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Astellas walks away from CV but hunt for deals likely to continue

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As widely expected, Astellas has thrown in the towel and walked away from attempts to buy CV Therapeutics, following Gilead Science's knock-out $20 a share bid last week, a capitulation that will no doubt prompt sighs of relief from many of the Japanese company's shareholders.

For the last few months Astellas seemed very reluctant to raise its $16 a share offer, and even tried to force the bid through by going hostile, a decidedly un-Japanese move that surprised many commentators. The group today said it saw no value for shareholders at $20 a share; a concern that some analysts covering Gilead have raised themselves. However, given Astellas' need to invigorate both its top and bottom line, this is unlikely to be the end of its search for new products.

The battle for CV centred on angina drug Ranexa, which white knight Gilead ended up buying for $1.4bn. The drug's potential, and therefore the valuation of the company, have been hotly debated for several months; not something that Astellas needs to worry about now (*Gilead follows its heart and sweeps CV away for $1.4bn, March 12, 2009*).

Looking for re-invigoration

Astellas came into being in 2005 through the merger of Yamanouchi and Fujisawa, creating a group double the size that ranked as the world's 17th biggest drug maker, on prescription drug sale, that year.

However, that ranking has been slipping since as sales of a handful of products including prostate treatment Flomax, antacid Gaster and anti-bacterial Cefzon have been declining, and the company has failed to grow as fast as some other pharma majors. Unfortunately, boosting growth is only going to get harder.

Over the next six years the erosion of immunosuppressant Prograf is going to escalate ahead of patent expiry in 2013, whilst the same applies for Lipitor ahead of 2011; the company co-markets the statin in Japan. Incontinence product Vesicare is set to be Astellas' biggest growth driver over this period, with analysts pencilling in sales of $1.56bn by 2014, consensus data from EvaluatePharma shows. However, its other growth drivers are less than half the size, including CV Therapeutic's Lexiscan which Astellas sells in the US.

Internal engine

The group's own pipeline does not appear to hold much hope, for analysts at least, as few projects are being ascribed any value, the table below shows. This could be because despite a fairly full mid to late stage pipeline, it has struggled to get its most advanced products on to the market.

Antibiotic telavancin, which Astellas has worldwide rights to, has taken a lot longer to reach the market than anticipated and received a complete response letter from the FDA earlier this month, although a launch at the end of the year remains a possibility (*Theravance adds to antibiotic delays March 02, 2009*). Its other filed drug, atrial fibrillation treatment Kynapid from Cardiome Pharma, has been held up at the FDA since the beginning of 2008. An update on a re-file is anticipated soon (*Cardiome slumps as investors appear to lose patience February 23, 2009*)

Both drugs have seen signficant downgrades to sales estimates, not doubt heightening Astellas' urge to find growth elsewere. Considering Astellas' attempts to buy CV Therapeutics, buying its way out of trouble appears to be a key part of its strategy.

With around $5bn in cash and no debt, the company is clearly in a strong position to do this. Looking at the group's late stage portfolio, and the size and shape of CV, specialist and/or hospital-based products are probably on Astellas' hit list. However, these sort of specialist projects, which require small focused sales forces and minimal marketing spend, are becoming increasingly popular targets, so the group is unlikely to find itself alone at negotiating tables.

Astellas clearly baulked at $20 a share for CV, which could in the long turn out to be the right decision. However, if it wants to compete for other products, management might be forced to pay slightly more than it wants, and take a few risks. Still, the appetite for a deal appears to be there. Astellas might have lost out to Gilead in this fight, but its name seems unlikely to stay out of deal tables for too long.

Astellas Pharma: Late Stage Pipeline (PII, PIII & Filed)					
	Product	**Pharmacological Class**	**2014 sales forecast ($m)**	**WW Peak Sales ($m)**	**First Introduction**
Filed	Telavancin	Glycopeptide	203	356	31/12/2009
	Kynapid	Anti-arrhythmic	115	-	31/03/2009
	Micardis HCT	Angiotensin II antagonist & thiazide	-	-	31/03/2009
Total			318	356	
Phase III	YM-178	Beta 3 agonist	256	548	31/12/2011
	YM-443 (Z-338)	Acetylcholinesterase inhibitor	128	-	31/12/2012
	Myslee CR (FK199B)	Imidazopyridine	-	-	31/12/2012
	Romidepsin (depsipeptide/FK228)	Histone deacetylase inhibitor	-	-	31/12/2009
	Velac	Lincosamide & retinoid	-	-	-
Total			384	548	
Phase II	FG-2216 (YM311)	Hypoxia-inducible factor prolyl hydroxylase (HIF-PH) inhibitor	-	3,833	31/12/2011
	Valdecoxib	COX-2 inhibitor	-	-	-
	Parecoxib	COX-2 inhibitor	-	-	-
	YM150	Factor Xa inhibitor	-	219	-
	YM155	Survivin expression inhibitor	-	1,095	-
	ASP8825 (XP13512)	Calcium channel modulator	-	-	-
	Firmagon	LHRH analogue	-	-	-
	ASP1585	Phosphate binder	-	-	-
	FG-4592 (ASP1517)	Selective HIF stabiliser	-	-	-
	ASP2151	Helicase-primase complex inhibitor	-	-	-
	YM543	SGLT2 inhibitor	-	-	-
	APO866	Nicotinamide phosphoribosyl transferase (NMPRT) inhibitor	-	-	-
	ASP9831	Phosphodiesterase IV inhibitor	-	-	-
	Solifenacin & Tamsulosin	Alpha 1 antagonist & Muscarinic M3 antagonist	-	-	-
Total			-	5,147	
Report Total			**702**	**6,050**	