



TAPMI

(A constituent unit of MAHE, Manipal)



TAPMI FINANCE FORUM

The Bulls You Can Bank Upon



AACSB  
ACCREDITED

# MERGERS AND ACQUISITIONS



AbbVie Inc and Allergan UnLtd Co



## Overview of the Industry

The pharmaceutical industry is a cornerstone of global healthcare, playing a vital role in improving public health by developing and delivering medications and therapies that enhance both life expectancy and quality of life. It operates at the intersection of science, technology, and healthcare, with a mission to prevent, treat, and manage a wide array of diseases, ranging from common ailments to rare and life-threatening conditions.

This industry is a hub of innovation, driving advancements in drug discovery, medical devices, and treatment protocols.

# Parties Involved

**Acquirer: AbbVie Inc.**

AbbVie is a global biopharmaceutical company focused on innovative therapies for chronic and complex diseases. Renowned for blockbuster drugs like Humira, it emphasizes scientific research to enhance patient outcomes globally.

**Target: Allergan plc**

Headquartered in Dublin, Allergan was a global pharmaceutical leader in branded products, including medical aesthetics, eye care, and gastroenterology. Operating in over 100 countries, it was known for its innovation and diverse product offerings.

<b>Target</b>	1) Allergan UnLtd Co AGN US Px USD 193.02 Specialty & Generic Pharma...	<b>Acquirer</b>	2) AbbVie Inc ABBV US Px USD 87.9 Large Pharmaceuticals	<b>Currency</b>	USD
				<b>Announcement</b>	06/25/19
				<b>Transaction Value</b>	83,791.24M

## Reasons For The Acquisition

### **AbbVie Inc (Acquirer):**

AbbVie is a global biopharmaceutical company focused on innovative research and development. It develops advanced therapies for chronic and complex diseases across immunology, oncology, neuro sciences, and aesthetics. A company known for blockbuster drugs like Humira, AbbVie adopts a scientific approach to improving patient outcome and better health solutions around the globe.

## **Allergen UnLtd (Target company):**

Co Allergan plc was a global pharmaceutical company that was headquartered in Dublin, Ireland, and focused on branded products, medical aesthetics (Botox, Juvederm), such as eye care and gastroenterology. Known for its strength in innovation and product portfolio, Allergan operated in more than 100 countries to be an evolving leader in advancing care for patients.

## Timeline Of Acquisition

Variation in Stock Prices of the parties involved during the acquisition:

	<b>AbbVie Inc (in \$)</b>	<b>Allergen UnLtd Co (in \$)</b>
Announcement	66	163
Completion	84	193



## Background Of Acquisition

The acquisition was announced on June 25th, 2019, and was completed on Nov 5th, 2020.

Dates	
Announcement	06/25/19
Completion	05/11/20
Status	Completed
Duration (# Days)	321

# Deal Structure

## **Deal Overview:**

- 1.Acquiring Company: AbbVie Inc**
- 2.Target Company: Allergan UnLtd Co**
- 3.Deal Type: Cash and Stock**
- 4.Deal Value: \$83,791.4M**

## **Transaction Terms:**

- 1.Stock Exchange Ratio: 0.8660**
- 2.Deal Currency: USD**

## **Financing Structure:**

- 1.Equity Consideration: \$63,268.84M**
- 2.Debt Assumption: \$22,273.50**

## **Deal Timeline:**

- 1.Announcement Date: June 25th, 2019**
- 2.Completion Date: Nov 5th, 2020.**

# Terms Of The Deal

It was a friendly deal and AbbVie Inc completely acquired Allergan UnLtd. AbbVie Inc merged with Allergan UnLtd Co. in an all-stock transaction. Under the terms of the agreement, Allergan UnLtd Co shareholders will receive 0.866 shares of AbbVie Inc for each Allergan UnLtd Co share at closing

## Deal Terms

Nature of Bid	Friendly
Percent Owned/Sought	0% / 100%
Payment Type	Cash & Stock
Cash Terms (per Tgt Sh) USD	120.3000
Stock Terms (Acq Sh/Tgt Sh)	0.8660

## Deal Value

**The acquisition was valued at  
\$83,791.24M.**

# Advisors

Target Adviser	Credit	Fee	Acquirer Adviser	Credit	Fee
<b>Financial</b>			<b>Financial</b>		
Evercore Partners Inc	100%		PJT Partners Inc	100%	
Goldman Sachs	100%				
JP Morgan	100%				
<b>Financial &amp; Fairness Opinion</b>			<b>Financial &amp; Fairness Opinion</b>		
			Morgan Stanley	100%	
<b>Legal</b>			<b>Legal</b>		
Arthur Cox	100%		Arnold & Porter	100%	
COBALT	100%		Baker McKenzie	100%	
Slaughter and May	100%		Ellex	100%	
Wachtell Lipton Rosen &...	100%		Kirkland & Ellis	100%	
Weil Gotshal & Manges L...	100%		McCann Fitzgerald	100%	
<b>Legal to Financial</b>			<b>Legal to Financial</b>		
Debevoise & Plimpton L...	100%		Davis Polk & Wardwell	100%	

## Key Implications

- **Access to New Therapeutic Areas:** The acquisition made AbbVie a player in those new therapeutic areas previously founded by Allergan. Some of the strong brands and products being broadened in the pipeline are Botox, the neural and eye products, and products for the gastroenterology therapeutic area.
- **Revenue Growth:** Merging with AbbVie increased the revenue potential of the company that could be used for future R&D and debt reduction, thus exposing cash flow to be more potent for further expansion into different therapeutic markets.
- **Strategic Realignment:** AbbVie repositioned itself strategically by leveraging the complementary capabilities of Allergan to lessen some of the risk associated with the expiration of the Humira patent and be known as a front-runner in many different therapeutic categories.

## Impact on the Share price

- The graph illustrates the movements of share prices in AbbVie and Allergan as statements and completion of acquisition occurred.
- After the announcement in June 2019, Allergan's stock price shoots up while that of AbbVie continues down, likely because, at that time, the market had some uncertainty regarding the deal's value.
- Both stocks responded significantly in terms of price following the completion in March 2020, with further convergence in price towards that of the AbbVie stock in the case of Allergan, which offers marks for recovery by the market following merger completion.
- AbbVie Allergen acquisition deal completed in March 2020 significantly spurred import prices as a result of optimistic investor sentiment regarding the good growth prospects from Allergan's portfolio, notably Botox.





# Risks Involved

- 1. Regulatory and Antitrust Scrutiny**
- 2. Operational Risks**
- 3. Market and Financial Risks**

# Regulatory And Legal Considerations

**The legal and regulatory considerations for AbbVie's acquisition of Allergan included:**

## **1}Antitrust:**

The Federal Trade Commission (FTC) alleged that the acquisition would harm consumers and violate antitrust law. The FTC required AbbVie and Allergan to divest certain assets to settle the charges.

## **2}The divestitures included:**

Transferring Allergan's EPI drugs Zenpep and Viokace to Nestlé, S.A.  
Transferring Allergan's rights and assets related to brazikumab to AstraZeneca plc

## **3}AbbVie considered risks and uncertainties such as:**

- A} Failure to realize the expected benefits of the acquisition
- B} Failure to integrate Allergan's businesses
- C} Changes in global, political, economic, business, competitive, market, and regulatory forces
- Changes in tax laws, regulations, rates, and policies

## **4}Legal advisors:**

AbbVie's legal advisors were Kirkland & Ellis LLP and McCann FitzGerald. Allergan's legal advisors were Wachtell, Lipton, Rosen & Katz and Arthur Cox.

# Conclusion

AbbVie's acquisition of Allergan strategically strengthened its position in the pharmaceutical industry by expanding its therapeutic portfolio into areas such as aesthetics, neuroscience, and gastroenterology. This diversification reduced AbbVie's reliance on Humira, addressing risks related to its patent expiration. Despite regulatory challenges, including antitrust concerns and mandated divestitures, the deal successfully unlocked new revenue streams and growth opportunities. The acquisition highlights how strategic mergers can drive innovation, enhance patient care, and create long-term value for stakeholders. By leveraging Allergan's strong product pipeline and market presence, AbbVie is well-positioned for sustainable growth in an evolving healthcare landscape.



**TAPMI FINANCE FORUM**

The Bulls You Can Bank Upon