

Gilead rescues biopharma's takeout scene



[Edwin Elmhirst](#)

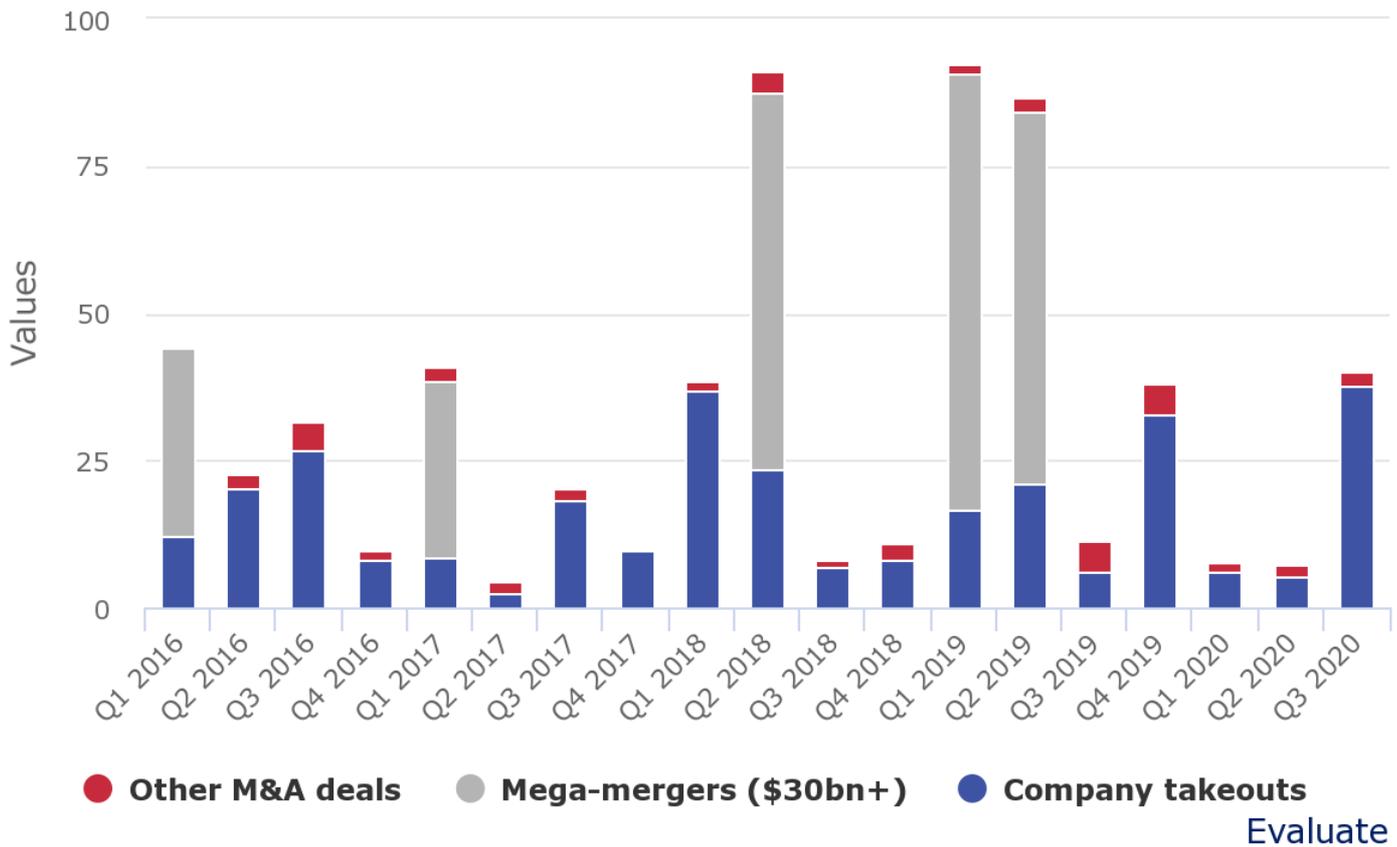


A few multi-billion-dollar deals got done in the third quarter, but 2020's acquisition scene still looks anaemic.

The spiralling cost of assets seems to have put many would-be biopharma buyers off doing big acquisitions. Not so Gilead, whose \$21bn purchase of Immunomedics prevented the third quarter from being a complete disaster for deal bankers.

Without the Immunomedics takeout the total spent last quarter looks very pedestrian, at least compared with previous years. There have been some more signs of M&A activity picking up again – see [Bristol Myers Squibb's \\$13bn purchase of Myokardia](#) this week – but, with the price of targets still high, buyers will either need to pay a substantial premium or keep their powder dry.

Combined M&A deal values



Even before the Gilead-Immunomedics deal, the last three months did show an increase in spending on company takeouts versus the first two quarters.

The coronavirus pandemic has been blamed for depressing M&A, something that certainly looked to be true in the early stages of the outbreak. However, the Immunomedics and Myokardia deals suggest that Covid-19 can no longer be used as an excuse for holding back transactions.

It is perhaps a knock-on effect of the pandemic that is now a bigger factor. The spotlight on biopharma has persuaded investors to pile in, pushing valuations in many areas to very testing levels ([Biopharma takeovers show quantity, if not quality, July 13, 2020](#)).

But pipelines always need to be filled, and companies desperate for growth might have to take a hit. As well as purchasing Immunomedics, Gilead has put its hand in its pocket several times this year, including [shelling out nearly \\$5bn for Forty Seven](#). And the big biotech has shown before that it is not afraid of being accused of overpaying, a case in point being its \$12bn acquisition of Kite Pharma.

Top 5 biopharma acquisitions, Q3 2020

| Buyer | Target | Deal type | Price (\$bn) |
|-------------------|-------------------------|-------------|--------------|
| Gilead Sciences | Immunomedics | Acquisition | 21.0 |
| Johnson & Johnson | Momenta Pharmaceuticals | Acquisition | 6.5 |
| Sanofi | Principia Biopharma | Acquisition | 3.7 |
| Nestlé | Aimmune Therapeutics | Acquisition | 2.6 |
| Gilead Sciences | Tizona Therapeutics | Option | 1.3 |

Source: EvaluatePharma.

At least deals are still getting done. The number of M&A transactions sealed in the third quarter climbed slightly from the previous two, further reinforcing the idea that activity might be picking up.

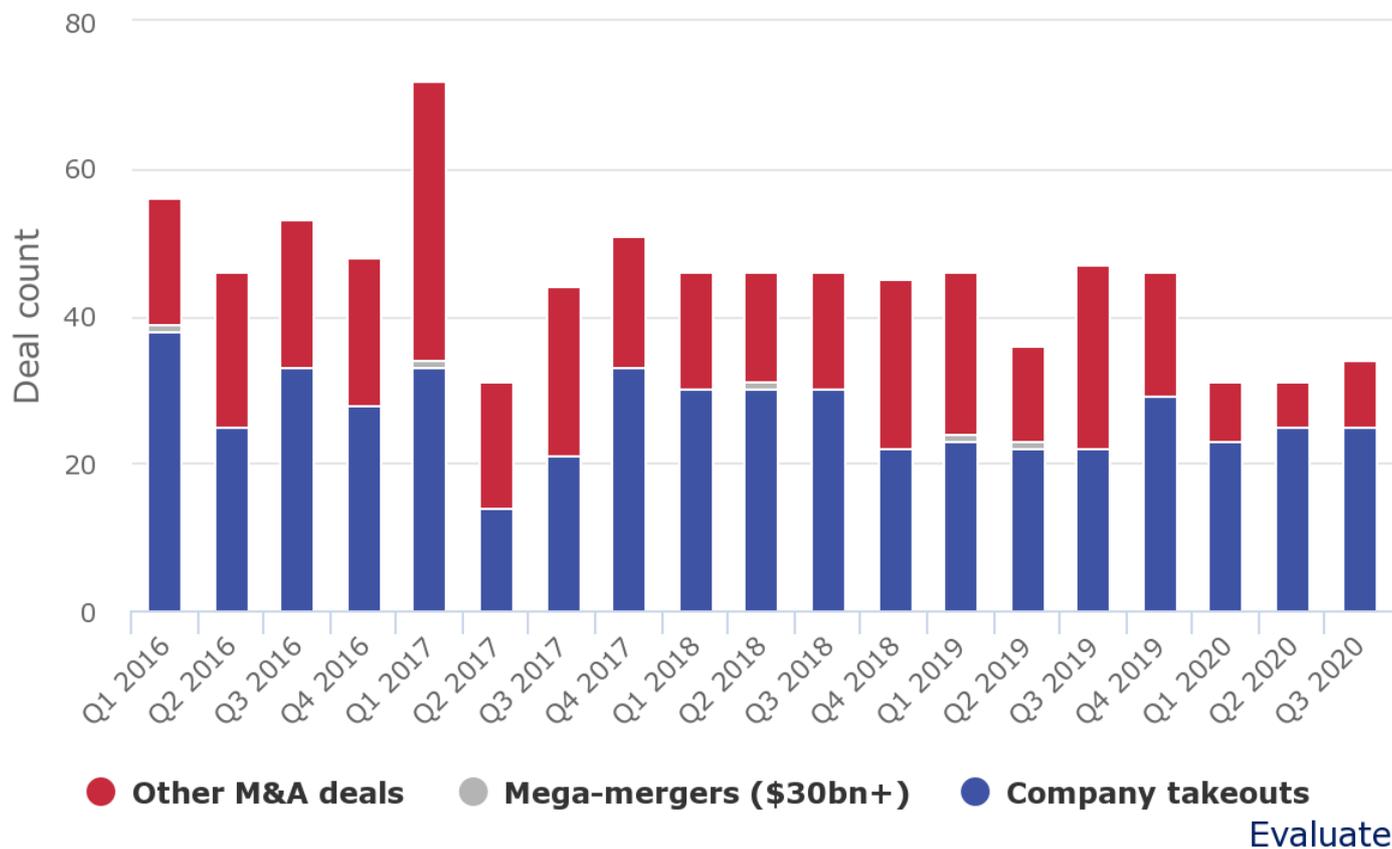
As well as takeovers, this analysis includes minority and majority stake purchases, acquisitions of business

units and options, and these are aggregated in “other deals”. And the numbers concern deals only between dedicated drug makers; diagnostics and medtech transactions are excluded.

A dip in valuations would probably be required to really get the biopharma M&A scene going again. At present the markets have cooled only slightly, with the Nasdaq Biotech Index now up a mere 15% on the start of the year.

But, depending on how the US election plays out, there could be bigger changes in sentiment on the horizon.

Quarterly M&A deal counts



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