

## Small is beautiful for Glaxo



Evaluate Vantage

While Pfizer's expected \$68bn deal for Wyeth could trigger the long called for, if ill advised, chain reaction of more mega-mergers, one company at least is sticking to its knitting, for now.

GlaxoSmithKline's announcement on Friday that it would be paying \$667.2m to acquire some of the operations of UCB in parts of Africa, the Middle East, Asia Pacific and Latin America plays into the strategy outlined by new chief executive, Andrew Witty, to look at both emerging markets and create smaller more focused units at the business rather than look to large acquisitions. The table below shows that Glaxo has kept its word.

Global Pharma M&A in 2008				
	M&A Deal Date	Target Company or Business Unit	Deal Value (\$m)	Deal Count
Bayer AG	2008	DIREVO Biotech	319	
	2008	Maxygen's Hematology Development Portfolio	120	
	2008	Topsun Science & Technology's OTC	177	
	2008	Sagmel's OTC Business	-	
<b>Total</b>			<b>616</b>	<b>4</b>
Boehringer Ingelheim	2008	Actimis Pharmaceuticals	515	1
Bristol-Myers Squibb	2008	Kosan Biosciences	190	1
Eli Lilly	2008	SGX Pharmaceuticals	64	
	2008	ImClone Systems	6,500	
<b>Total</b>			<b>6,564</b>	<b>2</b>
<b>GlaxoSmithKline</b>	2008	Genelabs Technologies	57	
	2008	Sirtris Pharmaceuticals	720	
	2008	AstraZeneca Nordic OTC Portfolio	253	
	2008	BMS Pakistan	37	
<b>Total</b>			<b>1,067</b>	<b>4</b>

Johnson & Johnson	2008	Omrix Biopharmaceuticals	438	1
Novartis	2008	Nektar Therapeutics Pulmonary Business Unit	115	
	2008	Protez Pharmaceuticals	400	
	2008	Alcon	10,400	
	2008	Speedel	880	
<b>Total</b>			<b>11,795</b>	<b>4</b>
Pfizer	2008	Encysive Pharmaceuticals	195	
	2008	Serenex	-	
	2008	CovX	-	
<b>Total</b>			<b>195</b>	<b>3</b>
Roche	2008	Chugai	-	
	2008	Piramed	175	
	2008	Mirus Bio	125	
	2008	ARIUS Research	188	
	2008	Genentech	43,700	
	2008	Memory Pharmaceuticals	50	
<b>Total</b>			<b>44,238</b>	<b>6</b>
Sanofi-Aventis	2008	Symbion Consumer	539	
	2008	Zentiva	2,590	
	2008	Acambis	544	
<b>Total</b>			<b>3,673</b>	<b>3</b>
Wyeth	2008	Thiakis	150	1
<b>Total</b>			<b>68,147</b>	<b>30</b>

Last year, the company bought four companies, while this was higher than the average, the deal values were not. The UK company spend a modest \$1.07bn on acquiring companies last year compared with the \$44.2bn and \$11.8bn that Roche and Novartis respective splashed out in 2008. The figure for Roche does, however, include its \$43.7bn bid for Genentech, which has yet to complete. Glaxo's spend included buying Bristol Myer-Squibb's operations in Pakistan, further underlining Mr Witty's commitment to under developed markets.

Rather than spending on companies, Glaxo has instead in-licensed a number of products and platform technologies. The company is currently leading the pack when it comes to striking deals for new therapies, with 22 acquisitions under its belt in 2008, compared with the 15 deals that Eli Lilly, the second most acquisitive company struck in the year.

Total deal value in 2008 - top 10 companies	Product Count	Deal Value (\$m)	Upfront Payment (\$m)
<b>GlaxoSmithKline</b>	<b>22</b>	<b>6,766</b>	<b>548</b>
Genzyme	3	2,837	275
Pfizer	9	1,900	340
Bristol-Myers Squibb	4	1,747	250
Celgene	2	1,004	45
Astellas Pharma	4	978	94
Takeda	11	953	276
Johnson & Johnson	6	931	78
AstraZeneca	4	900	40
Eli Lilly	15	829	49

Glaxo has also not scrimped on its spending for products, even if it has steered clear of big company acquisitions. The company was behind six of the top 10 most valuable drug deals signed last year, including the most valuable individual product acquisition, with its \$2.45bn play for Actelion's Almorexant. But this was unusual, as the majority of the other deals were completed to allow the group get its hands on either multiple products or platform technologies, like Archemix's Aptamer expertise in inflammatory diseases.

Largest Deals (Last 12 months) - By Disclosed Deal Value (\$m)						
Rank	Company	Deal Type	Product	Deal Partner/ Product Source	Status on Deal Date	Deal Date
1	GlaxoSmithKline	In-licensed	Almorexant (ACT-078573)	Actelion	Phase III	14/07/20
2	GlaxoSmithKline	In-licensed	Aptamer Inflammatory Disease Project	Archemix	Research project	23/12/20
3	Johnson & Johnson	In-licensed	GT418	Galapagos	Research project	24/10/20
4	GlaxoSmithKline	In-licensed	TC-2696	Targacept	Phase II	27/07/20
5	GlaxoSmithKline	In-licensed	OMP-21M18	OncoMed Pharmaceuticals	Pre-clinical	10/12/20
6	Roche	Joint venture	Alnylam/Roche RNAi collaboration	Alnylam Pharmaceuticals/Roche	Research project	09/07/20
7	Merck & Co	In-licensed	Deforolimus (MK-8669)	ARIAD Pharmaceuticals	Phase II	12/07/20
8	AstraZeneca	In-licensed	Unit Dose Budesonide (UDB)	MAP Pharmaceuticals	Phase III	19/12/20
9	GlaxoSmithKline	In-licensed	Elesclomol	Synta Pharmaceuticals	Phase II	08/10/20
10	GlaxoSmithKline	In-licensed	GlaxoSmithKline/Dynavax Research Collaboration	Dynavax Technologies	Research project	17/12/20

Glaxo's spending spree, that as well as giving it technology platforms has given it access to the emerging

markets of Brazil, and South Africa and over-the-counter products, is one that it hopes will diversify its business and make it less reliant purely on drug discovery, which many in the industry are struggling with. It is also a scheme that Mr Witty has committed to, claiming in January that he would continue to look for assets in emerging markets.

So while Pfizer has chosen a mega-merger, a move that looks as if it was chosen solely to prop up the bottom line by cost savings over a number of years, Glaxo will be hoping that its strategy of building share in smaller markets and spreading risk will be the answer it needs.

But if others do follow Pfizer's lead and merge so they will not be left behind, it will be interesting to see if Mr Witty, who has relatively less cash than his peers with \$8.61bn on the balance sheet, holds his nerve and clings onto his new scheme for long-term growth.