J&J to buy cardio technology company Abiomed for $16.6B
1 November 2022, by Tom Murphy

The health care giant said Tuesday that it will buy the cardiovascular technology company Abiomed, which makes a heart pump used on patients with severe coronary artery disease. Abiomed will run as a stand-alone business within J&J's medical device segment once the deal is completed.

J&J's BioSense business focuses on treating arrhythmia or an irregular heartbeat. Abiomed will add, among other products, its Impella heart pumps, which are inserted through arteries into the hearts of high-risk patients. They temporarily help the heart maintain blood flow while a surgeon places stents in the patient.

Johnson & Johnson is spending more than $16 billion to move deeper into treating heart disease and continue a shift started last year away from its consumer health roots.

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The deal is expected to close early next year and will bolster J&J's MedTech or medical device division. That's one of two remaining segments, along with pharmaceuticals, that the company is focused on after announcing that it would split off its consumer health division that sells Band Aids and beauty products.

The deal for Danvers, Massachusetts-based Abiomed will complement J&J's existing heart business and comes with "significant" expansion opportunities, CEO Joaquin Duato told analysts during a Tuesday morning conference call.

It also adds to J&J's portfolio a company with explosive growth. Abiomed sales jumped 22% to exceed $1 billion in its most recent fiscal year. That is well over twice the annual sales it booked just five years ago.

J&J said it will pay $380 in cash for each Abiomed share. It also will throw in another $35 per share in cash if some commercial and clinical milestones are met in a few years.

J&J will pay for the deal with a combination of cash and short-term financing. The company expects the acquisition to be neutral or to slightly dilute adjusted earnings in the first year after its completion. It then expects that the deal will help its bottom line starting in 2024.

The deal comes a few weeks after J&J said it topped third-quarter expectations, thanks to growth from its largest segment, pharmaceuticals. Sales climbed 2% in the company's medical device segment, to $6.78 billion.

The Johnson & Johnson logo appears above a trading post on the floor of the New York Stock Exchange, Monday, July 12, 2021. Johnson & Johnson is spending about $16.6 billion to buy cardiovascular technology company Abiomed, Tuesday, Nov. 1, 2022, and build up its medical device division. The health care giant says it will pay $380 for each Biomed share and also provide another $35 per share in cash if some commercial and clinical milestones are met. Abiomed provides technology that treats coronary artery disease and heart failure. Credit: AP Photo/Richard Drew, file
Shares of Johnson & Johnson, based in New Brunswick, New Jersey, slipped nearly a dollar to $173.11 in Tuesday morning trading. The Dow Jones Industrial Average, of which J&J is a component, rose slightly.

Shares of Abiomed Inc. soared more than 50% to $380.

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