

AbbVie makes \$63B bid for Botox maker Allergan

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This Jan. 24, 2015, file photo, shows the exterior of AbbVie, in Lake Bluff, Ill. AbbVie is buying Botox maker Allergan in a cash-and-stock deal the drugmakers value at around \$63 billion. The maker of the blockbuster immune disorder treatment Humira said Tuesday, June 25, 2019, that it will pay \$120.30 in cash and a portion of AbbVie stock for each Allergan share. (AP Photo/Nam Y. Huh, File)

Facing competition for the world's top-selling drug, AbbVie is jumping on this year's pharmaceutical merger bandwagon with a \$63 billion bid for Botox maker Allergan that's meant to spur future growth.

Specialty drugmaker AbbVie said Tuesday that adding Allergan's aesthetics products and eye care and other medicines will help AbbVie shore up revenue as near-identical biosimilar drugs start to slash sales of its blockbuster immune disorder treatment, Humira.

Humira logged a staggering \$20 billion in sales last year, or about 61% of AbbVie's revenue. That dangerous dependence on one drug forced AbbVie to make a big move. Allergan's management likewise has been under pressure to reverse a long stock plunge, from \$340 a share in July 2015 to about \$130 on Monday.

The combination could solve those problems for AbbVie Inc., based in North Chicago, Illinois, and Allergan, which is based in Dublin on paper but operates from headquarters in Madison, New Jersey. The acquisition should also mean Allergan officially moves back home, after having switched its legal headquarters to Ireland in a tax-saving strategy.

The deal follows a familiar formula: Snap up a smaller drugmaker to boost revenue and cut jobs and other costs in the short term, while acquiring potential new drugs in testing that will improve results and accelerate growth down the road.

That consolidation has the potential to boost prices, said Erik Gordon, a professor at the University of Michigan's Ross School of Business who follows the pharmaceutical industry.

AbbVie has repeatedly hiked Humira's monthly list price, from \$1,524 in 2009 to \$5,174 this year, to squeeze extra billions from it.

AbbVie Chairman and CEO Richard Gonzalez told analysts Tuesday that the deal essentially involves Humira "buying the assets that replace it over the long term."

Those include Botox, which saw sales jump 50% last year to \$3.5 billion, dry eye blockbuster Restatis and medicines for dermatology and gastrointestinal disorders.

Humira, which treats rheumatoid arthritis, psoriasis and colitis, saw sales slip in the first quarter due to growing biosimilar competition overseas. It will face at least a half-dozen biosimilar competitors in the United States—by far its largest market—in 2023.



In this June 5, 2009, photo a woman has Botox injected at Reveal in Arlington, Va. AbbVie is buying Botox maker Allergan in a cash-and-stock deal the drugmakers value at around \$63 billion. The maker of the blockbuster immune disorder treatment Humira said Tuesday, June 25, 2019, that it will pay \$120.30 in cash and a portion of AbbVie stock for each Allergan share. (AP Photo/Jacquelyn Martin, File)

Gonzalez said AbbVie examined Allergan's portfolio "product by product" and was particularly impressed with the job Allergan has done with Botox. Along with reducing wrinkles temporarily, Botox is approved to treat a growing number of medical conditions, including migraines and muscle spasms.

Industry analysts had been anticipating a move by AbbVie.

"We are unsurprised by the timing and the target of the deal given (AbbVie's) Humira patent cliff," wrote Citi analyst Andrew Baum.

Morningstar analyst Damien Conover wrote that the deal will partially alleviate worries about Humira. He believes AbbVie also is taking advantage of Allergan's low stock price.

Shares of AbbVie are down 16% over the past year and shares of Allergan have fallen 24%, amid declining sales growth over the past three quarters and the failure of an experimental depression drug in March.

On Tuesday, Allergan shares were up \$34.69, or 27%, at \$164.26 in afternoon trading, while AbbVie shares fell \$12.11, or 15.5%, to \$66.32.

AbbVie will pay \$120.30 in cash and a portion of AbbVie stock for each Allergan share. That amounts to \$188.24 per share, or a 45% premium to Allergan's closing price Monday.

Gonzalez will remain chairman and CEO at AbbVie. Allergan Chairman and CEO Brent Saunders, plus a second Allergan board member, are to join AbbVie's board.

Regulators and Allergan shareholders still have to approve the deal—hardly a slam-dunk, as regulators have been increasingly tough on pharma deals.

In early March, Swiss drugmaker Roche won a bidding war for Philadelphia-based gene therapy company Spark Therapeutics. But its \$4.8 billion deal, expected to close at the end of this month, has been held up repeatedly by information requests from the U.S. Federal Trade Commission and its U.K. counterpart.

In the biggest deal this year, New York-based Bristol-Myers Squibb is trying to complete its \$74 billion deal for Celgene Corp., a New Jersey neighbor also focused on cancer therapies. Bristol-Myers recently said the deal might not close until next year.

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