

AbbVie to Acquire Cancer Drug Maker Pharmacyclics for \$21 Billion

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Late on March 4, 2015, AbbVie (NYSE: ABBV) announced its acquisition of Pharmacyclics (NASDAQ: PCYC), the maker of a cancer-treatment drug called Imbruvica, for approximately 21 billion dollars.

The deal comprises of about [58% cash and 42% AbbVie common stock](#). AbbVie will pay for each share at [\\$261.25, which represents a 13 percent premium](#) to the trade price of Pharmacyclics on March, 4, 2015. Pharmacyclics shareholders may [have the option to elect 100% cash, 100% stock or a mix of the two](#). AbbVie would pay a [breakup fee of 3% of the deal value](#) in case the transaction fails to proceed to finalization. Although AbbVie's CEO stated that he was "happy with the value," investors showed concern about AbbVie overbuying Pharmacyclics. [The trade price of AbbVie dropped 3%](#) on March 5, 2015, a day after the news release.

This deal is [the latest and largest pharma deal](#) of the year. Early in February, Pfizer reached an acquisition deal with Hospira Inc., which specializes in injectable drugs and infusion technologies, [at 17 billion dollars](#). And Valeant Pharmaceuticals International, Inc. entered into an acquisition agreement with Salix Pharmaceuticals, a widely recognized gastrointestinal market leader, [for about 14.5 billion dollars](#).

AbbVie's rheumatoid arthritis drug Humira accounts for [almost two thirds of its revenue](#). However, [the patent for Humira will expire in the next few years](#) and AbbVie may need to add diversity to its pipeline. AbbVie attempted to acquire Irish pharmaceutical company Shire last year, but abandoned the deal in October because of the [Obama administration's new regulation to prevent tax inversion](#).

Imbruvica is considered by some analysts to be one of the best-selling cancer treatments and may reach [sales at \\$5 billion per year](#). The strong competition to acquire Pharmacyclics (e.g. [Johnson & Johnson offered \\$250 per share](#) and [Novartis AG also showed interested](#)) may reflect Imbruvica's potential. AbbVie has partnered with Roche Holding AG to develop ABT-199 for chronic lymphocytic leukemia treatments, which is considered a potential competitor of Imbruvica. Depending on the clinical result AbbVie may file for FDA approval for ABT-199 this year. AbbVie says ABT-199 and Imbruvica may be used together. As the co-developer of Imbruvica with Pharmacyclics, [Johnson & Johnson said in a statement that it is "looking forward to continuing collaboration with the team at AbbVie."](#)