

Alexion ticks Astra's boxes



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The deal solves several problems for Astra, and ranks as biopharma's fifth-biggest cross-border transaction.

If it seems amazing that a deal as big as Saturday's \$39bn acquisition of Alexion by AstraZeneca happened at all during a global pandemic, this is even more extraordinary given that it is a cross-border transaction - the fifth biggest in biopharma, according to *EvaluatePharma* data.

Then again, it might have helped that Alexion's chairman is David Brennan who, until Pascal Soriot took over in 2012, was Astra's chief executive. Mr Brennan would have been well placed to pitch Alexion to Astra, knowing that his company ticked some extremely important boxes for the UK group.

Most importantly, it allows Astra to deploy cash and a strong share price to buy in immediate revenue - \$5.7bn in 2020, to be precise, and growing at an annual 10%, according to sellside forecasts. This might not be the most exciting reason for doing a big acquisition, but its importance should not be underestimated.

Back in 2014, rebuffing Pfizer's takeover offer, Mr Soriot's big promise to the market was that Astra could deliver \$45bn of revenue by 2023. At present group sales are to hit just \$26bn this year, and \$37bn in 2023; some investors have long memories.

League table

If this was the driving force behind Mr Soriot pulling the M&A trigger then it has succeeded in catapulting the transaction into the league table of the biggest cross-border acquisitions.

Since *EvaluatePharma* started collecting these data only four cross-border transactions have been valued above \$39bn, though two of those involved Allergan (or its earlier incarnation, Actavis), a business that for tax reasons was incorporated in Ireland, but which effectively was a US company.

Roche buying out the remainder of Genentech in 2008 was a notably bigger deal, and the top 10 includes two smaller examples of European groups buying out US biotechs: Sanofi taking out Genzyme, and Astra itself acquiring Medimmune.

Biopharma's top 10 cross-border acquisitions

Acquirer	Country (acquirer)	Target	Country (target)	Date	Value (\$bn)
Actavis (renamed Allergan)*	Ireland	Allergan	US	Nov 2014	70.5
Takeda	Japan	Shire**	Ireland	May 2018	64.2
Abbvie	US	Allergan*	Ireland	Jun 2019	63.0
Roche	Switzerland	Genentech	US	Jul 2008	46.8
Astrazeneca	UK	Alexion	US	Dec 2020	39.0
Shire**	Ireland	Baxalta	US	Jan 2016	32.0
Johnson & Johnson	US	Actelion	Switzerland	Jan 2017	30.0
Actavis	Ireland	Forest Laboratories	US	Feb 2014	28.0
Sanofi	France	Genzyme	US	Aug 2010	20.1
Astrazeneca	UK	Medimmune	US	Apr 2007	15.6

*Note: excludes business unit bolt-ons, and comprises transactions since EvaluatePharma started collecting deal data; *effectively a US company, domiciled in Ireland for tax purposes; **effectively a US/UK company, domiciled in Ireland for tax purposes.*

Alexion has other characteristics that make it desirable. For instance it boasts a profitable franchise in Soliris and Ultomiris, in addition to an early-stage portfolio that includes a strong position in other complement-mediated diseases, including anti-FcRn antibodies, a space that has [recently become highly competitive](#).

On this basis the takeover can be pitched as being underwritten by stable, relatively risk-free profit drivers on one hand, and as offering future products whose full potential has yet to be defined on the other.

Still, *EvaluatePharma's* consensus-derived risk-adjusted NPV of Alexion product offering comes in about \$10bn short of the \$39bn takeover price, backing the suggestion that the UK group was overpaying. Then again, Alexion analysts over the weekend suggested that their company could be worth more than the \$175 per share being offered by Astra.

An obviously better deal would be one that gives Alexion investors more straight cash than Astra's, two thirds of which comprises equity. Indeed, with Astra stock off 7% this morning, the current value of the proposed deal is not \$175 but \$168 per share.

Finally, it should be borne in mind that Astra has a PR battle on its hands over its Covid-19 vaccine project AZD1222, whose [pivotal trial raised numerous questions](#). A big acquisition just might take some of the heat off, albeit temporarily.

As Mr Soriot works to secure his legacy his next worry will be whether his approach flushes out any other Alexion bidders.

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