

M&A continues in pharma/biotech, but are mega acquisitions thing of the past?

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While mergers and acquisitions in the pharmaceutical and biotechnology industries continued apace in 2008, the size of the deals compared to a few years back has decreased significantly. Of the 113 M&A deals reported for last year (according to Marketletter records; see pages 4-5 for full listing), not one came even close to the value of the past "mega buys," that of the hostile acquisition of Franco-German Aventis by France's Sanofi-Synthelabo for \$62.6 billion in 2004, and USA-based behemoth Pfizer's purchase of Pharmacia for \$57.0 billion in 2003.

In fact, what might have been the year's biggest acquisition - Swiss drug major Roche's attempt to take control of the 44% of US biotechnology firm Genentech it does not already own, has failed to come to fruition, because the latter rejected as inadequate the \$89 per share, a total of some \$43.7 billion, offer that was made - and is still on the table. However, some observers believe that, given the credit crunch that blighted the latter part of 2008 and sees no sign of abating, the deal - even if Genentech backed down - will not be able to proceed.

Notwithstanding, watch this space for 2009 because the Swiss major may still prevail; among the top 100 global companies in terms of market value, according to a UK Financial Times report, it has \$9.9 billion in net cash reserves, versus \$9.7 billion for Pfizer, \$2.9 billion for Genentech, \$1.2 billion for Bristol-Myers Squibb and \$200.0 million for Johnson & Johnson. The biggest cash piles at end-2008 were held by Berkshire Hathaway (\$106.1 billion) and Bank of China (\$100.6 billion), the FT noted.

The largest takeover of last year turned out to be by another Swiss major, Novartis, which successfully bid \$11.0 billion for around 25% of the outstanding shares of its majority-owned subsidiary Alcon, in order to expand its ophthalmics franchise, with an option to acquire the remaining holding in due course.

Japanese activity continues

The year saw continued overseas expansion by Japanese drugmakers, with Takeda topping the league, offering \$8.8 billion to buy USA-based Millennium. The big prize here was the latter's multiple myeloma drug Velcade (bortezomib), as well as its drug discovery and development platform and experienced sales force.

Other Japanese M&A activity included Daiichi Sankyo buying a stake in India's Ranbaxy Laboratories for \$4.6 billion, although that deal nearly ran into a stumbling block when the US Food and Drug Administration effectively banned the imports of drugs made at the latter's Indian facilities, including the big-selling generic simvastatin. The move was seen as a likely deterrent for the deal to be consummated, but the issue was eventually resolved. Daiichi Sankyo also purchased U3 Pharma for \$232.7 billion and Germany-based Merck Serono's Turkish cardiovascular sales force for an undisclosed sum.

Elsewhere, Shionogi acquired US firm Sciele for \$1.1 billion, and Kowa Co bought USA-based ProEthics for an undisclosed amount. Meantime, on the domestic front, Kirin Pharma bought fellow Japan-based Kyowa Hakko Kogyo for \$2.55 billion.

The one that escaped B-MS

The fourth-biggest deal of 2008 was one that, probably, was the least expected: US drug major Eli Lilly gaining control of biotechnology firm ImClone for \$6.8 billion, or \$70 a share. Lilly emerged as the "mystery bidder," after ImClone rejected the advances of Bristol-Myers Squibb - one of its marketing partners for the blockbuster cancer drug Erbitux (cetuximab) and already owner of a 17% stake in the firm - which had upped its offer to \$62 per share, from its original bid of \$60. The main contender for the biotechnology company other than B-MS was seen to be Germany's Merck KGaA, which has marketing rights for Erbitux outside the USA. Lilly also acquired SGX Pharmaceuticals for \$64.0 million.

Busy year for Teva, Sanofi and GSK

2008 was an active year for Israel's Teva Pharmaceutical Industries, whose US buys comprised those of Bentley's generics business for \$360.0 million, CoGenesys for \$400.0 million and - the big one - Barr Pharmaceuticals for \$4.1 billion.

Also having a busy year was France's Sanofi-Aventis, which started bidding for control of the Czech generic drugmaker Zentiva, of which it already owned 24.9%, in the summer. The deal, at first rejected but now worth around \$2.6 billion, has yet to be fully completed but looks set to proceed. Additionally, Sanofi acquired the UK's Acambis for \$549.7 million, and ventured into the over-the-counter/nutraceuticals arena with the purchase of Australia's Symbion for \$543.9 million.

UK drug giant GlaxoSmithKline made three relatively small acquisitions in 2008, paying: \$720.0 million for US firm Sirtris, to gain a foothold in the emerging sirtuins field targeting age-related diseases; \$102.0 million for B-MS' Egyptian unit and \$36.5 million for its Pakistan business; and \$57.0 million for Genelabs Technologies.

The long-running battle for ownership of Alpharma by fellow USA-based King Pharmaceuticals, started in the summer, came to a close late-November when the former finally accepted King's increased offer of \$1.6 billion.

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Round-up of 2008 Pharma M&A activity

Company	Partner	Deal value (\$)	Completed
Abbott Laboratories	Ibis Biosciences	\$210.0 million	Jan 2009 (e)
Abraxis BioScience	Shimoda	\$15.0 million	Apr 2008
Access Pharmaceuticals	MacroChem	Undisclosed	3Q 2008 (e)
AVI BioPharma	Ercole Biotech	\$9.0 million	Mar 2008
Aida Pharma	Jiangsu Institute of Microbiology	undisclosed	Mar 2008
American Oriental Bioengineering	China Aoxing (38% stake)	\$18.0 million	TBC
Amneal Pharmaceuticals	Interpharm	Undisclosed	TBC
Antisoma	Xanthus Pharmaceuticals	\$52.2 million	TBC
Apotheka	MACH4 (25% stake)	Undisclosed	TBC
Aspen	Shelys Africa (60% stake)	Undisclosed	TBC
Affymetrix	Panomics	\$73.0 million	TBC
AstraZeneca	Merck & Co (rights to four drugs from dissolved JV)	\$2.6 billion	2Q 2008
Bayer HealthCare	Direvo Biotech AG	\$299.4 million	TBC
bioMerieux	AB BioDisk	Undisclosed	June 2008
bioMerieux	AviaraDx	\$60.0 million	TBC
bioMerieux	PML Microbiologicals	\$29.6 million	Dec 2008
Biotie Therapies	elbion GmbH	Undisclosed	Nov 2008
Boehringer Ingelheim	Actimis Pharmaceuticals	\$515.0 million	TBC
Bristol-Myers Squibb	Kosan Bioscience	\$190.0 million	TBC
BTG	Protherics	\$342.2 million	Dec 2008 (e)
China Aoxing	Shijiazhuang Lerentang Pharmaceutical	\$10.8 million	May 2008 (e)
China Bio-Immunity	Lawford Asia Limited	Undisclosed	Oct 2008
Critical Therapeutics	Cornerstone BioPharma	\$63.0 million	Nov 2008
China Sky One	Heilongjian Tianlong Pharmaceutical	\$8.0 million plus shares	Mar 2008
Clinical Data	Adenosine Therapeutics	\$11.0 million	Aug 2008
Clinical Data	Avalon	\$10.0 million	TBC
CSL	Talecris Biotherapeutics	\$3.1 billion	TBC
CytRx	Innovive Pharmaceutical	\$21.3 million	Sept 2008
Daiichi Sankyo	U3 Pharma	\$232.7 million	TBC
Daiichi Sankyo	Ranbaxy Laboratories	\$4.6 billion	Oct 2008
Daiichi Sankyo	Merck Serono's Turkish cardio-metabolism sales unit	Undisclosed	Nov 2008
Dr Reddy's	Dow Pharma (UK small-molecule sites)	Undisclosed	Apr 2008 (e)
Dr Reddy's	Jet Generici Srl	Undisclosed	Apr 2008
Dr Willmar Schwabe Pharmaceuticals	Enzymatic (outstanding stake)	Undisclosed	TBC
EUSA Pharma	Cytogen	\$22.6 million	May 2008
Enzo Biochem	Biomol	\$18.0 million	May 2008
Eli Lilly	SGX Pharmaceuticals	\$64.0 million	Oct 2008
Eli Lilly	ImClone Systems	\$6.5 billion	Nov 2008
Evotec	Renovis	\$151.8 million	1Q 2008 (e)
Fresenius	APP Pharmaceuticals	\$3.7 billion	TBC
Galapagos	Sareum (UK discovery assets)	\$1.0 million	Sept 2008
Genmab	PDL Biopharma's Ab production plant	\$240.0 million	Mar 2008
GlaxoSmithKline	Bristol-Myers Squibb Pakistan/Egypt units	\$138.5 million	TBC
GlaxoSmithKline	Genelabs Technologies	\$57.0 million	4Q 2009 (e)
GlaxoSmithKline	Sirtris Pharmaceuticals	\$720.0 million	June 2008
ICON	Prevalere Life Sciences	\$35.0 million	TBC
Inovio Biomedical Corp	VGX Pharmaceuticals	Undisclosed	4Q (e)
Intercell	Iomai	\$189.0 million	TBC
Intercytex	Axordia	Undisclosed	1Q 2009 (e)
Invida Pharmaceuticals	Valeant Pharmaceuticals' Asia-pacific business	\$37.8 million	Mar 2008
Invitrogen	Applied Biosystems	\$6.7 billion	Dec 2008
Ipsen	Tercica	\$373.0 million	Oct 2008
Isogenica	Karyon	Undisclosed	May 2008
JHP Pharmaceuticals	Nitromed's BiDil assets	\$24.5 million	1H 2009 (e)
Johnson & Johnson	Amic	\$40.0 million	TBC
Johnson & Johnson	Omrax Biopharmaceuticals	\$438.0 million	Dec 2008

MONITOR

Company	Partner	Deal value (\$)	Completed
Johnson & Johnson	Mentor Corp	\$1.07 billion	TBC
Jubilant Organosys	Draxis Health	\$225.0 million	TBC
Kinetic Concepts	LifeCell	\$1.7 billion	TBC
King Pharmaceuticals	Alpharma	\$1.6 billion	Dec 2008
Kirin Pharma	Kyowa Hakko Kogyo	\$2.55 billion	Oct 2008
Kowa Company	ProEthic Pharmaceuticals	Undisclosed	Jan 2008
Ligand Pharmaceuticals	Pharmacoepia	\$70.0 million	Dec 2008
Meda AB	Valeant's European drug business)	\$392.0 million	Sept 2008
Novartis	Protez Pharmaceuticals	\$100.0 million	TBC
OncoGenex Technologies	Sonus Pharmaceuticals	Undisclosed	TBC
Oncologics	Triton	Undisclosed	June 2008
Paion AG	CeNeS Pharmaceuticals	\$21.7 million	June 2008
Perrigo	Laboratorios Diba SA	\$25.0 million	Oct 2008
Pfizer	Serenex	Undisclosed	2Q 2008
Pfizer	Schering-Plough (animal health products)	Undisclosed	Oct 2008
PharmAthene	Avecia (biodefense vaccine business)	\$20.0 million	Apr 2008
Progen Pharmaceuticals	Avexa	Undisclosed	TBC
Protiva	Tekmira	Undisclosed	May 2008
Qiagen	Corbett Life Science	\$66.0 million	TBC
Quintiles Transnational	Targeted Molecular Diagnostics	Undisclosed	Dec 2008
Recordati	Yeni Ilac	\$59.8 million	TBC
Recordati	Portuguese production business to Tecnimede	\$31.3 million	Nov 2008
Recipharm	AstraZeneca Swedish biomanufacturing plant	Undisclosed	Nov 2008
Replidyne	Cardiovascular Systems	Undisclosed	TBC
Roche	Piramed	\$160.0 million	2Q (e)
Roche	Chugai (increased stake from 50.1% to 59.9%)	Undisclosed	May 2008
Roche	Memory Pharmaceuticals	\$50.0 million	TBC
Roche	Mirus Bio Corp	\$125.0 million	2Q 2008
Sanofi-Aventis	Acambis	\$549.7 million	Sept 2008
Sanofi-Aventis	Symbion	\$543.9 million	Sept 2008 (e)
Sanofi-Aventis	Zentiva	\$2.6 billion	TBC
Sepracor	Oryx Pharmaceuticals	\$50.0 million	June 2008
Shionogi	Sciele	\$1.1 billion	Oct 2008
Shire	Jerini	\$521.2 million	Dec 2008
Solvay Pharmaceuticals	Innogenetics	\$282.7 million	2Q (e)
Sorin	Argos Soditic (renal care business)	Undisclosed	TBC
Stiefel Laboratories	Barrier Therapeutics	\$145.0 million	TBC
SYGNIS Pharmaceuticals	Amnestix	\$6.0 million	TBC
Takeda	Millennium Pharmaceuticals	\$8.8 billion	Sept 2008
Teva	Bentley (generics business)	\$360.0 million	July 2008
Teva	CoGenesys	\$400.0 million	TBC
Teva	Barr Pharmaceuticals	\$7.46 billion	Dec 2008
The Medicines Company	Curacyte Discovery GmbH	\$22.5 million	Aug 2008
TPG Capital	SIA International (50% stake)	\$800.0 million	TBC
Transcept Pharmaceuticals	Novacea	Undisclosed	4Q (e)
Nattopharm ASA	MGP Diagnostics	Undisclosed	TBC
Nichi-iko Pharmaceuticals	Teikoku Medix (outstanding stake)	Undisclosed	Mar 2008
Nordic Capital	ConvaTec (B-MS unit)	\$4.1 billion	TBC
Novartis	Alcon (further 25% stake) from Nestle	\$11.0 billion	July 2008
Novartis	Nektar (pulmonary drug delivery business)	\$115.0 million	TBC
NuVasive	Osteocel Biologics	\$35.0 million	July 2008
Nycomed	Bradley Pharmaceuticals	\$95.0 million	Oct 2008
Vaxine	Protein Sciences	\$60.0 million	TBC
Valeant Pharmaceuticals International	Coria Laboratories	\$95.0 million	TBC
Valeant Pharmaceuticals International	DermaTech	\$12.5 million	Nov 2008
Valeant Pharmaceuticals International	Dow Pharmaceuticals Sciences	\$285.0 million	Dec 2008
Viropharm	Lev	\$442.9 million	TBC

TCB = To Be Confirmed

(e) = Expected date of closing