

## AbbVie and Shire Merger Expected

By Nahal Bahri, J.D. Candidate 2015 | July 27, 2014

In a recent [announcement](#), AbbVie, a research based biopharmaceutical company, revealed plans to acquire Shire, a biopharmaceutical company for \$53 billion. If successful, this merger would provide a significant [tax advantage](#) for Chicago-based AbbVie as it would “reincorporate in Britain and reduce its tax bill.”

AbbVie CEO, Richard A. Gonzalez, met with Shire Chairwoman, Susan Kilsby, over a period of months in an attempt to buy Shire. After four unsuccessful offers, Shire’s board finally accepted the fifth offer which provided that AbbVie would purchase Shire in a cash and stock offer for \$91 per share. This offer was recommended by Shire’s board to its shareholders.

Mr. Gonzalez believed Shire would be a great addition to AbbVie [because](#) of “its rare diseases work and neuroscience franchises.” AbbVie’s most successful current drug, [Humira](#), will “come[] off patent protection in 2016, providing a motivation for AbbVie to find new sources of revenues.” Shire has seen recent success with its drug Adderall, which is used to treat attention deficit disorder (“ADD”). [According](#) to Mr. Gonzalez, such a merger would create “a global market leader with unique characteristics and a compelling investment thesis.”

While this deal has the support of major shareholders in both companies, AbbVie and Shire could face an obstacle because the deal would essentially seek an inversion. Typically, a company would seek an [inversion](#) to reincorporate “overseas in order to reduce the tax burden on income earned abroad.” As a result of this attempt to lower its tax burden, “lawmakers in Washington are considering retroactive legislation that would target such deals . . . . If passed, the law would limit the financial advantages of a deal, and Shire wanted protection.”

Since such inversion deals could be subject to [new regulations](#), companies typically include “a clause that allows the buyers to back out or renegotiate if the laws change.” It is not known whether this deal includes such a clause. Stay tuned as this mega-merger moves forward.