

Allergan could struggle to fend off calls for a carve-up



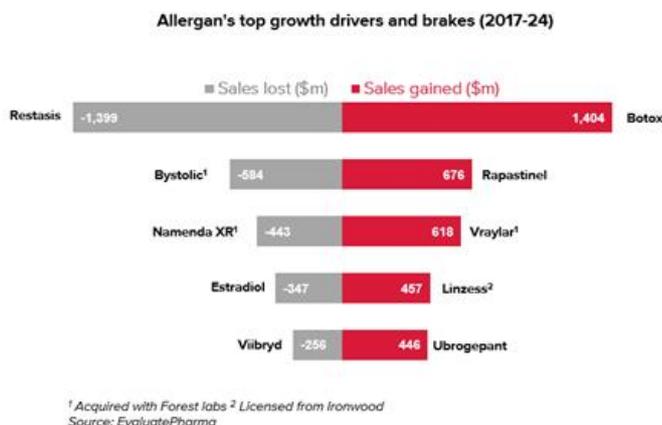
Amy Brown

Investors hoping for a quick fix for Allergan's problems could be disappointed. The group's chief executive, Brent Saunders, made it pretty clear yesterday that he is not in favour of breaking up his baby, suggesting that the road to recovery would be slow.

A substantial carve-up of the company would be a pretty damning indictment of Allergan's grow-by-acquisition strategy of the past few years, of which Mr Saunders was the main architect, so it is perhaps not surprising that he favours tinkering around the edges. Some strong pipeline growth stories would help his case, but again there is little to prompt much excitement here (see tables below).

EvaluatePharma's consensus of sellside forecasts shows that Botox remains Allergan's most important driver of sales growth. Between now and 2024 the 30-year old product is projected to generate more in additional sales than the company's next two biggest pipeline assets combined.

This helps illustrate why many shareholders want to see Allergan's aesthetics business hived off from its more unpredictable pharma-focused units, which are being battered by patent losses and lacklustre pipeline development.



So what exactly does Allergan have in the locker?

Hopes are high for the anti-depressant rapastinel, although phase III data are unlikely to emerge until late next year. The project is similar to Johnson & Johnson's esketamine; that company will release the first phase III data on its candidate next week, effectively providing the benchmark for rapastinel to beat.

A strong launch for the anti-psychotic Vraylar has demonstrated that Allergan can get it right in neuroscience; the drug reached the market in 2016, and further approvals in bipolar settings are expected in the coming months, which will be important to drive sales higher.

Linzezz is Allergan's biggest gastro-intestinal product, an area that many see as ripe for divestment. Women's health might be up for sale too, though it is hard to see buyers becoming interested until the fate of the uterine fibroid candidate Esmya is known.

Sales forecasts for Esmya have plummeted in the wake of a liver safety scare; reviews by US and EU regulators should conclude in the second half of the year ([Therapy focus - Abbvie moves into pole position in women's health, 14 March 2018](#)).

Less certain

Migraine is a big focus for Allergan, with novel contenders in both the prophylactic and acute anti-CGRP spaces. However this is shaping up to be a hugely competitive field, with multiple contenders approaching the market with similar agents.

Combined sales forecasts for all CGRP modulators - for acute and prophylactic settings - stand at \$5.2bn in 2024,

according to *EvaluatePharma*. This space surely represents the next big flash point for pharma and payers – and potentially for substantial investor disappointment.

Where Allergan’s contenders stand in terms of therapeutic profile remains to be determined, although in the acute setting ubrogepant is not looking particularly competitive against Lilly’s lasmiditan, which works by a different mechanism. Allergan is also pretty far behind with atogepant in chronic migraine.

Cross-trial comparison of ubrogepant, lasmiditan and rimegepant phase III studies			
	% of patients pain-free at 2hr, placebo-adjusted		
Allergan	Ubrogepant 25mg	Ubrogepant 50mg	Ubrogepant 100mg
Achieve 1	-	7.4 (p=0.0023)	9.3 (p=0.0003)
Achieve 2	6.4 (p=0.0285)	7.5 (p=0.129)	
Lilly	Lasmiditan 50mg	Lasmiditan 100mg	Lasmiditan 200mg
Samurai	-	12.9 (p<0.001)	16.9 (p<0.001)
Spartan	7.3 (p=0.003)	10.1 (p<0.001)	17.5 (p<0.001)
Biohaven	Rimegepant 75mg		
BHV3000 -301	5.0 (p<0.03)		
BHV3000 -302	7.6 (p<0.001)		

Source: Company press releases.

New products are also some way away in Allergan's eye care division, which is shortly to be ravaged by the loss of exclusivity on Restasis. Abicipar and bimatoprost SR are slated for launch in 2020, but neither will come anywhere close to filling the Restasis hole.

On the company’s first-quarter call yesterday Mr Saunders promised that Allergan’s board was “deep into the process” of strategic review, and stressed that everything was still on the table. Share buybacks and big acquisitions are less likely, he hinted, and many on the sellside now expect a series of divestments and smaller deals.

Of course the complaint from investors is that this should have been attended to some years ago, a failure neatly summed up by an unusually biting sellside comment. “That [Allergan] is only now considering these options (due to declining share price) underscores the lack of foresight over its last transactional years,” Annabel Samimy at Stifel wrote yesterday.

Mr Saunders would no doubt argue that his empire building did have strategic foresight, but with hindsight it looks to have come at the expense of the pipeline. Two years of share price declines suggest that investors have known this for some time and, without swift action, Allergan could find it increasingly difficult to fend off calls for more drastic moves.

To contact the writer of this story email Amy Brown in London at AmyB@epvantage.com or follow [@ByAmyBrown](https://twitter.com/ByAmyBrown) on Twitter

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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