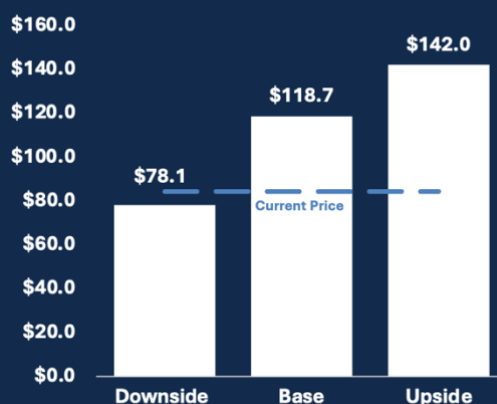


Terminal Value	
Exit Multiple Method	
2034 EBIT	\$14,173
EV/EBIT Exit Multiple	17.2x
Terminal Value	\$243,778
PV of Terminal Value	\$166,944
PV of Projection Period	\$44,948
PV of Terminal Value	\$166,944
Implied TEV	\$211,892
(-) Debt	\$14,136
(+) Cash	\$8,939
Implied Equity Value	\$206,695
Diluted Shares Outstanding	1,742
Implied Share Price	\$118.67
Upside/Downside	37.5%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	44,328	48,326	50,961	53,622	56,296	6.2%
EBITDA	12,033	11,649	14,133	15,548	17,033	9.1%
EBIT	8,917	8,581	10,702	11,529	12,385	8.6%
NOPAT	6,975	6,690	8,251	8,834	9,431	7.8%
Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	27.1%	24.1%	27.7%	29.0%	30.3%	27.6%
EBIT Margin	20.1%	17.8%	21.0%	21.5%	22.0%	20.5%
Revenue Growth	5.7%	9.0%	5.5%	5.2%	5.0%	6.1%
EBIT Growth	19.0%	-3.8%	24.7%	7.7%	7.4%	11.0%
Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	20.0x	21.2x	17.2x	16.2x	15.2x	18.0x
EV/Sales	3.4x	3.1x	3.0x	2.8x	2.7x	3.0x
EV/EBITDA	12.6x	13.1x	10.8x	9.8x	8.9x	11.0x
FCF Yield	5.0%	4.7%	5.8%	6.2%	6.6%	5.7%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Boston Scientific Corporation (NYSE:BSX)	83,206.2	\$93,022	23.4x	\$20,614	\$5,500
Edwards Lifesciences Corporation (NYSE:EW)	47,801.1	\$44,273	44.8x	\$6,304	\$1,902
Medtronic plc (NYSE:MDT)	99,873.4	\$119,628	21.7x	\$35,484	\$9,440
Becton, Dickinson and Company (NYSE:BDX)	41,051.2	\$59,839	23.6x	\$21,924	\$6,042
Abbott Laboratories	\$151,834	\$179,315	24.4x	\$45,134	\$11,744

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Boston Scientific Corporation (NYSE:BSX)	16.9x	68.9%	26.7%	19.9%		17.4%
Edwards Lifesciences Corporation (NYSE:EW)	23.3x	77.9%	30.2%	27.6%		14.2%
Medtronic plc (NYSE:MDT)	12.7x	65.2%	26.6%	18.7%		6.9%
Becton, Dickinson and Company (NYSE:BDX)	9.9x	46.8%	27.6%	16.3%		6.2%
Abbott Laboratories	15.3x	56.5%	26.0%	19.0%		6.6%

High	23.28x	77.9%	30.2%	27.6%	17.4%
75th Percentile	16.91x	68.9%	27.6%	19.9%	14.2%
Average	15.61x	63.1%	27.4%	20.3%	10.3%
Median	15.27x	65.2%	0.0%	19.0%	6.9%
25th Percentile	12.67x	56.5%	26.6%	18.7%	6.6%
Low	9.90x	46.8%	26.0%	16.3%	6.2%

Abbott Laboratories

Implied Enterprise Value (25th Percentile)	\$	148,826
Implied Enterprise Value (Median)	\$	179,315
Implied Enterprise Value (75th Percentile)	\$	198,628

Implied Share Price (25th Percentile)	\$	82.46
Implied Share Price (Median)	\$	99.96
Implied Share Price (75th Percentile)	\$	111.05

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	6.00%
Beta	0.64
Risk Free Rate	4.36%
Cost of Equity	6.89%
Weighted Average Cost of Debt	5.70%
Tax Rate	22.90%
Cost of Debt	0.70%
Total Equity	\$152,226
Total Debt	\$5,197
Equity/Total Capitalization	84.00%
Debt/Total Capitalization	16.00%
WACC	7.59%

Downside Case: Applies a 13.7X EV/EBIT, roughly in line with Abbott's current exit multiple. Assuming the FreeStyle Libre 3 recall significantly hinders growth of the Medical Devices segment, as well as diagnostic testing experiencing diluted growth. This results in a downside price target of \$78.

Upside Case: Applies an 18.2X EV/EBIT, accounting for potential growth due to synergies between Abbott's portfolio of CGM devices, a less volatile reaction to the FreeStyle Libre 3 recall, and significant growth due to a larger and more dynamic diagnostic testing portfolio. This results in an upside price target of \$142.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.