

## **Burst of M&A activity in pharma during 2009 led by mega-deals from Pfizer/Wyeth and Merck & Co/S-P**

**Following 2008, when pharmaceutical sector merger and acquisition activity was on a relatively small scale in terms of the size of deals announced, 2009 was a bumper year, with drugmakers facing declining R&D productivity, anticipating patent losses and drug pricing pressures and, thus, looking for ways to support their bottom lines.**

According to The Pharma Letter's records, there were 92 pharmaceutical acquisitions consummated during 2009 (with several others announced but failing), compared with 113 the previous year. Of the 2009 announcements, 16 deals exceeded a value of \$1 billion. The full list can be seen in the table on the subsequent page.

2009 was also a year when ever more mega-sized agreements were signed to acquire rights to developmental compounds with several involving total payments, depending on achieving milestones, of over \$1 billion.

In today's economic climate, according to comments from analysts at PricewaterhouseCoopers, "it is more challenging than ever for pharmaceutical and biotech companies to deliver on shareholder value. The loss of patent protections and a shortfall in the pipeline to replace lost sales, combined with the general decline in return on research & development and sales and marketing, has left companies searching for alternative methods of delivering maximum returns to shareholders. Many are looking to transactions such as mergers & acquisitions, divestitures and licensing/collaborations to enhance value during these challenging times."

The world's 10 largest pharmaceutical companies have committed almost \$230 billion to M&A deals since the beginning of 2007, according to a recent report from Business Insights. The size of their assets and the cash-generating capabilities of their

existing businesses have rendered them largely immune from the effects of the global economic downturn, during which big pharma M&A spending has actually accelerated. However, it added, these 10 biggest players face the expiry of patents on brands that generate annual revenues of more than \$130 billion within the next five years. This 'patent cliff' is driving the acquisition of biotech assets designed to strengthen Big Pharma pipelines, says Business Insight.

The year kicked off with already the world's largest drugmaker Pfizer's \$68 billion takeover of Wyeth, which included a wealth of vaccines and biologics, as well as rheumatoid arthritis treatment Enbrel (etanercept). Shortly after, Merck & Co and fellow US drug major Schering-Plough agreed what was termed a reverse takeover deal valued at \$41.1 billion, and then Swiss major Roche brought the remaining 41% stake in US biotech giant Genentech which it did not already own for \$47 billion. The latter deal would have been the biggest M&A offer of 2008, but Genentech persistently refused to accept it that year. In fact, the largest transaction of 2008 ended up being that of fellow Swiss major Novartis' takeover of its majority-owned subsidiary Alcon for nearly \$11 billion. However, Novartis revealed at the start of 2010 that it is exercising its option to take 77% control of the company in a deal worth \$38.5 million, and has bid for full control of the eye-care firm (The Pharma Letter January 4), which will feature in this year's M&A line up.

## Active year for GSK and Sanofi-Aventis

Although not in the same the value league as the three mega deals of 2009 mentioned above, UK drugs giant GlaxoSmithKline and French major Sanofi-Aventis had a busy M&A year.

**GSK** followed up on earlier pledges of looking at targeted developing and niche markets, first entering into a \$365 million deal to acquire the Pakistan business of US major Bristol-Myers Squibb, and then buying the Emerging Markets unit of Belgium's UCB for \$676 million. Its biggest deal was the \$3.6 billion offer for USA-headquartered Stiefel, to create a new world-leading specialist dermatology business. After that, it acquired a 19% stake in South Africa's Aspen Pharmacare for \$593.6 million, which included combining commercial activities in Sub-Saharan Africa and the divestment of several assets to Aspen. GSK also took a 5% stake in Austria's Intercell for \$57.4 million, as part of a licensing accord for the latter's investigational TD (tetanus and diphtheria) vaccine, currently in Phase III, and a single application pandemic influenza vaccine in Phase II, as well as other potential future patch vaccines.

**Sanofi-Aventis** kicked off the year by concluding its previously-announced acquisition of Czech generics firm Zentiva, in a \$2.3 billion deal in March, with this to become a platform for further growth in the Central and Eastern European (CEE) markets, Turkey and Russia, and place the French group as the eleventh global generic player on the basis of pro forma 2008 sales. Then followed the purchase of Medley in Brazil for \$220 million, Laboratorios Kendrick in Mexico, BiPar Sciences in the USA (the last two for undisclosed amounts), Santha Biotechnics of India for \$613 million, French firm Fovea for \$542 million and finally rounding out the year on December 21 with a \$1.9 billion bid for US consumer health care firm Chattem, in a transaction which has still to be completed.

US health care major **Abbott Laboratories** announced an agreed deal with Belgium's Solvay to buy the latter's pharmaceutical unit for \$6.6 billion, in a transaction that is expected to conclude during the first quarter of this year. Abbott also acquired US eye-care firms Advanced Medical Optics, for \$2.8 billion, and

Visiogen, for \$400 million.

Switzerland's **Novartis** made three acquisitions last year: Austria's EBEWE Pharma for \$1.2 billion - to add to its generic drug offerings via subsidiary Sandoz; China's Zhejian Tianyuan for \$125 million; and the USA's Corthera for \$120 million up-front, with a further \$500 million dependent on the progress of the latter's promising, Phase III, cardiovascular drug relaxin.

## Japanese buying continues

Japanese acquisitions were less prolific than in 2008, but still involved five deals. Dainippon Sumitomo paid \$2.6 billion for US company Sepracor, Eisai bought US firm AkaRx for \$255 million, Hisamitsu took over Noven Pharma of the USA for \$428 million, Takeda bought IDM Pharma, also of the USA, for \$75 million, and Nippon Chemiphar acquired Indian firm Ranbaxy's stake in their Japanese joint venture Nihon Pharma for an undisclosed amount.

Of the other \$1 billion-plus deals announced last year were: Bristol-Myers Squibb's acquisition of US firm Medarex for \$2.4 billion; Gilead Sciences \$1.4 billion buy of fellow USA-based CV Therapeutics; Johnson & Johnson's \$1 billion purchase of Cougar Biotechnology; PPD's \$14.5 billion takeover of Magen Biosciences; Irish firm Warner Chilcott acquiring Procter & Gamble's prescription pharmaceutical business for \$3.2 billion and Watson Pharma buying fellow US firm Arrow Pharma for \$1.75 billion.

## The ones that got away

There were also a number of deals that did not go through. Among these were Biogen Idec's long fight to gain control of Facet Biotech, in a \$356 million offer that the latter deemed inadequate; Arcion's plans to rescue Anesiva in a stock merger; Intelident Solutions' \$4.4 million pursuit of Zila (which ended up in the hands of Tolmar for a reported \$4 million); and the rejected \$460 million offer for Canada's Patheon from Swiss firm Lonza. Also, after a bid battle with Israel's AIT, the management of UK generic drugs group Goldshield prevailed, with an offer of around \$280 million through newly-formed investment group Midas BidCo for the business that was concluded late December.

<b>Company</b>	<b>Partner</b>	<b>Deal value \$</b>	<b>Complete</b>
Abbot Labs (US)	Advanced Medical Optics (US)	\$2.8 billion	Feb 2009
Abbot (US)	Visiogen	\$400.0 million	Oct 2009
Abbot (US)	Solvay (Belgium) Pharma unit	\$6.6 billion	1st qtr 2010
Adamis Pharma (USA)	La Jolla Pharma	Undisclosed	TCB
Alcon(Swiss)	ESBAC ech (Swiss)	\$490.0 million	TBC
AstraZeneca (UK)	Novexcel (France)	\$505.0 million	TCB
BioMarin (US)	Huxley Pharma	\$58.5 million	Oct 2009
BioSante Pharma (US)	Cell Genesys (US)	\$38.0 million	Oct 2009
BioVitrum (Sweden)	Swedish Orphan (Sweden)	\$493.0 million	Dec 2009
Bristol-Myers Squibb (US)	Medarex (US)	\$2.4 billion	Sep 2009
Celgene (US)	Gloucester Pharma (US)	\$640.0 million	1st qtr 2010
Cellidex Thera (US)	CuraGen (US)	\$94.5 million	Oct 2009
Cephalon (US)	Arana Therapeutics (Australia)	\$205.0 million	Aug 2009
Dainippon Sumitomo (Japan)	Sepracor (US)	\$2.6 billion	Oct 2009
Deerfield Management	NitroMed (US)	\$36.0 million	Feb 2009
Eisai (Japan)	AkaRx (US)	\$255.0 million	TBC
Endo Pharma (US)	Indevus Pharma (US)	\$637.0 million	Feb 2009
Evolva (Swiss)	Arpida (Swiss)	Undisclosed	Dec 2009
Evotec (Germany)	RSIPL (India)	\$3.5 million	Aug 2009
Genesis Pharma (US)	Hongrui Pharma (China)	\$16.0 million	Mar 2009
Gen-Probe (US)	Tepnel Life Science (UK)	\$132.2 million	Apr 2009
Gilead Sciences (US)	CV Therapeutics (US)	\$1.4 billion	Apr 2009
GlaxoSmithKline (UK)	Bristol-Myers Squibb (Pakistan)	\$365.0 million	2009
GlaxoSmithKline (UK)	UCB Emerging Markets units	\$676.0 million	2009
GlaxoSmithKline (UK)	Stiefel Labs (US)	\$3.6 billion	July 2009
GlaxoSmithKline (UK)	Aspen Pharmacare (19% stake)	\$593.6 million est	Dec 2009
GlaxoSmithKline (UK)	Intercell (Austria; 5% stake)	\$57.4 million	Dec 2009
GPC Biotech (German)	Agennix (US)	Undisclosed	Mar 2009
HalcyGen (Australia)	Mayne Pharma Int (Australia)	\$415.0 million	Oct 2009
Hard to Treat Medicene (China)	Shenzen Mellow Hope (China)	Undisclosed	Mar 2009
Helsinn (Switzerland)	Sapphire Therapeutics	Undisclosed	Feb 2009
Hisamitsu Pharma (Japan)	Noven Pharma (US)	\$428.0 million	Aug 2009
Hospira (US)	Orchid Chem & Pharma (India) (Injectable generics business)	\$400.0 million	TBC
Integrated DNA Tech (US)	VH Bio's oligo business	Undisclosed	2009
Inviragen (US)	SingVax (Singapore)	Undisclosed	Oct 2009
Johnson & Johnson (US)	Cougar Biotechnology	\$1.0 billion	Jul 2009
Johnson & Johnson (US)	Crucell (18% stake)	\$443.3 million	Sept 2009
Laboratory Corp of America (US)	Monogram Biosciences (US)	\$106.7 million	Aug 2009
LEO Pharma (Denmark)	Peplin (US, Australia)	\$287.5 million	Nov 2009
Ligland Pharma (US)	Neurogen (US)	\$11.6 million	Dec 2009
Ligland Pharma (US)	Metabasis Thera (US)	\$3.2 million	Nov 2009
Lundbeck (Denmark)	Ovation Pharma (US)	\$900.0 million	Mar 2009
Lundbeck (Denmark)	Lifehealth (UK)	\$147.0 million	Jul 2009
Medicenes Co (US)	Targanta Therapeutics	\$42.0 million	Feb 2009

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MediciNova (US)	Avigen (US)	\$37.0 million	Dec 2009
Merck & Co (US)	Schering-Plough (US)	\$41.1 billion	Nov 2009
Merck & Co (US)	Avecia Biologics (UK)	Under \$1 billion TBC	
Merck KGaA (Germany)	Bangalore Genei (India)	Undisclosed	Oct 2009
Midas BidCo (Goldsheild management team)	Goldshield (UK)	\$280.0 million	Dec 2009
Mylan (US)	Matrix Labs (india) (29% not already owned)	\$133.0 million	2009
Myriad Pharma (US)	Javelin Pharma (US)	\$96.0 million	TBC
Nippon Chemiphar (Japan)	Nihon Pharma (Taking over Ranbaxy share of the JV)	Undisclosed	TCB
Novartis (Swiss)	EBEWE Pharma (Austria)	\$1.2 billion	Sept 2009
Novartis (Swiss)	Zheijian Tianyuan (China)	\$125.0 million	TBC
Novartis (Swiss)	Corthera (US)	\$120.0 million (Plus possible \$500 million on milestone successes)	TCB
Onyx Pharma (US)	Proteolix (US)	\$850.0 million	Nov 2009
Opko Health (US)	Pharma Genexx (Chile)	\$16.0 million	Dec 2009
OXiGENE (US)	VaxGen (US)	\$22.0 million	TBC
Pfizer (US)	Wyeth (US)	\$68.0 billion	Oct 2009
Pharmexa (Denmark)	Affitech (Norway)	Merger	Jun 2009
Piramel (India)	Minrad International (US)	\$40.0 million	2009
PPD (US)	Magen Biosciences (US)	\$14.5 billion	Apr 2009
Progen (Australia)	Avexa (Australia)	\$55.3 million	2009
Proximagen Neuro (UK)	Cambridge Biotech (UK) (Acquired from Biovitrum of Sweden)	Undisclosed	Nov 2009
Qiagen (Netherlands)	SA Biosciences (US)	\$90.0 million	Dec 2009
Raptor Pharma (US)	TorreyPines (US)	Undisclosed	Sept 2009
Roche (Swiss)	Genentech (USA)	\$46.8 billion (42% not already owned)	Apr 2009
Sanofi-Aventis (France)	Zentiva (Czech)	\$2.3 billion	Mar 2009
Sanofi-Aventis (France)	Medley SA (Brazil)	\$220.0 million	Mid 2009
Sanofi-Aventis (France)	Laboratorios Kendrick (Mexico)	Undisclosed	Apr 2009
Sanofi-Aventis (France)	BiPar Sciences (US)	Undisclosed	2nd qtr
Sanofi-Aventis (France)	Shantha Biotechnics (India)	\$613.0 million	Aug 2009
Sanofi-Aventis (France)	Fovea Pharma (France)	\$542.0 million	Dec 2009
Sanofi-Aventis (France)	Chattem (US)	\$1.9 billion	TCB
Santhera (Swiss)	Juvantia Pharma	Undisclosed	Oct 2009
Schwabe Pharma (German)	Dr Peithner Holdings	Undisclosed	May 2009
Sigma-Tau (Italy)	Enzon (US) (Speciality Pharma business)	\$327.0 million	Dec 2009
Silence Therapeutics (UK)	Intradign (US)	Undisclosed	Jan 2010
Simcere Pharma (China)	Jiansu Yanshen (china) (37% stake)	£28.6 million	2009
sinclair Pharma (UK)	Lab Novo Pharma (Spain) (Remaining 50% holding)	Undisclosed	Feb 2009

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Stem Cells (USA)	Stem Cell Sciences (UK)	Undisclosed	May 2009
Takeda (Japan)	IDM Pharma (US)	\$75.0 million	July 2009
Teva (Israel)	OncoGenex (US) (small stake)	\$10.0 million	TCB
Teva (Israel)	Taisho Pharma Ind (Japan) (Majority stake min 66.7%)	Undisclosed	Dec 2009
Tolmar (US)	Zila (US)	\$4.0 million	Sept 2009
Tolmar (USA)	QLT (Canada) US unit	\$230.0 million	Oct 2009
Tongjitgang (China)	Anhui Jingfanang (China)	\$8.8 million	Apr 2009
Valeant (US)	EMO-PHARMA (Poland)	\$28.0 million	May 2009
Valeant (USA)	Lab Dr Renaud (Canada)	£21.8 million	TCB
Warner Chilcot (Irish)	Proctor & Gamble Rx Pharma business	\$3.2 billion	Oct 2009
Watson Pharma (US)	Arrow Pharma (US)	\$1.75 billion	Dec 2009
Wyeth (US)	Thiakis (UK)	\$150.0 million	Jan 2009

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