

Pharma M&A activity continues a pace through 2006, but no mega deals

Total industry global mergers and acquisitions during 2006 reached a massive value of \$3,611.0 billion, which was up 24.5% on the 2005 total of \$2,900.0 billion, and that had been 38% higher than the previous year. There was also a great deal of M&A activity in the pharmaceutical sector last year, though none on the scale of the previous year (*Marketletter* January 2 & 9, 2006).

The total value of pharmaceutical M&As, where financial terms were provided, as shown shown in the table on pages 36-37, came to \$106.32 billion.

There was a lot of activity in the German market with the largest deal there, and in the pharmaceutical industry as a whole, being Bayer AG's \$19.84 billion acquisition of fellow German drugmaker Schering AG, after the latter received a hostile bid from Merck KGaA.

Merck backed off, but ended up by making a successful offer for Swiss biotechnology company Serono, which had put itself up for sale the previous year but found no takers at a price it found acceptable. In the end, the majority-owning Bertarelli family accepted Merck's \$13.5 billion offer. On a much smaller scale, the German firm paid \$14.0 million for Survac ApS.

Family controlled firms selling up

Privately-held pharmaceutical activity was also much in evidence last year as, apart from the Serono sale, the German Schwarz family sold Schwarz Pharma to Belgium's UCB for \$5.8 billion (although retaining the chemicals business), and Denmark's Nycomed bought Altana AG's pharmaceutical unit - also a family-controlled business - for \$5.7 billion.

When second and third-generation inheritors of family businesses feel insecure about their future comfort, for safety they often follow the late Mark Twain's dictum of "*Buy land - they don't make it any more,*" (obviously leaving enough fluid cash available for the odd yacht, aircraft and partners' handbags).

The recent spate of acquisitions of smaller, privately-held pharmaceutical companies by larger publicly-quoted drugmakers seems to indicate a lot of long-range family planning that does not include pills. Is this another step toward the inevitable ultimate single "World Pharmaceutical Manufacturers, Full Stop" of the future? Look out for a branch opening near you, probably by as early as 2020.

Pfizer, which is still global number one by prescription drug sales, made a couple of acquisitions, namely PowderMed for a reported \$400.0 million, and Rinat Neurosci-

ence for an undisclosed sum. It also entered into several licensing agreements in order to gain access to technology, but these are not covered in this article. However, its big deal of last year was selling the Pfizer Consumer Healthcare unit to fellow USA-based Johnson & Johnson, for a significant \$16.6 billion. J&J also bought Animas Corp for \$518.0 million.

US drug major Merck & Co made a couple of acquisitions: Sirna Therapeutics for \$1.1 billion and GlycoFi for \$440.0 million. Eli Lilly bought ICOS, its marketing joint venture partner for the erectile dysfunction drug Cialis (tadalafil).

Biotechnology majors were also out buying. Amgen acquired Abgenix and Avidia for \$2.2 billion and \$380.0 million respectively; Genentech bought Tanox for \$919.0 million; and Genzyme paid \$584.0 million for AnorMED. Getting out of the branded medicines sector was conglomerate 3M, which sold this business in three geographical parts, for a total of \$2.1 billion, to Graceway, Meda AB and Ironbridge Capital & Archer Capital,

UK-headquartered drugmakers GlaxoSmithKline and AstraZeneca were other active buyers. GSK acquired: CNS Inc, the US maker of Breathe Right nasal strips and FiberChoice dietary fiber supplements, for \$566.0 million; fellow UK firm Domantis for \$230.0 million; and US firm Praecis for \$54.8 million. It also invested around \$5.45 billion for a 10% stake in Denmark's GenMab, in a deal that means the UK group receives exclusive rights to HuMax-CD20 and any other CD20-targeting antibodies that the Copenhagen-headquartered firm develops (see page 33 for details).

AstraZeneca bought the remainder of UK-based Cambridge Antibody Technology for \$1.32 billion and the US company KuDOS for \$92.0 million.

Indians go on shopping spree

Indian pharmaceutical majors were significant buyers last year. Ranbaxy Laboratories acquired: Ethimed NV and Pfizer unit Mundogen for undisclosed sums; and Romania's Terapia for \$324.0 million. Meantime, Dr Reddy's Laboratories won the battle to buy German generics firm Betapharm Arzneimittel for \$555.0 million.

Iceland's Actavis, which made four acquisitions the previous year, made two more in 2006, acquiring Abrika of the USA for a total of around \$238.0 million and Romania's Sindan for \$177.1 million. However, it failed to get its hands on Croatian firm Pliva which, after a long round of escalating bidding, finally went to US generics company Barr Laboratories for \$2.5 billion.

MONITOR

Company	Partner	Deal value (\$)	Completed
AAIPharma	Cvitkovic and Associates Consultants SA	Undisclosed	TBC
Abbott Laboratories	Guidant (vascular devices business)	\$4.1 billion	Apr 2006
Abbott Laboratories	Kos Pharmaceuticals	\$3.7 billion	Dec 2006
Actavis	Abrika Pharmaceuticals	\$238.0 million	Jan 2006 (e)
Actavis	Sindan	\$177.1 million	April 2006
Actelion SA	CoTherix	\$420.0 million	Nov 2007
Allergan	Inamed Corp	\$3.1 billion	Apr 2006
Alliance UniChem	AP Apteka Holdings (96% stake)	\$31.4 million	Feb 2006
Alteon	Hapto Guard	\$8.8 million	TBC
AMDL	JingXi JieZhong Jade and Yangbian Yiqiao	Undisclosed	May 2006
American Oriental Bioengineering	Guangxi Lingfeng Pharmaceutical	\$25.0 million	April 2006
AmerisourceBergen Corp	Access MD	\$12.9 million	Dec 2006
AmerisourceBergen Corp	Brecon Pharmaceuticals	\$49.0 million	Mar 2006
Amgen	Abgenix	\$2.2 billion	April 2006
Amgen	Avidia	\$380.0 million	Oct 2006
Aptuit	EaglePitcher Pharmaceuticals	Undisclosed	Nov 2006
AstraZeneca	Cambridge Antibody Technologies	\$1.32 billion	Aug 2006
AstraZeneca	KuDOS	\$210.0 million	early 2006
Atrium Biosciences	Douglas Laboratories Canada	\$92.0 million	Sep 2006
Avanir Pharmaceuticals	Alamo Pharmaceuticals	\$29.0 million	May 2006
Avantogen	Innovate Oncology (54% stake)	Undisclosed	June 2006
AXM Pharma	Liaoning Ming Cheng (51% stake)	Undisclosed	May 2006
Barr	Pliva	\$2.5 billion	TBC
Bayer AG	Schering AG	\$19.84 billion	July 2006
Biogen Idec	Conforma	upto \$250.0 million	Q2 2006
Biogen Idec	Fumapharma	Undisclosed	Sep 2006
Biomira	ProlX Pharmaceuticals	Undisclosed	Nov 2006
Bioton	Pharmatex and Fisiopharma	\$22.5 million	Q4 2006
Celsis Holdings	In Vitro Technologies	\$35.0 million	Q4 2006
Cetero Research	BA Research International	Undisclosed	H2 2006
China Biopharmaceuticals Holding	RACP Pharmaceutical Holdings	\$16.0 million	July 2006
China Health Holding	Furen Huaqingtang Pharmaceuticals (60% stake)	\$95.0 million	Sep 2006
China Health Holding	Beijing Boran Pharmaceutical (majority stake)	Undisclosed	TBC
Chromos Molecular Systems	Targeted Molecules Corp	Undisclosed	Feb 2006
Connetics	PediaMed Pharmaceuticals (sales organization)	\$12.5 million	Jan 2006
Constella	Lineberry Research Associates	Undisclosed	Nov 2006
Cozart	HL Scandinavia AB	\$1.9 million	Aug 2006
Cruvell NV	Berna Products (Acambis unit)	\$16.5 million	Oct 2006
Crucell NV	SBL Vaccin SBL	\$50.6 million	Nov 2006
CVS	Caremark Rx	\$21.3 billion	TBC
Dishman Pharmaceuticals & Chemicals	Solutia (pharma services unit)	\$74.5 million	TBC
Dr Reddy's Laboratories'	Betapharm Arzneimittel	\$555.0 million	Apr 2006
DUSA	Sirius Labs	\$30.0 million	TBC
elbion AG	4AZA	Undisclosed	Oct 2006
Eli Lilly	ICOS	\$2.5 billion	early 2007 (e)
EntreMed	Miikana Therapeutics	\$39.2 million	Jan 2006
EpiCept	Maxim Pharmaceuticals	\$136.0 million	Jan 2006
Forest Laboratories	Cerexa	\$480.0 million	TBC
Galapagos NV	Discovery Partners International (discovery unit)	\$5.4 million	July 2006
Galapagos NV	ProSkelia SASU	\$35.6 million	TBC
Genepharma	Douglas Pharmaceuticals	\$55.2 million	July 2006
Genentech	Tanox	\$919.0 million	TBC
Genzyme	AnorMED	\$584 million	Nov 2006
Gilead Sciences	Corus	\$365.0 million	Aug 2006
Gilead Sciences	Myogen	\$2.5 billion	Nov 2006
Gilead Sciences	Raylo (Canadian unit of Degussa)	\$148.1 million	Q4 2006 (e)
GlaxoSmithKline	CNS	\$566.0 million	early 2007
GlaxoSmithKline	Domantis	\$230.0 million	early 2007

MONITOR

Company	Partner	Deal value (\$)	Completed
GlaxoSmithKline	Praecis	\$54.8 million	Q1 2007 (e)
Graceway Pharmaceuticals	3M's USA, Canada, Latin America pharma business	\$875.0 million	TBC
Grifols	PlasmaCare	Undisclosed	Apr 2006
Hospira	Mayne Pharma	\$2.0 billion	Q4 2006 (e)
Integrated DNA Technologies	Synthegen	Undisclosed	Feb 2006
Integrated DNA Technologies	GenBase	Undisclosed	Jan 2006
Indevus Pharmaceuticals	Valera Pharmaceuticals	\$120.0 million	Apr 2007 (e)
ING Parcom	Unither	Undisclosed	Dec 2006
Intercell AG	Pelias Biomedical (remaining 54% stake)	\$7.8 million	Q1 2007 (e)
Invitrogen Corp	Sentigen	\$25.9 million	Q4 2006 (e)
Inyx	Pharmapac	\$19.9 million	TBC
Ipsen	Tercica (25% stake)	Undisclosed	Oct 2006
Ironbridge Capital & Archer Capital	3M's Australian pharma business	\$349.0 million	Dec 2006
Isolagen	Agera Laboratories (57% stake)	\$2.7 million	Sep 2006
Johnson & Johnson	Pfizer Consumer Healthcare Unit	\$16.6 billion	Dec 2006
Johnson & Johnson	Animas Corp	\$518.0 million	Feb 2006
Lonza	Cambrex' (research bioproducts & antimicrobials business)	\$460.0 million	Q1 2006
Lonza	UCB-Bioproducts	\$158.1 million	Mar 2006
Meda AB	3M's European pharma business	\$857.0 million	TBC
Merck & Co	GlycoFi	\$440.0 million	July 2006
Merck & Co	Sirna Therapeutics	\$1.1 billion	Dec 2006
Merck KGaA	Serono SA	\$13.5 billion	Q1 2007 (e)
Merck KGaA	Survac ApS	\$14.0 million	Q4 2006 (e)
Micromet AG	CancerVax Corp	Undisclosed	May 2006
Millipore Corp	Serologicals	\$1.4 billion	July 2006
MorphoSys	Serotec	\$35.3 million	Jan 2006
National Stem Cell	Azurel	Undisclosed	June 2006
Novartis	Chiron (remaining 58% stake)	\$5.1 billion	April 2006
Novartis	NeuTec	\$572.6 million	July 2006
Nycomed	Altana AG (pharma unit)	\$5.7 billion	Dec 2006
Oragenics	iviGene Corp	Undisclosed	Nov 2006
Parexel International	California Clinical Trials Medical Group	\$65.0 million	Nov 2006
PerkinElmer	Spectral Genomics	Undisclosed	May 2006
Pfizer	PowderMed	\$400.0 million (reportedly)	TBC
Pfizer	Rinat Neuroscience	Undisclosed	Q2 2006
Pharmion	Cabrellis Pharmaceuticals	\$59.0 million	Nov 2006
Qiagen NV	Genaco Biomedical Products	\$40.0 million	TBC
Qiagen NV	Gentra Systems	\$38.0 million	May 2006
Quest Diagnostics	Focus	\$185.0 million	April 2006
Ranbaxy Laboratories	Ethimed NV	Undisclosed	April 2006
Ranbaxy Laboratories	Mundogen (Pfizer unit)	Undisclosed	Q2 2006
Ranbaxy Laboratories	Terapia	\$324.0 million	June 2006
Richter Gedeon	Dita Group	\$19.1 million	early 2006 (e)
Sepragen Corp	Cytobiologicals	Undisclosed	TBC
Shandong Missile Biologic Products	GRC Holdings	Undisclosed	July 2006
Siemens AG	Bayer Diagnostics	\$5.27 billion	Q2 2006
PharmAthene	SIGA Technologies	Undisclosed	TBC
Sigma-Aldrich	Iropharm (Honeywell unit)	Undisclosed	Q2 2006
Sinclair Pharma	Ashbourne Pharmaceuticals	\$2.4 million	TBC
STADA Arzneimittel AG	Hemofarm	\$617.7 million	Aug 2006
Stiefel Laboratories	Connetics	\$640.0 million	Dec 2006
SuperGen	Montigen Pharmaceuticals	\$18.0 million (plus upto \$22M milestones)	TBC
UCB	Schwarz Pharma	\$2.1 billion	Nov 2006
Vectura	Innovata	\$245.1 million	Jan 2007 (e)
Watson	Andrx	\$1.9 billion	Nov 2006
Watson	Sekhsaria Chemicals	Undisclosed	April 2006
YM BioSciences	Eximias Pharmaceutical Corp	Undisclosed	Q2 2006
TCB = To Be Confirmed	(e) = Expected date of closing		