

## Shikeda masks slow second quarter for buyouts



Madeleine Armstrong



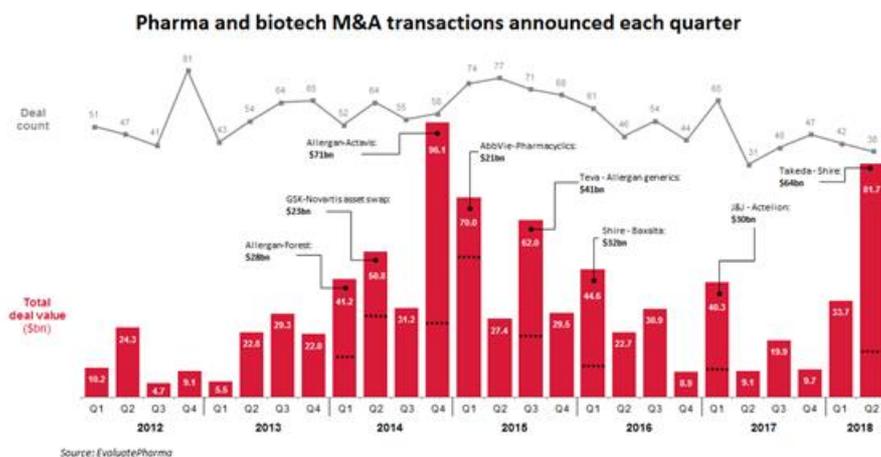
**The money spent on biopharma acquisitions in the second quarter looks huge, but most of the total is down to one deal.**

After a quiet 2017 biopharma M&A is back with a bang. The first quarter of 2018 hinted that a big year could be in the offing, but the second quarter has blown it out of the water, taking the money spent so far this year ahead of 2017's total.

The last comparable spending spree was at the tail end of 2014, during the biotech boom. But any hopes for a record-breaking 2018 should be tempered by the low volume of deals – and the fact that, without Takeda's monster \$64bn takeout of Shire, this period would look very ordinary indeed (see charts below).

The Shire takeout might have boosted the sector's topline M&A spend but not everyone welcomed the move – the deal triggered discontent among Takeda investors, who have seen the value of their stock plummet. Still, the transaction looks more likely to go through after rebel Takeda shareholders who had been hoping to block the acquisition were thwarted last week.

This analysis only includes acquisitions by pharma and biotech companies; it excludes medtech and diagnostic deals, such as Roche's recent outright purchase of Foundation Medicine.



Without Shikeda the total spent on M&A in the second quarter would have totalled just \$17.5bn – or \$875m per deal if only transactions with disclosed values are taken into account. The \$875m amount looks very weak versus recent quarters, especially taking into account the low deal volume ([First-quarter acquisition activity lifts hopes for a big year, April 3, 2018](#)).

It looks like bankers waiting for a surge in megamergers – something that was expected to occur after the passage of US tax reform, but has so far failed to materialise – will need to wait a bit longer. With the exception of the Shire-Takeda takeout, no acquisitions broke the \$10bn barrier during the second quarter.

The next biggest deal was Novartis's bolt-on of the gene therapy player Avexis, an intriguing but high-risk bet on a new technology, followed by CVC's purchase of a majority stake in the Italian speciality pharma player Recordati.

The latter deal is included in the table below but not the above analysis, which is primarily concerned with the buying activity of pharma and biotech companies.

<b>Biggest M&amp;A deals announced in Q2 2018</b>				
<b>Date announced</b>	<b>Acquirer</b>	<b>Target</b>	<b>Status</b>	<b>Value (\$bn)</b>
May	Takeda	Shire	Open	64.2
May	Novartis	Avexis	Closed	8.7
Jun	CVC Fund VII	Recordati	Open	3.5
Apr	Les Laboratoires Servier	Shire's oncology business	Open	2.4
May	Lilly	Armo Biosciences	Open	1.6

*Source: EvaluatePharma.*

These were not exactly the types of transactions that were expected at the start of 2018, when a rash of deals fuelled hopes of a blockbuster year for biopharma M&A. The first-quarter acquisitions of Bioverativ by Sanofi and Juno by Celgene, for example, were seen as hors d'oeuvres by those looking forward to a main course of a Pfizer swoop for Bristol-Myers Squibb ([Vantage view – Mega-mergers are in Pfizer's DNA, February 27, 2018](#)).

This might have been a long shot, but the dearth of \$10bn-plus deals, especially in a year that began with such high expectations, could be cause for alarm.

Valuations are still rich even for the big players, and with plenty of venture capital cash sloshing around smaller players are not desperate to sell – meaning that the acquisition stand-off will probably continue.

Takeda's purchase of Shire – which is seen by many as overvalued – has, for now, masked the underlying problems in the sector. Unless asset prices become more attractive, deal volume is unlikely to pick up markedly in the next quarter.

<b>Five-year M&amp;A</b>		
<b>Period</b>	<b>Combined deal value (\$bn)</b>	<b>Deal count</b>
6M 2018	115.4	80
2017	79.0	183
2016	107.2	205
2015	188.9	290
2014	219.3	229
2013	79.5	226

*Source: EvaluatePharma.*

To contact the writer of this story email [Madeleine Armstrong](mailto:Madeleine.Armstrong@epvantage.com) or [Edwin Elmhirst](mailto:Edwin.Elmhirst@epvantage.com) in London at [news@epvantage.com](mailto:news@epvantage.com) or follow [@ByMadeleineA](https://twitter.com/ByMadeleineA) or [@EdwinElmhirst](https://twitter.com/EdwinElmhirst) on Twitter

