



## M&A DEAL ANALYSIS

“A revolutionary step forward in oncology:  
Pfizer acquires Seagen for \$43 Billion”

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## M&A DEAL ANALYSIS

**Acquirer:** Pfizer.  
**Target:** Seagen Inc  
**Deal value:** \$45.7 billion  
**Sector:** Healthcare  
**Type of M&A:** Acquisition  
**Exit multiple:** -  
**Announced date:** 13/03/2023  
**Completed date:** 14/12/2023



### *Acquirer details*

**Name:** Pfizer Inc  
**Founding year:** 1849  
**Headquarters:** New York, 66 Hudson Blvd E, United States  
**CEO:** Albert Bourla (2019 – present)  
**Number of employees:** 10K+ employees  
**Market Cap:** \$162,55B  
**EV:** \$220,98B

- LTM Revenues: \$58.5B
- LTM EBITDA: \$15.35B
- LTM EBITDA margin: 22.40%
- LTM EV/EBITDA: 22.20x
- LTM EV/Sales: 3.4x

*(All financial data as of 31/12/2023)*

**Company industry:** Healthcare, -  
Drugs/Pharmaceuticals

### *Target Details*

**Name:** Seagen Inc  
**Founding year:** 1997  
**Headquarters:** Bothell, Washington (a suburb of Seattle)  
**CEO:** David R. Epstein (2022 - Present)  
**Number of employees:** 1K-5K  
**Market Cap:** \$39,91B  
**EV:** \$43,15B

- LTM Revenues: \$1.96B
- LTM EBITDA: \$-530.81m
- LTM EBITDA margin: -32.33%
- LTM EV/EBITDA: -82.88x
- LTM EV/Sales: 16.83x

*(All financial data as of 30/09/2023)*

**Company industry:** Healthcare, -  
Biomed/Genetics

### *Deal Overview*

Following months of rigorous bargaining, strategic planning and regulatory hurdles, Pfizer has officially completed its acquisition of Seagen Inc. (NASDAQ: SGEN), a global pioneer in oncology. This was achieved through an impressive purchase of Seagen's outstanding common stock for \$229 in cash per share, for a total enterprise value of approximately \$43 billion.

Pfizer announced the acquisition in March as it braced for the steep fall in sales of its COVID products, forecasted to reduce its revenue by 13%, forcing the cut of \$3.5 billion worth of jobs and expenses due to lower-than-expected sales. This is a result of Seagen's relentless pursuit of its mission of innovation, but more importantly, its diverse antibody-drug conjugates (ADCs) collection, an effective tool to counteract cancer.

In preparation, Pfizer had created an end-to-end business organization called the Pfizer Oncology Division that will include certain commercial oncology work and R&D operations from both companies. This incorporation establishes Pfizer as a leading oncology company poised to accelerate the next generation of breakthrough treatments for people with cancer, increasing its pipeline 60 programs and adding four FDA-approved cancer drugs—Adcedris, Padcev, Tivdak and Tukysa, now amounting to nine.

### *Industry Overview*

The healthcare industry gained more and more importance throughout the years. From 1890s when lumber companies in Washington paid physicians to provide care for their workers to 2023 where the industry consistently in the top three most weighted sectors of the S&P 500 Index. The acquisition by Pfizer of Seagen Inc is one of the many transactions that took place.

Today the most focused topic is R&D, and this acquisition is just one of the many strategic actions to further develop the R&D division.

### *Trends Revolutionizing Healthcare*

Healthcare is one most innovative and challenging industry. The hot topic of this period is AI, but AI can be used in healthcare, generative AI will be particularly impactful over the next 12 months. The applications of generative AI in healthcare are practically limitless. The most advanced applications are in genomics, where AI is being used to analyze patients' DNA to diagnose and treat diseases and to create medicines that are personalized to specific people down to the molecular level (sometimes called precision medicine).

There will also be an increased focus on developing new treatments for diseases that occur specifically in old age and put a strain on care systems such as Alzheimer's and Parkinson's. Research is also underway into the viability of 3D-printed organs for transplant using biological tissue taken from the patient's body. And these are the reasons why the research and the investments in R&A are key for a better future.

### *Facing Challenges*

One of the major challenges confronting the industry is that the unexpected can happen. The recent pandemic of COVID-19 is just one of the many examples.

One year ago, the 7.5 billion people on the Earth would not have predicted the enormous impact of COVID-19. With a vaccine expected in 2021 and no effective treatment to combat the virus, the world has endured the devastating effects of COVID-19. One of the most notable global effects that was seen during the infancy of the pandemic was the disruption of the global supply chain. The pandemic is expected to cause a 3.3 trillion-dollar deficit in 2020, which is about 15% of the United States' GDP. Covid-19 also impacted international affairs. COVID-19 originated in China, and China is responsible for 12.2% of the world's total exports; therefore, many countries immediately lost access to vital goods once the Chinese government implemented a mandatory quarantine.

### *Dynamics of the Industry*

There have been more than 790,000 M&A transactions since 2000. Their total value amounts to over \$57 trillion. The leading sectors are industrials, technology, and finance with 13.9%, 12.9%, and 12.2%, respectively. Healthcare takes 5.5%. In particular:

- Healthcare equipment and supplies: over 15,000 transactions with a total value of \$1,093 million.
- Healthcare providers and services: over 13,000 transactions with a total value of \$773 billion.

After peaking in 2019, healthcare corporate M&A disclosed deal value dropped 37% to \$338.6 billion. Deal volume also declined, albeit by a more modest 9%, to 2,845 deals but as for 2023 the healthcare industry is booming, and specialists expect to see even bigger growth. For example, the total healthcare M&A transaction value was \$250 billion in 2020. In 2021, It increased to \$436 billion, i.e. almost 56% more. And according to White & Case, in 2022, the total value of M&A healthcare deals was \$375.1 billion.

In 2020, the global healthcare market achieved a value close to \$8.45 trillion, with projections indicating an expansion to USD 12 trillion by 2027 at a notable CAGR of 8.6%. North America asserted its dominance in the market, contributing over 49.88% to the total revenue in 2020, while the Asia-Pacific region is poised for the swiftest growth, fueled by increased private sector investments in healthcare. The application of artificial intelligence (AI) in healthcare diagnostics is anticipated to reach \$3.3 billion by 2025. According to the World Health Organization, global healthcare expenditure surged to approximately \$8.3 trillion in 2020, constituting around 10% of the Gross Domestic Product (GDP). Additionally, the global Healthcare IT market size is expected to experience market growth from 2020 to 2025, with a forecasted CAGR of 13.1%.

Some of the reason to explain this growth:

- Population growth → The current world population is about 7.7 billion people. It's expected to reach 9.7 billion by 2025. Therefore, healthcare companies will have to provide services for more and more people.
- Longer life expectancy → Globally, life expectancy has improved from 46.5 years in 1950 to 71.7 years in 2022. It leads to the growth in consumption of healthcare services, which impacts the whole healthcare industry and M&A in it.
- Innovation → The impact of Covid-19 was huge. For example, new treatment technologies appeared, like RNA technology for more efficient vaccines. Besides, there's a fast adoption of virtual care. Undoubtedly, healthcare is developing, attracting more M&A deals.

### *Market Size*

As of March 2024, Pfizer has a market cap of \$146.27 Billion. This makes Pfizer the world's 92th most valuable company by market cap according to our data. The market capitalization, commonly called market cap, is the total market value of a publicly traded company's outstanding shares and is commonly used to measure how much a company is worth.

- Pfizer is one of the leading companies in the biotechnology and pharmaceutical industry.
- Pfizer's top-selling drugs in FY 2022 were Paxlovid and Eliquis.
- Pfizer's main competitors are Johnson & Johnson, Novo Nordisk A/S, Roche Holding AG, Eli Lilly and Co., AbbVie Inc., and Merck & Co.

### *Deal rationale*

“We are not buying the golden eggs; we are acquiring the goose that is laying the golden eggs.”  
(Albert Bourla, CEO *Pfizer*)

Cancer remains a leading cause of death, and forecasts show that one in three people in the U.S. will receive a cancer diagnosis in their lifetime. Seagen, world-leading in the research of Antibody-Drug Conjugate (ADC) technology, together with the scale and strength of Pfizer's capabilities and expertise, is poised to change the cancer treatment paradigm. The potential go-forward U.S. commercial infrastructure of the two companies would be three times the size of Seagen.

With one of the largest investments in Pfizer's history, the pharmaceutical company is going all in on cancer with the goal of delivering breakthroughs that drastically improve the lives of people with cancer. Pfizer has significantly expanded its Oncology organization to amplify its efforts to advance new standards of care and improve outcomes for patients. Therefore, oncology is meant to be a significant growth driver for Pfizer and contribute meaningfully to the achievement of the near- and long-term financial goals.

Pfizer's Oncology portfolio is focused on three core scientific modalities: small molecules, antibody drug conjugates (ADCs), and bispecific antibodies, including other immuno-oncology biologics. The company is progressing a next-generation ADC platform aimed at novel targets and improved, differentiated payloads, as well as investigational advanced biologics and novel combinations of medicines.

Pfizer's industry-leading Oncology portfolio used to have over 25 approved medicines and biosimilars across more than 40 indications, including nine medicines that are either blockbuster or have the potential to be blockbuster (a drug that generates annual sales exceeding 1 billion dollars). With the addition of Seagen, Pfizer's Oncology pipeline has doubled in size with 60 programs spanning multiple modalities, including ADCs, small molecules, bispecifics and other immunotherapies. Moving forward, Pfizer will leverage its leading protein engineering and medicinal chemistry capabilities to advance Seagen's ADC technology, unlocking potential novel combinations and next-generation biologics.

### Changes in Commercial Organization

Pfizer also announced changes in its commercial organization to incorporate Seagen and enhance focus, speed, and execution quality. Specifically, Pfizer established an end-to-end business unit named the Pfizer Oncology Division, integrating certain oncology commercial and R&D operations from both companies. This division is led by Dr. Chris Boshoff, who took on the role of Chief Oncology Officer, Executive Vice President, and continues to report to Dr. Albert Bourla, Chairman and Chief Executive Officer.

Pfizer divided its non-oncology commercial organization into two more specialized business divisions: the Pfizer U.S. Commercial Division, under the leadership of Aamir Malik, who became Chief U.S. Commercial Officer, Executive Vice President, and continues to report to Dr. Bourla; and the Pfizer International Commercial Division, led by Alexandre de Germay, who was appointed as Chief International Commercial Officer, Executive Vice President, and reports to Dr. Bourla.

This new organizational structure was implemented on January 1, 2024.

### Profitability forecasts

The latest deal comes as Pfizer seeks to mitigate an anticipated \$17 billion hit to revenue by 2030 from patent expirations for top drugs, and a decline in demand for its COVID products.

Pfizer's COVID vaccine, which it shares with BioNTech, and oral antiviral treatment Paxlovid have brought in sales of more \$90 billion through 2022.

The New York-based drugmaker said the Seagen deal, and other recent acquisitions could generate more than \$20 billion in combined sales in 2030.

The company hit \$2 billion in revenue in 2022, and it expects the products brought by Seagen to bring \$10 billion in annual revenues by 2030, with growth beyond that because of its rich pipeline.

Through its strategy, by 2030, the company anticipates 8 or more potential blockbusters and expects biologics to contribute approximately 65% of Oncology revenues, compared to approximately 6% in 2023.

### Regulatory issues

Adding Seagen helps Pfizer move into an area "that is more protected from a regulatory and patent perspective, and market dynamics," Chief Executive Albert Bourla said.

A focus on complex biotech medicines also provides a longer exclusivity on the market versus pills before becoming subject to government price limits under the IRA. Seagen's complicated drugs also make it more difficult for rivals to develop less expensive biosimilar versions, which could lengthen their profitability.

To address U.S. Federal Trade Commission concerns over potential antitrust issues, Pfizer, after undergoing a comprehensive regulatory review lasting several months, has chosen to irrevocably donate the U.S. royalty rights from sales of Bavencio® to the American Association for Cancer Research (AACR). This unrestricted donation will support AACR in its mission to prevent and cure cancer through research, education, communication, collaboration, science policy, and funding for cancer research.

“This is a great day for Pfizer, and, more importantly, for people living with cancer, as we bring together the game-changing science and top talent of Seagen and Pfizer to form a leading Oncology organization.” said Chris Boshoff, Chief Oncology Officer and Executive Vice President of Pfizer. “Driven by science and a passion for improving and extending patients’ lives, together, we will work

with urgency towards our common purpose to deliver transformative cancer medicines and bring new hope to people living with cancer everywhere.”

The combination of the two companies' strengths will allow for more potential oncology breakthroughs and accelerate their progress to the market.

### *Deal Structure*

#### *Acquirer (Pfizer Inc):*

- A public listed Research-based, pharmaceutical company that discovers, develops, manufactures and markets medicines for human and animals. Healthcare portfolio includes human biologic and small molecule medicines and vaccines, as well as consumer products. Pfizer is one of the biggest health companies in the world with revenues of \$100,3bn in the last year. The company develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology.

#### *Target (Seagen Inc):*

- Seagen is an American biotechnology company focused on cancer treatment products. The company is a pioneer of antibody-drug conjugates (ADCs), that utilizes the targeting ability of monoclonal antibodies to deliver cell-killing agents directly to cancer cells. Seagen most important products are ADCETRIS for lymphomas, PADCEV for bladder cancers, TUKYSA for breast and colorectal cancers, TIVDAK for cervical cancer.

Pfizer's acquisition of Seagen is significantly financed through \$31 billion of long-term debt, encompassing eight distinct senior notes, with the transaction details set on filing, pricing, and settlement dates from May 15 to May 19, 2023. The bonds are issued by Pfizer Investment Enterprises Pte Ltd, a subsidiary under the Pfizer Inc. umbrella, which holds a credit rating of A by S&P and A2 by Moody's. The remainder of the financing strategy includes a mix of short-term financing solutions and Pfizer's existing cash reserves.

The senior notes issued by Pfizer Investment Enterprises Pte Ltd offer a detailed structure. There are three tranches of senior unsecured notes with varying maturities: \$3 billion due in 2025, \$3 billion due in 2026, and \$4 billion due in 2028. These notes feature tenors of 2, 3, and 5 years, respectively, and make-whole call provisions at UST+10 bps for the 2025 notes and UST+15 bps for the other two tranches. The coupons on these notes are set at 4.65% for the first tranche maturing in 2025, and 4.45% for the latter two, reflecting a competitive yield in the context of their A/A2 S&P/Moody's ratings.

The offer price for these notes ranged from 99.94% for the 2025 notes to 99.88% for the 2026 and 2028 notes, translating into a yield of 5.08%, 5.01%, and 4.86% respectively. These yields sit above the benchmark rates, indicating a premium for investors. Furthermore, these senior notes are issued



on a semi-annual coupon frequency, starting from May 19, 2023, with the first payment due on November 19, 2023.

The economic terms also illustrate that the overall deal is valued at \$31 billion with an all-in rate range from 4.78% to 5.41%. This comprehensive financial package underscores Pfizer's strategic commitment to funding the acquisition in a manner that balances immediate acquisition needs with the long-term financial health of the company.

### *Risks and Implications*

Despite Pfizer's potential growth of roughly \$10 billion in 2030, fueled by "the expected strong growth trajectories for these medicines with candidates that could emerge from Seagen's pipeline, subject to clinical trial and regulatory success", the deal encloses significant risks and implications, required to be identified, avoided, and overcome.

Firstly, and most importantly, the integration process can be complex, as it involves merging cultures, systems, and processes. If not maneuvered appropriately and effectively, it can lead to operational challenges and disruptions, emphasized by employee concerns. Indeed, the change in ownership and organizational structure can create uncertainty among employees, especially in Pfizer's case, which, as previously discussed, faces no trouble polishing its structure through layoffs and cuts. With its estimated \$3.5 billion worth of jobs cut as of 2023, this fate could yet again occur after Seagen's acquisition. In order to avoid instability and professional dilemmas, Pfizer must manage the transition and address employee concerns, despite possible short-term losses.

Similarly, given its range and scope, the acquisition implies significant financial risks for the company. As reflected through its statements, Pfizer has been experiencing waning inflows and significant outflows, which, along with the large investment, leads to greater financial exposure.

Furthermore, although more unlikely given Seagen's reputation, an overvaluation may have occurred, further deepening the financial exposure of the biotechnology giant.

Adding to the list, missed opportunities to capture synergy are also a concern. Indeed, the benefits and cost savings might not quite reach their desired potential, possibly due to technological changes, rendering IDCs obsolete, making it easy to miss opportunities for capturing synergies. Moreover, market disruptions and unpredictable events, like economic downturns and industry shifts, can greatly impact the success of the deal.

These events might affect the target company's performance or the overall business landscape, possibly reducing the acquisition's anticipated benefits.

### *Market Reaction*

Despite expectations of potential layoffs as the companies' merge, Pfizer's CEO, Albert Bourla, assured that Seagen's operations in Seattle and San Francisco would be maintained. Seagen, known for its pioneering work in antibody-drug conjugates (ADCs), has a robust pipeline of drugs, and Pfizer aims to leverage its expertise to introduce new types of agents. The deal, expected to close in late 2023 or early 2024, may face regulatory scrutiny, but experts believe it won't significantly impact pricing dynamics. While concerns about potential layoffs linger, past acquisitions in the Seattle biotech community have shown mixed effects on employment, with some leading to growth and innovation.

Seagen's workforce of 3,300 employees, including 1,800 in the Seattle area, may experience contraction, but their expertise could remain valuable for smaller companies or as remote workers. The acquisition is seen as an opportunity for Pfizer to enhance its oncology pipeline and clinical trial capabilities. Seagen's 2022 revenue reached \$2 billion, and the deal is expected to contribute more than \$10 billion in risk-adjusted revenues for Pfizer by 2030. Despite uncertainties, there is optimism about the potential for the acquisition to strengthen the region's life sciences ecosystem.

### *Deal Advisors*

#### **Pfizer Inc**

**Financial advisors:** Guggenheim Securities

**Legal advisors:** Arnold & Porter Kaye Scholer LLP, Wachtell Lipton Rosen & Katz, Goodwin Procter LLP

**Other:** FGS Global

#### **Seagen Inc**

**Financial advisor:** Centerview Partners, MTS Health Partners

**Legal advisor:** Sullivan & Cromwell LLP, Skadden Arps Slate Meagher & Flom LLP

**Other:** H/Advisors Abernathy

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