

AbbVie Inks \$5.8B Deal For Cancer Drug Maker Stemcentrx

By **Braden Campbell**

Law360, New York (April 28, 2016, 4:00 PM ET) -- AbbVie Inc. will buy drug maker Stemcentrx and its potential breakthrough lung cancer treatment in a deal worth at least \$5.8 billion in cash and stock, with the potential for another \$4 billion should the tie-up lead to certain milestones, the global biopharmaceutical company said Thursday.

Currently in registrational trials, Stementrx's rovalpituzumab tesirine, or Rova-T, has been found in early studies to shrink tumors in 44 percent of small cell lung cancer patients with high expression of a certain protein and who have previously failed one or more standard therapies, and could be used to treat several other types of tumor including prostate, pancreatic and colorectal cancers, AbbVie said Thursday.

Stemcentrx has applied for the U.S. Food and Drug Administration's breakthrough therapy designation, a priority review process that allows certain high-impact drugs to be fast-tracked through development.

"The addition of Stemcentrx and its late-stage compound Rova-T provide AbbVie with a unique platform in solid tumor therapeutics and complement our leadership position in hematologic oncology," AbbVie chairman and CEO Richard A. Gonzalez said in a statement. "We believe the acquisition of Stemcentrx will strengthen and accelerate our ability to deliver innovative therapies that will have a remarkable impact on patients' lives."

AbbVie will pay investors about \$2 billion in cash and fund the remainder of the guaranteed \$5.8 billion sale with stock. Investors will also receive as much as \$4 billion in cash if the company hits certain milestones. A representative for AbbVie said \$2 billion of the milestone payments is tied to approval of Rova-T, with another \$500 million tied to the start of registration trials for each of four other drugs.

AbbVie also plans to buy back as much as \$4 billion in stock after the deal closes. The company said it expects to see about 20 cents less in profits per share until 2020, when it will start seeing benefits from the deal.

Rova-T, the transaction's biggest chip, is a biomarker-specific therapy derived from cancer stem cells that targets a protein known as DLL3 found in 80 percent of patients with small cell lung cancer but not in healthy individuals. The drug acts via a targeted antibody that attacks DLL3-expressing cancer cells with minimal collateral damage to healthy cells.

Its success in phase 1 and 2 studies at treating small cell lung cancers indicates it could also be effective

for other cancers with a high expression rate of DLL3, AbbVie said. Enrollment in registrational trials is expected to wrap by the end of this year, and the drug could generate revenues of multiple billions of dollars when it hits the market, which is expected to come in 2018.

The company currently sells chronic lymphocytic leukemia, mantle cell lymphoma and Waldenstrom's macroglobulinemia drug Imbruvica and CLL-specific drug Venclexta.

Stemcentrx has four other compounds in clinical trials with focuses including triple-negative breast cancer, ovarian cancer and non-small cell lung cancer. It also has other drugs nearing clinical trials and is developing a technology platform that it hopes will aid drug development by using stem cell biology to find targets amid cancer tissues.

All told, the drug maker has more than a dozen drugs in its pipeline aimed at 19 types of tumors.

"We are thrilled to be joining the AbbVie team and believe that, together, we can bring much-needed therapies to cancer patients," Stemcentrx founder and CEO Brian Slingerland said in a statement. "AbbVie, with its long-term commitment and expertise in drug development, will help us turn our scientific discoveries into a mainstay of cancer treatments."

Stemcentrx was advised by Mark Weeks and Barbara Kosacz of Cooley LLP and a Sullivan and Cromwell LLP team that included Matthew G. Hurd and Krishna Veeraraghavan. Morgan Stanley acted as financial adviser, represented by a Goodwin Procter team that included Stuart Cable, James Matarese, Kingsley Taft, Joseph Siegelbaum, Andrew Goodman and Blake Liggio.

AbbVie was advised by a Covington & Burling LLP team that included partners John Hurvitz, Andrew Ment and Scott Smith and associates Jacquelyn Arcati, Norman Greenbeg and Kyle Rabe. Baker & McKenzie LLP also advised AbbVie on tax matters.

--Editing by Kelly Duncan.