

abbvie

# ABBVIE'S ACQUISITION OF PHARMACYCLICS

March 5, 2015



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# Strategically Compelling Acquisition

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**Well-positioned for leadership in the large and rapidly growing oncology market**

**Companies well-aligned with complimentary strengths and assets**

**Significantly accelerates clinical and commercial presence in oncology**

**Combines the promising novel mechanisms for treatment of hematologic cancers:  
BTK inhibition; PI3K inhibition and Bcl-2 inhibition**

**Strong clinical expertise to develop novel combinations and next-generation therapies**

**A strategically compelling and financially attractive combination to drive  
significant shareholder value**

# Strong Strategic Fit

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## Complementary strategic capabilities:

- Pharmacyclics
  - Strong expertise in kinase biology and oncology discovery
  - Organizational expertise/capabilities in oncology development
  - Established strong commercial channel in hematological oncology
- AbbVie
  - Strong pre-clinical discovery and development capabilities in oncology, both small molecules and biologics
  - Complementary assets is hematological malignancies – Venetoclax, Duvelisib
  - Several late-stage development programs in solid tumors
  - Strong and deep expertise in immunology discovery, development, regulatory and medical affairs
  - Market leading channel presence in immunology

Pharmacyclics to be established as a standalone center of excellence

**Combined wherewithal to rapidly develop the broad application of BTK across multiple hematological oncology indications, as well as immunology and solid tumors**

## Financially Compelling Opportunity

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**Provides financially attractive profile, with accretion beginning in 2017, accelerating to more than \$0.60 per share in 2019, and ramping significantly thereafter**

**Exceeds our cost of capital hurdle rate by 2019, significantly exceeds it thereafter**

**Purchase price of \$261.25 per share, funded with mix of debt and equity; issuance of equity preserves financial flexibility**

**AbbVie peak-year sales for IMBRUVICA estimated to exceed \$7BN**

**Newly combined oncology franchise poised to drive peak-year sales well in excess of \$20BN**

## Financial Details

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- AbbVie to acquire Pharmacyclics for \$261.25 per share in cash and stock
  - Represents 39% premium to the Pharmacyclics closing price on February 24, 2015
  - Implies transaction value of approximately \$20.2BN net of cash acquired
- Pharmacyclics shareholders have option to elect 100% cash, 100% stock or a mix of cash and stock, subject to proration such that total consideration will be approximately 58% cash / 42% stock
  - Fixed value offer with equity component subject to a floating exchange ratio
- Promptly after close, intend to execute an accelerated share repurchase program to repurchase at least half of the equity issued for this transaction
  - Share repurchase authorization increased from \$5BN to \$10BN
- Committed debt financing to fund the cash purchase price and post-closing accelerated share repurchase program
- Approved by both companies' Board of Directors
- Closing expected in Q215 subject to regulatory approvals and other customary closing conditions

# Strong Strategic Fit Drives Significant Value

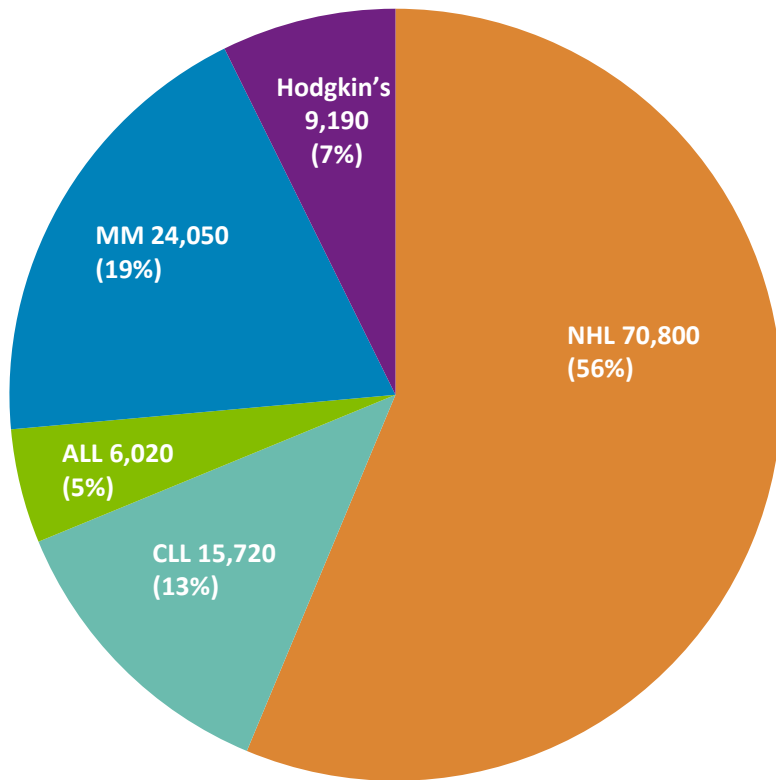
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## Key Benefits

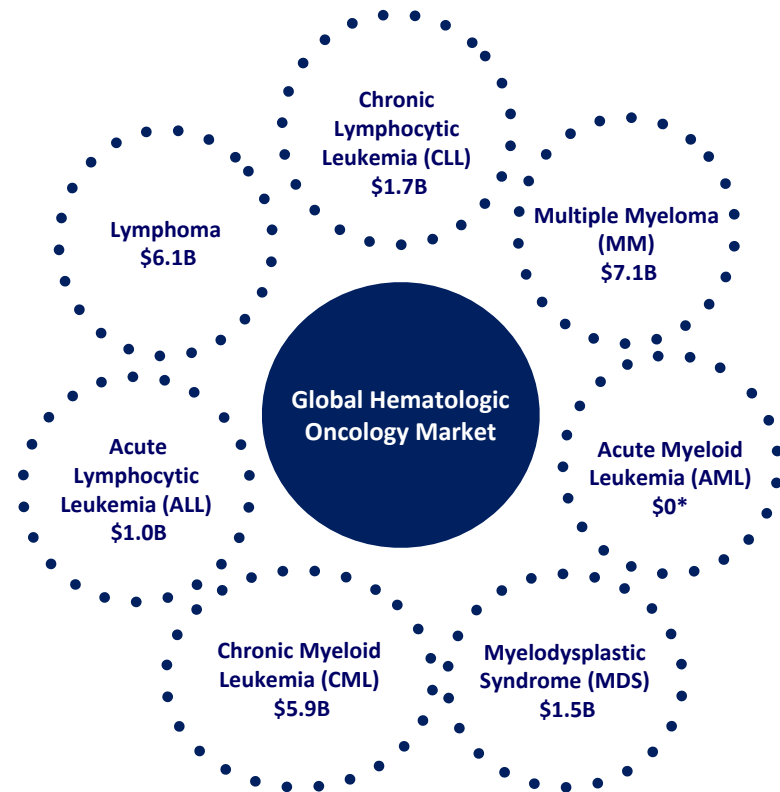
- ✓ Accelerates AbbVie's leadership position in oncology
- ✓ Provides access to large and rapidly growing on-market asset with potential to achieve >\$7BN peak-year AbbVie sales
- ✓ Accretive to EPS growth beyond 2016; ramping to >\$0.60 per share by 2019
- ✓ Complementary to existing oncology pipeline assets
- ✓ Further diversifies AbbVie's revenue base
- ✓ Creates another strong growth platform
- ✓ Excellent strategic fit
- ✓ Organization with proven track record of success

# Hematologic Oncology Represents Significant Opportunity

**B-Cell Malignancies: ~126,000 new Cases  
In the U.S. In 2014\*\***



**2014 Global malignant hematology market  
~\$24BN<sup>1</sup>**



1. Including, but not limited to tumor types shown on this slide. Source: EvaluatePharma

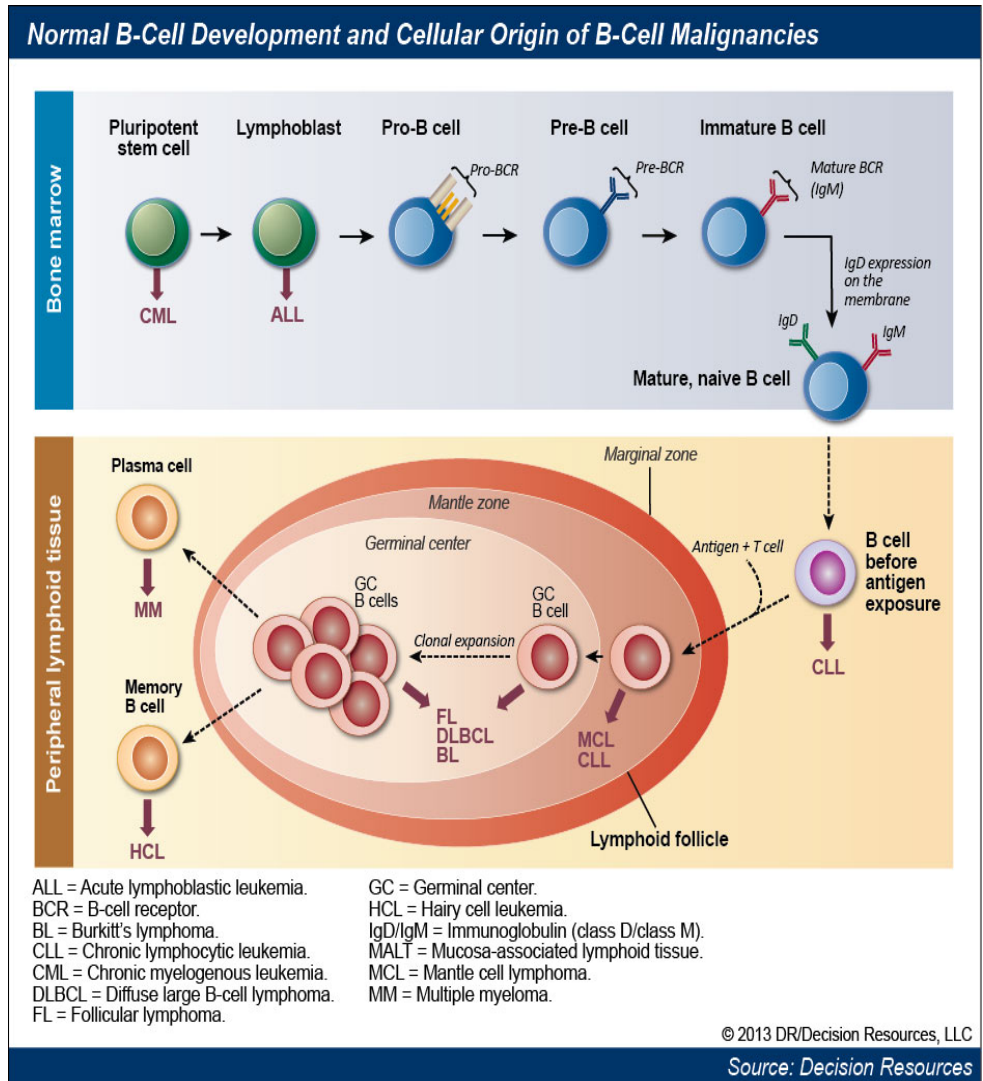
\*No approved branded therapies

\*\*Source: Cancer Facts and Figures, American Cancer Society (2014)

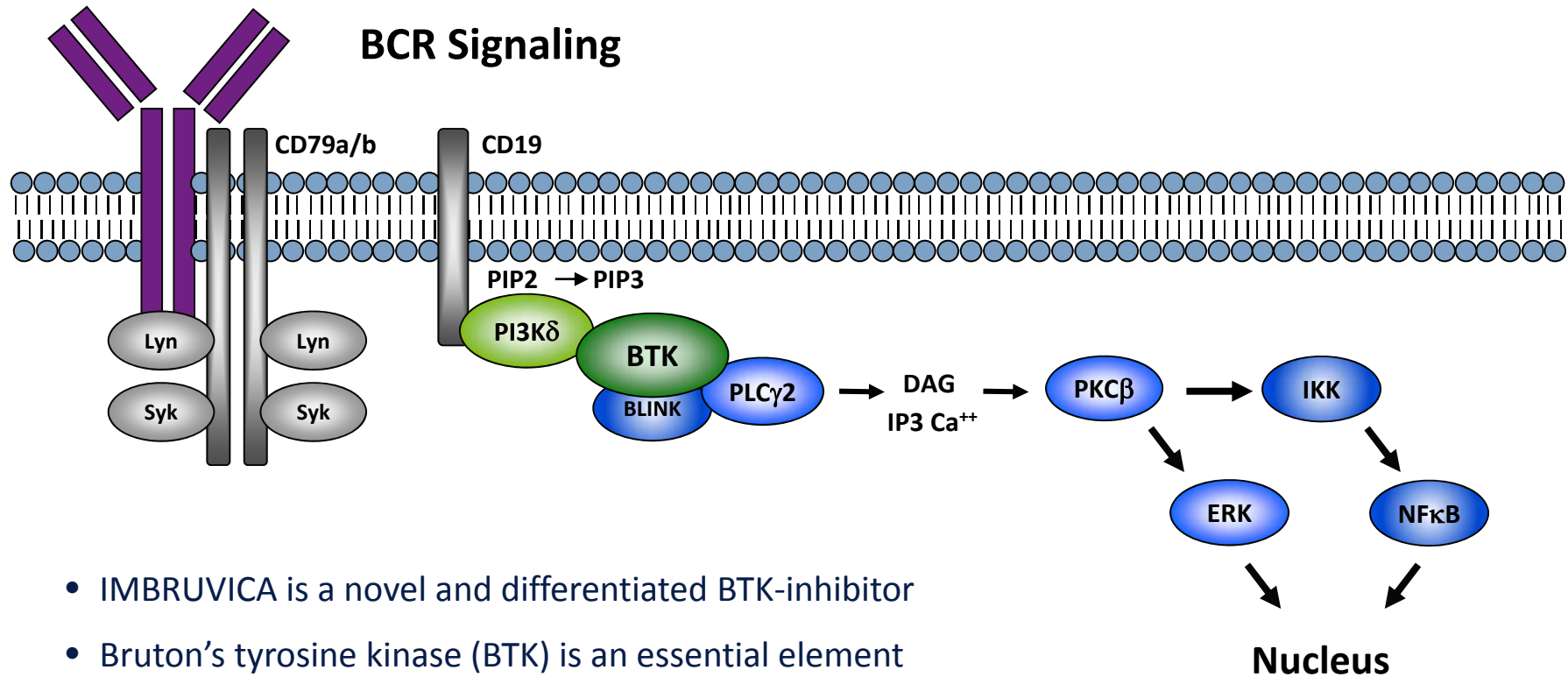


# B-Cell Malignancies – Background

- B-cell malignancies are a broad and complex group of cancers
  - Arise from various developmental stages of the B lymphocyte, the cell type responsible for humoral (antibody-mediated) immunity
- Occur in several forms
  - Leukemia: Primarily affecting the bone marrow and blood
  - Lymphoma: Arising in the lymph node and other lymphoid organs
  - Multiple Myeloma: Tumor of plasma cells (antibody secreting cells) associated with protein over-production and multiple lesions in bone



# IMBRUVICA Overview – Mechanism of Action



- IMBRUVICA is a novel and differentiated BTK-inhibitor
- Bruton's tyrosine kinase (BTK) is an essential element of the B-cell receptor (BCR) signaling pathway
- BCR signaling is required for tumor expansion and proliferation
- Inhibition of BTK blocks BCR signaling, removing growth and activation signals and inducing apoptosis

## IMBRUVICA Overview – Current Indications

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- IMBRUVICA (ibrutinib) - potential backbone therapy in B-Cell Malignancies
  - First-in-class with demonstrated progression free survival and overall survival advantages over Rituxan
  - Targeting a \$10BN+ market with significant growth potential
- Four FDA/EMA approvals:
  - Mantle Cell Lymphoma (MCL) (2nd line) in 2013
  - Chronic Lymphocytic Leukemia (CLL) (2nd line) in 2014
  - CLL sub-type with 17 p deletion (all lines) in 2014
  - Waldenstrom’s macroglobulinemia (all lines) in 2015
- Only drug with three FDA Breakthrough Therapy Designations
- Approved in more than 40 countries
- More than 15,000 patients have already been treated with IMBRUVICA
- IMBRUVICA is marketed in collaboration with Janssen

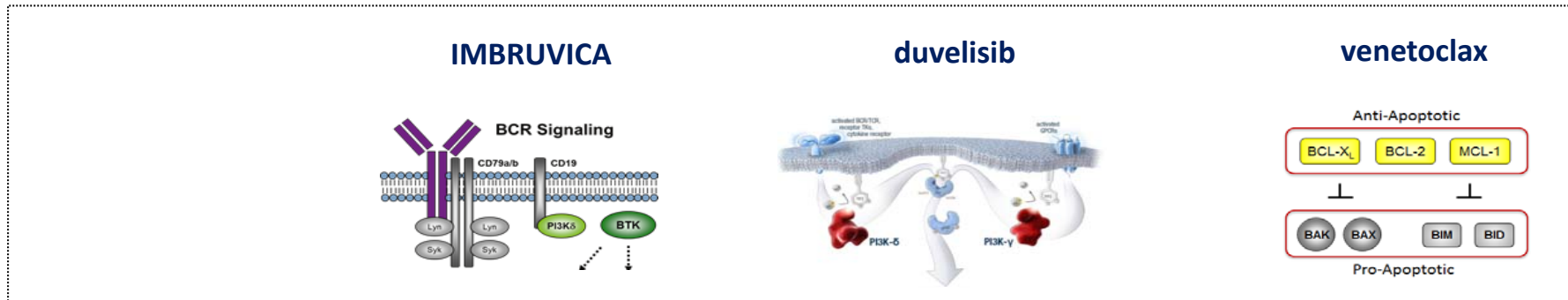
# IMBRUVICA Overview – Potential Expansion of Indications

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- Extensive ongoing clinical program
  - 58 clinical studies ongoing with 13 in Phase III
  - 5,100 patients have been enrolled in IMBRUVICA (ibrutinib) clinical trials
  - 800 investigators in 35 countries
- Targeting one-to-two new indications per year 3-5 years including:
  - 1st line CLL/MCL (2015/2016)
  - Diffuse Large B-cell Lymphoma (~2016 for R/R; ~2020 first line)
  - Follicular Lymphoma (~2016 for R/R)
  - Multiple Myeloma (Phase I/II data readout in combo with Kyprolis 2H15)
- Also in early stage testing in solid tumors (in combination with other therapies) and autoimmune diseases

Source: Pharmacylics Corporate Presentation, January 14, 2014

# Combined Hematologic Oncology Portfolio Overview



Mechanism of Action	BTK Inhibition	PI3K Inhibition	BCL-2 Inhibition
<b>Indications</b>	<p>Approved for use in refractory CLL, WM, second-line Mantle Cell Lymphoma</p> <p>Being investigated in multiple myeloma, follicular lymphoma, and diffuse large B-cell lymphoma</p> <p>Being tested for Rituximab-based regimens and other anti-CD20 agents</p>	<p>Being explored for use in refractory, indolent NHL and refractory CLL as monotherapy</p> <p>Being tested in combination with Rituximab</p>	<p>Being explored for use in CLL and NHL as monotherapy treatment</p> <p>Being studied in combination with Rituximab and with other agents in multiple myeloma and a variety of lymphomas, including CLL, NHL, DLBCL, AML</p>
<b>Potential Combinations</b>	<p>Potential for use in combination with new immunotherapies such as PD-1s, other checkpoint inhibitors and novel mechanisms developed by Abbvie and Pharmacyclics Oncology</p>	<p>Potential for combination with IMBRUVICA</p> <p>Potential for combination with venetoclax</p>	<p>Potential for combination with IMBRUVICA</p> <p>Potential for combination with Duvelisib</p>
<b>Launch Year</b>	Approved November 2013	2017	2016

# Robust Pipeline Spans Attractive Specialty Categories

	Phase I	Phase II	Phase III	Registration
Select Pipeline Assets	<p>ABT-399: Solid Tumors</p> <p>ABT-165: Solid Tumors</p> <p>RTA-ABT 408: Solid Tumors</p>	<p>Veliparib: Ovarian Cancer</p> <p>ABT-199: AML</p> <p>ABT-199: iNHL</p> <p>Duvelisib: iNHL</p> <p>ABT-414: Glioblastoma Multiforme</p>	<p>ABT-199: CLL (Relapsed/Refractory)</p> <p>ABT-199: CLL (Front-line; unfit)</p> <p>Veliparib: NSCLC (Squamous)</p> <p>Veliparib: NSCLC (Non-squamous)</p> <p>Veliparib: Breast Cancer (Neoadjuvant)</p> <p>Veliparib: Breast Cancer (BRCA)</p> <p>Elotuzumab: Multiple Myeloma</p> <p>Duvelisib: CLL</p>	<p>Humira: Hidradenitis Suppurativa</p>
	<p>ABT-199: SLE</p> <p>ABT-257: RA</p> <p>ABBV-084: SLE</p>	<p>ABT-122: RA</p> <p>ABT-122: PsA</p> <p>ABT-494: RA</p> <p>GLPG 0634: RA</p> <p>GLPG-0634: Crohn's Disease</p> <p>ALV-003: Celiac Disease</p> <p>ABT-981: Osteoarthritis</p> <p>BT061: RA</p> <p>ALX-0061: RA</p>	<p>Daclizumab: Multiple Sclerosis</p>	<p>2-DAA Japan : HCV (GT1b)</p>
	<p>ABBV-672: Alzheimer's Disease</p> <p>ABT-957: Alzheimer's Disease</p>	<p>ABT-436: Alcohol Use Disorder</p>	<p>Elagolix: Endometriosis</p>	<p>2-DAA US : HCV (GT4)</p>
	<p>BTK Inhibitor: Autoimmune</p> <p>Imbruvica: Graft V Host Disease</p>	<p>2nd gen pangenotypic: HCV</p>	<p>Humira: Uveitis</p>	
		<p>Elagolix: Uterine Fibroids</p>	<p>Atrasentan: Diabetic Nephropathy</p>	
		<p>RTA-ABT 408: Ocular Inflammation</p>	<p>Imbruvica: DLBCL</p>	
		<p>Imbruvica: Multiple Myeloma</p> <p>Imbruvica: AML</p> <p>Imbruvica: ALL</p>	<p>Imbruvica: Follicular Lymphoma</p> <p>Imbruvica: Marginal Zone Lymphoma</p>	

- Oncology
- Immunology
- Neuroscience
- HCV/Liver disease
- Women's Health
- Ophthalmology
- Renal
- Pharmacyclics

## AbbVie Mid-to Late-Stage Program Highlights: Other Oncology

Compound	Details
<b>Veliparib</b> <i>Solid Tumors</i>	<ul style="list-style-type: none"><li>• PARP-inhibitor, enhances the effectiveness of common DNA damaging cancer therapies</li><li>• Four Phase III studies currently underway</li><li>• Planning to begin Phase III development for ovarian cancer in 2015</li></ul>
<b>Elotuzumab</b> <i>Multiple Myeloma</i>	<ul style="list-style-type: none"><li>• Currently in Phase III development in combination with standard of care for multiple myeloma (refractory and first-line patients)</li><li>• Phase II results demonstrated high response rates</li><li>• Phase III refractory data available 1H15; potential for regulatory submission in 2015</li></ul>
<b>ABT-414</b> <i>Glioblastoma Multiforme</i>	<ul style="list-style-type: none"><li>• Anti-EGFR monoclonal antibody drug conjugate being evaluated in GBM</li><li>• Early data promising; recently granted orphan drug designation</li><li>• Recently initiated large, active controlled Phase II study</li></ul>

# AbbVie Mid-to Late-Stage Program Highlights: Immunology

Compound	Details
<b>GLPG0634</b> <i>Rheumatoid Arthritis</i> <i>Crohn's Disease</i>	<ul style="list-style-type: none"> <li>• Selective JAK-1 inhibitor being evaluated as potential treatment for RA and Crohn's disease</li> <li>• Phase IIB RA studies on track to read out this year</li> </ul>
<b>ABT-494</b> <i>Rheumatoid Arthritis</i>	<ul style="list-style-type: none"> <li>• Internally developed selective JAK-1 inhibitor in development for immune-mediated diseases</li> <li>• Mid-stage program underway, expect read out in 2015</li> </ul>
<b>Humira – New Indications</b> <i>Hidradenitis Suppurativa</i> <i>Uveitis</i>	<ul style="list-style-type: none"> <li>• HS: Chronic inflammatory skin disease with no approved treatments; currently under review</li> <li>• Uveitis: Sight threatening inflammatory eye disease in Phase III development</li> </ul>
<b>ALX-0061</b> <i>Rheumatoid Arthritis</i>	<ul style="list-style-type: none"> <li>• Anti-IL-6 nanobody: binds with high affinity and may have faster and more effective tissue penetration due to its relatively small size vs. other monoclonal antibodies</li> <li>• Phase IIB program underway</li> </ul>
<b>ABT-122</b> <i>Rheumatoid Arthritis</i> <i>Psoriatic Arthritis</i>	<ul style="list-style-type: none"> <li>• DVD-Ig platform pairs two established mechanisms, anti-TNF and anti-IL-17</li> <li>• Phase II program underway</li> </ul>
<b>ABT-981</b> <i>Osteoarthritis</i>	<ul style="list-style-type: none"> <li>• DVD-Ig (anti-IL-1 <math>\alpha/\beta</math>) in Phase II development for osteoarthritis</li> </ul>
<b>ALV-003</b> <i>Celiac Disease</i>	<ul style="list-style-type: none"> <li>• Mixture of two recombinant gluten-specific proteases; Phase IIB underway</li> <li>• Potential to be first therapy to treat celiac disease</li> </ul>
<b>Tregalizumab</b> <i>Rheumatoid Arthritis</i>	<ul style="list-style-type: none"> <li>• Novel anti-CD4 humanized monoclonal antibody that activates T-regulatory cells</li> </ul>



## AbbVie Mid-to Late-Stage Program Highlights: Other Programs

Compound	Details
<b>Zinbryta (daclizumab)</b> <i>Multiple Sclerosis</i>	<ul style="list-style-type: none"> <li>• Humanized antibody specific for IL2 receptor in development for relapsing remitting MS</li> <li>• Strong pivotal trial results showed patients treated with Zinbryta had a statistically significant 45% reduction in annualized relapse rate versus Avonex</li> <li>• U.S. regulatory application and EMA regulatory application to be submitted 1H15</li> </ul>
<b>Elagolix</b> <i>Endometriosis</i> <i>Uterine Fibroids</i>	<ul style="list-style-type: none"> <li>• Goal with Elagolix in endometriosis is to bring to market an oral, short-acting therapy that provides a high level of efficacy with minimal menopausal side effects, while preserving bone health</li> <li>• Positive top-line endometriosis data announced in January; Phase IIB fibroids data in 2015</li> </ul>
<b>Atrasentan</b> <i>Diabetic Kidney Disease</i>	<ul style="list-style-type: none"> <li>• Selective endothelin-A receptor antagonist</li> <li>• Findings from the two 12-week Phase IIB studies showed patients treated with atrasentan achieved sustained reductions in albuminuria (primary end-point)</li> <li>• Global Phase 3 registrational study (SONAR) underway; event driven study, which we expect to complete in 2018</li> </ul>
<b>Next Generation HCV Combination</b> <i>Pangenotypic HCV</i>	<ul style="list-style-type: none"> <li>• Goal to bring to market a ribavirin-free, once-daily pan-genotypic combination</li> <li>• Evaluating a potent protease inhibitor (ABT-493) and new NS5A inhibitor (ABT-530)</li> <li>• Phase IIB studies well underway, with SVR data expected later this year; expect to transition to Phase III in 2015, with anticipated commercialization in 2017</li> </ul>

# 2015: Significant Late-Stage Pipeline Activity

## Key Data Readouts

- ABT-199: Data from R/R CLL 17p del study
- Elotuzumab: Phase III data in R/R multiple myeloma
- GLPG0634: Phase IIB data in RA
- ABT-494: Phase IIB data in RA
- Elagolix: Phase IIB data in uterine fibroids
- Elagolix: Phase III top-line data in endometriosis
- Next-gen HCV: Phase IIB SVR data
- Duvelisib: Phase IIB data in iNHL
- ALV-003: Phase IIB data in celiac disease
- ABT-122: Phase II data in RA
- ABT-888: Phase II data

## Regulatory Submissions

- Zinbryta: RRMS regulatory submissions
- ABT-199: Relapsed/refractory CLL (17p del) regulatory submissions
- Elotuzumab: Relapsed/refractory multiple myeloma regulatory submissions
- Humira: Uveitis regulatory submissions
- HCV: 2-DAA Japan (GT1B - 1Q15; GT2 - 2H15)

## Regulatory Approvals

- VIEKIRAX + EXVIERA
- U.S. Duopa
- HCV: 2-DAA Japan (GT1B)
- Humira: Hidradenitis suppurativa

## Key Phase Transitions and Clinical Trial Starts

- ABT-199: Phase III start (first line CLL/fit; combo w/ Gazyva)
- Next-gen HCV: Phase III start (genotypes 1-6)
- ABT-888: Phase III start (ovarian cancer)
- ALX-0061: Phase IIB start (RA)
- ABT-122: Phase II start (psoriatic arthritis)
- ABT-414: Phase II start (glioblastoma multiforme)
- ABT-494: Phase II start (Crohn's disease)

## Strong Return of Cash to Shareholders

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**Significant and growing cash flow**

**Recently increased quarterly dividend by 4%; following ~17% increase in late 2014**

**Since AbbVie inception in 2013, dividend has been increased nearly 28%**

**Share buyback program in place; to be executed over next several years**

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**Strong commitment** to growing our dividend and  
returning cash to shareholders

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