

Biopharma buyouts still pricey



[Amy Brown](#)



A global pandemic has done nothing to crimp M&A premiums, with acquirers forced to swallow ever higher price tags.

The huge sums of money flowing into drug development, and the resulting surge in valuations, has meant only one thing for industry buyers: soaring price tags.

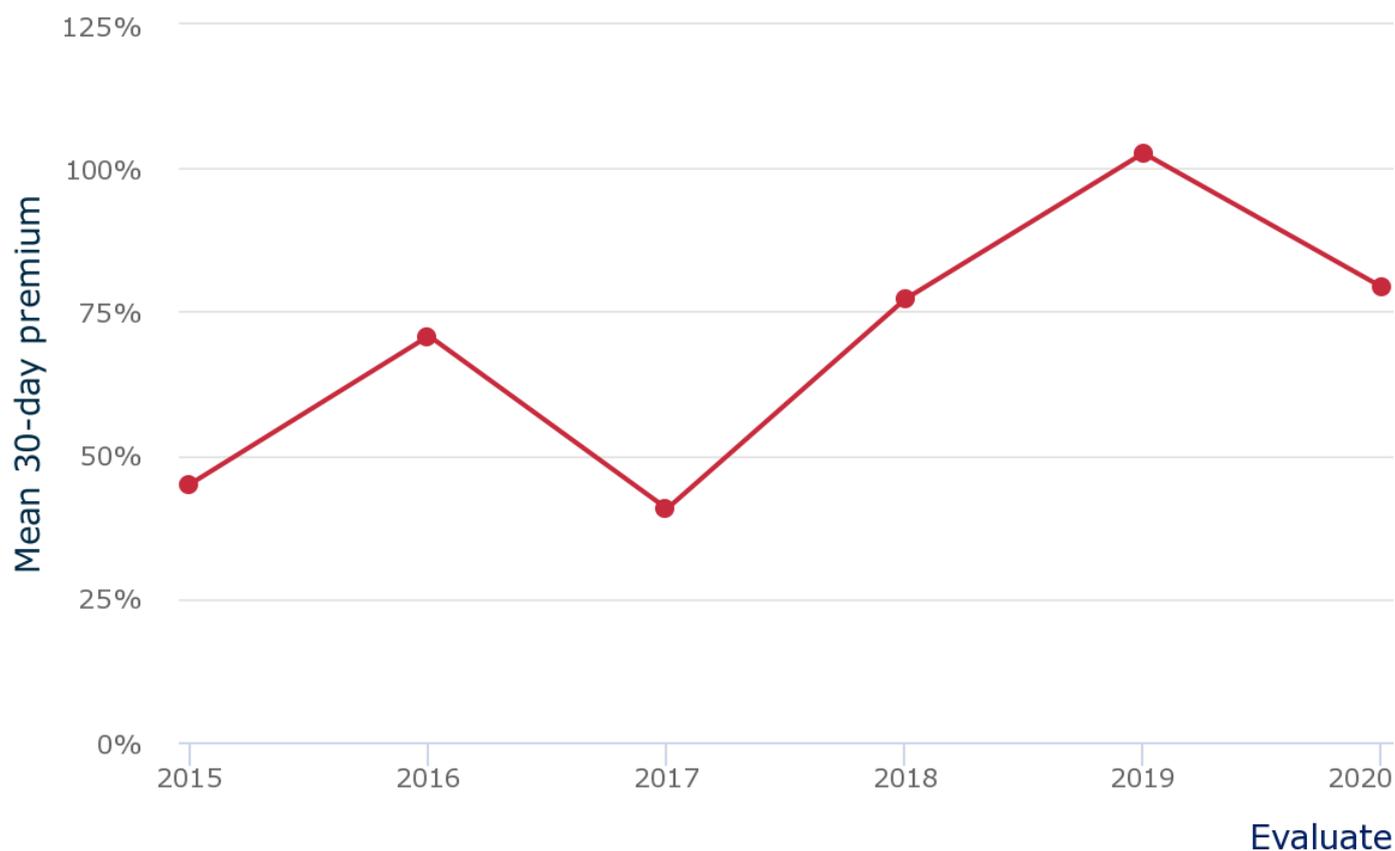
The average takeout premium for biopharma M&A deals this year is sitting just below 2019's record, which tipped into triple figures, an *Evaluate Vantage* analysis finds. The uncertainties wrought by a global pandemic have seemingly failed to transfer any power back to acquirers, and those with desirable assets look set to remain in a very strong position.

This is largely because cash is easy to raise, from public and private investors alike, leaving sellers with little incentive to negotiate anything other than gold-plated terms. Meanwhile, many large drug developers are in need of pipeline infusions.

This perfect storm means that in fiercely competitive areas ever-higher premiums are being paid. The chart below calculates this from the target's average share price over the 30 days before a deal was announced. It includes only deals worth more than \$500m, but excludes mega mergers, and only concerns acquisitions of pure-play drug developers.

Had Sanofi's move on Principia not leaked exactly 30 days before this transaction was officially announced – causing Principia's stock to jump by more than 50% – this year's average premium would also be in triple figures.

Mean 30-day premium to \$500m+ takeouts



Boosting this year's average are takeovers from Nestle and Alexion, of Aimmune and Portola respectively, deals that rank among the five richest across all the years in this analysis. The biggest premium paid over the period was actually for Tobira, [which Allergan bought for \\$1.7bn in 2016](#), at a 1,532% 30-day premium; however, this has been excluded as an outlier.

Tobira had suffered a big clinical setback before Allergan swooped, and was actually bought for a historically depressed price, despite the high premium. The same applies for Vitae, Aimmune and Portola, the buyouts of which were all triggered by a substantial erosion in value.

Not so for [Synthorx](#) and [Spark](#), the takeovers of which were presumably competitive processes. It is worth pointing out that Gilead's \$21bn move on Immunomedics this year was struck at a 111% premium; it is extremely rare to see premiums move into triple figures for transactions of this size.

Another example of a big deal struck at a huge premium was Alexion's \$8.4bn takeout of Synageva in 2015, at a 127% premium. However, this acquisition has since been much derided after Synageva's lead drug, Kanuma, fell well short of Alexion's blockbuster hopes.

Gilead will have to hope that its big splurge turns out to be a better use of its cash.

Over the odds? Biggest biopharma premiums paid since 2015

Acquirer	Target (year)	Deal value (\$bn)	30-day premium
Sanofi	Synthorx (2019)	2.5	282%
Allergan	Vitae (2016)	0.6	173%
Roche	Spark (2019)	4.8	143%
Nestlé	Aimmune (2020)	2.6	141%
Alexion	Portola (2020)	1.4	139%

Source: EvaluatePharma.

The final analysis here is interesting because it shows that, despite climbing premiums, the average size of a biopharma M&A deal has not gone in the same direction; on a median basis they have actually got smaller.

This cut of the data was performed on the same cohort as above, so only transactions above \$500m.

2020 is not over yet, of course, and the takeouts of Immunomedics and Myokardia show that buyers are prepared to pay big bucks, and big premiums, when they have to. But it seems likely that many desirable assets are simply too expensive to consider right now, which in the long run benefits no one, whether buying or selling.

Average value of \$500m+ takeouts



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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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