

Vantage Point - Big pharma increasingly circumspect on licensing front



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Last week *EP Vantage* revealed which big pharma companies are spending the most on M&A this year, with the likes of Abbott Laboratories, Sanofi-Aventis and GlaxoSmithKline clearly placing the most faith in a “bolt-on” acquisition strategy to bolster pipelines and diversify their business ([Vantage Point - Is big pharma spending its way out of trouble?](#), October 2, 2009).

Today we assess the trends and approaches to product licensing within the same big pharma group, revealing some interesting insights. Once again Sanofi and Glaxo appear at the top of the table so far this year with the most deals and highest amounts paid out in upfront fees, whereas Abbott’s track record of licensing pharmaceutical products is virtually negligible. Meanwhile the mega-mergers of Wye-Pfi and SchMerck appear to have had contrasting effects on the licensing behaviour of the acquiring parties - whereas Pfizer has taken its foot off the deals pedal, Merck is pushing it to the metal.

The following analysis draws on product licensing data from *EvaluatePharma*, highlighting the total number of deals, and where disclosed by the companies the aggregated upfront fees paid as well as total deal values.

Product Licensing Activity: 2007 to 2009 latest									
	2009 (YTD)			2008			2007		
	Deal Count	Upfront Fee (\$m)	Deal Value (\$m)	Deal Count	Upfront Fee (\$m)	Deal Value (\$m)	Deal Count	Upfront Fee (\$m)	Deal Value (\$m)
Johnson & Johnson	5	507	826	8	78	931	9	194	1,693
Sanofi-Aventis	14	266	1,972	6	14	105	5	122	1,373
GlaxoSmithKline	12	200	1,300	23	560	6,880	28	182	5,607
Merck & Co	11	172	1,397	6	22	577	11	150	1,665
Bristol-Myers Squibb	2	145	1,492	5	250	1,747	9	65	233
Bayer AG	10	138	1,682	5	79	106	3	82	431
AstraZeneca	7	125	1500	4	40	40	15	189	2,034
Roche	6	116	1,181	2	78	779	9	342	1,590
Novartis	5	83	687	7	20	20	14	105	1,938
Eli Lilly	2	5	642	14	49	829	5	205	2,061
Pfizer	5	-	-	11	340	1,900	17	334	1,891
Schering-Plough	1	2	2	-	-	-	10	108	1,545
Amgen	-	-	-	1	100	520	2	42	725
Wyeth	2	21	21	3	-	-	9	5	189
Abbott Laboratories	1	10	18	1	-	-	1	-	-
Annual Totals	83	1,790	12,719	96	1,630	14,433	147	2,123	22,975
Annual Averages	6	138	978	7	136	1,203	10	152	1,641

Big pharma more selective

Whilst the picture for 2009 is obviously yet to be completed, in terms of year-on-year trends it would seem that big pharma is striking fewer deals than in the past and the total and average value of these deals is also in decline.

In 2007 big pharma signed 147 product deals with \$2.1bn paid out in upfront fees; in 2008 these figures dropped to 96 and \$1.6bn respectively and so far this year 83 deals have been struck for a total upfront commitment of \$1.8bn. The figures for 2009 may be skewed slightly by the recording of Johnson & Johnson's recent \$500m deal with Elan for the Irish group's Alzheimer's franchise including bapineuzumab; technically the \$500m, used to establish a joint venture to develop bapineuzumab, is an upfront fee but not in the conventional sense.

The overall picture of a decline, or at best a flat level of deals, is surprising given that one of the assumed impacts of the credit crisis was that big pharma would be flooded with licensing opportunities and could take up more of these offers in an attempt to bolster their ailing pipelines.

Although big pharma is no doubt awash with partnering offers, it would seem they have become much more circumspect in their licensing behaviour and perhaps have also been able to use their greater bargaining power to drive down the cost of these deals.

Not good news in general therefore for companies seeking a lucrative deal for their pipeline assets. Not only is

competition for the attention of big pharma much tougher, it seems the size of any deal is also likely to be lower than in previous years.

Mega-merger impact

Another natural force potentially driving down deal numbers and values is the recent spat of mega-mergers which has already removed Genentech from the partnering field and will soon see the removal of Wyeth and Schering-Plough as potential partners. Interestingly however, neither Wyeth nor Schering have been particularly prolific on the licensing front in recent years so it may not be such a major loss in this respect.

Pfizer, until this year and their move on Wyeth, had been very active in licensing new products, but it seems they are now pre-occupied with the merger and may remain fairly dormant after the deal is completed as they reassess their pipeline opportunities.

Conversely, Merck does not appear to be as constrained by its pending acquisition of Schering and in fact this year looks like being its busiest licensing period in recent times. Companies seeking a partner may therefore have more luck at Merck's door than Pfizer's.

Big deals still out there

Nevertheless, a review of the top ten biggest deals so far this year reveals that the billion dollar licensing deals can still be struck, even if the upfront fees are not quite as high as in the past.

AstraZeneca, previously conspicuous by being quite so quiet on the both the M&A and licensing front, recently signed the biggest deal to date when signing a broad deal with Nektar Therapeutics for up to \$1.5bn. Astra also signed a potentially significant deal with Forest Laboratories for ceftaroline although financial terms were not disclosed.

The league table also highlights that big pharma remains the place to be in terms of securing the biggest deals; outside of these companies only Celgene and Biogen Idec have struck deals that feature in the top ten.

Top 10 licensing product deals in 2009 (YTD)

Rank	Product	Pharmacological Class	Therapeutic Category	Company	Product Source	Status
1	NKTR-118 + NKTR-119	Opioid antagonist	Other gastro-intestinal agents	AstraZeneca	Nektar Therapeutics	Phase II
2	XL147	PI3K inhibitor	Cytostatics	Sanofi-Aventis	Exelixis	Phase II
3	PEG-IFN-lambda	Interferon	Anti-virals	Bristol-Myers Squibb	ZymoGenetics	Phase I
4	Alpharadin	Radiotherapy agent	Radiopharmaceuticals	Bayer AG	Algeta	Phase III
5	Kynapid	Anti-arrhythmic	Cardiac therapy	Merck & Co	Cardiome	Filed
6	PRT128	Platelet ADP antagonist	Platelet aggregation inhibitors	Novartis	Portola Pharmaceuticals	Phase II
7	GI-4000	Ras vaccine	Immunostimulants	Celgene	GlobelImmune	Phase II
8	MM-121	Anti-cancer MAb	Anti-neoplastic MAbs	Sanofi-Aventis	Merrimack Pharmaceuticals	Phase I
9	Fampridine SR	Potassium channel antagonist	MS Therapies	Biogen Idec	Acorda	Phase III
10	Bapineuzumab	Anti-beta amyloid MAb	Nootropics	Johnson & Johnson	Elan	Phase III

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