

Pfizer rescues biotech



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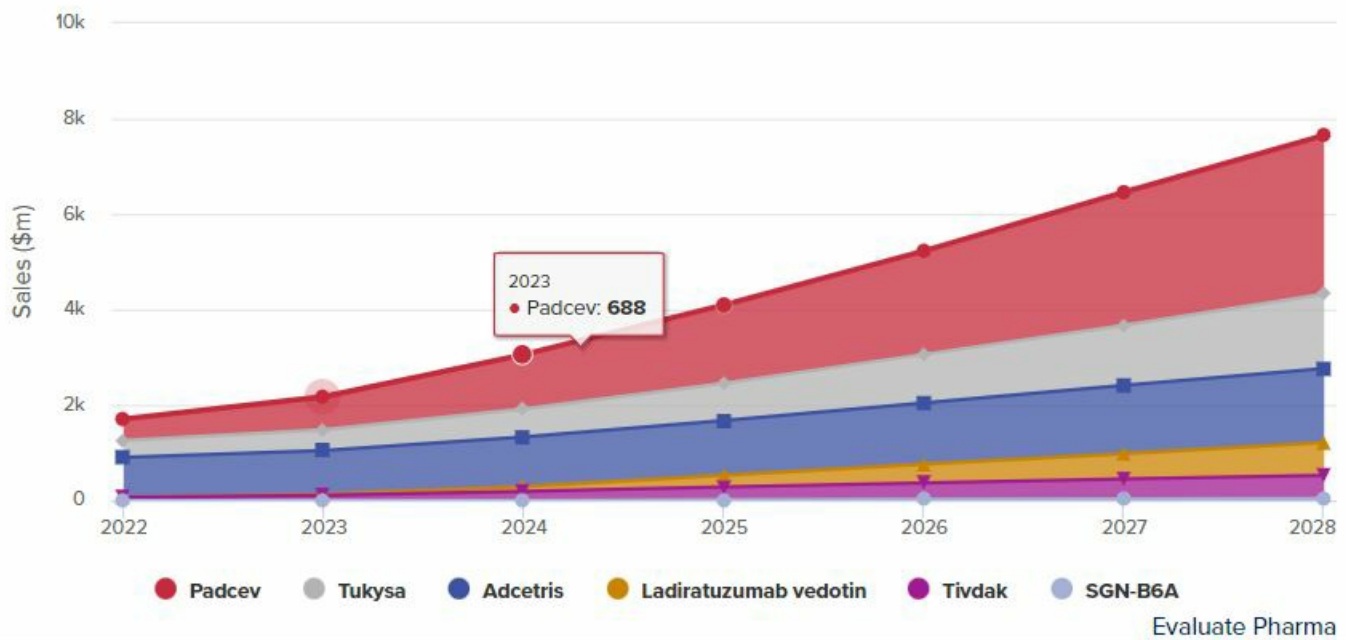
The \$43bn deal for Seagen marks the biggest biopharma acquisition since the pre-crash takeouts of Allergan and Celgene.

On Friday it seemed as though the collapse of Silicon Valley Bank could threaten the entire biotech ecosystem. Today, however, that is mostly forgotten: the [bank's deposits have been underwritten](#), and Pfizer has put down \$43bn to buy Seagen, marking the biggest biotech takeout since 2019.

Pfizer's move ends a long-running will-they-won't-they saga that had featured Merck & Co as an early front-runner, and which the clearing up of a couple of peripheral matters ultimately facilitated. Attention now turns to how likely it is that Seagen will deliver \$10bn of extra sales in 2030, a Pfizer claim that underpins the logic of the takeover.

Evaluate Pharma, which compiles a product-by-product revenue consensus from a range of investment banks, appears to support Pfizer's bullishness: Seagen sales are forecast to rise at a compounded annual growth rate of 28% to hit \$7.7bn in 2028, with Padcev, and to a lesser extent Tukysa, taking over from Seagen's workhorse Adcetris as major drivers.

Sellside consensus for Seagen



Clearly Pfizer was under pressure to do a deal, having promised \$25bn of new 2030 non-Covid sales to come from business development, necessitated largely by \$17bn of revenue expected to be lost to patent expiries during 2025-30. Whether this pressure has resulted in Pfizer overpaying could be a topic of investor conversation in the coming months.

On the face of it Seagen's share price performance suggests that the deal is reasonably priced. The premium is 33% over the \$172.61 at which Seagen stock closed on Friday, and 17% above the pre-Merck rumour peak of \$195.69, hit in 2020, before the biotech markets slumped.

Either way, its \$43bn value trumps AstraZeneca's \$39bn takeover of Alexion in size, and you have to go back to the pre-crash 2019 to see anything bigger in biopharma. That year Abbvie spent \$63bn on Allergan, and Bristol Myers Squibb took Celgene out for \$74bn.

How is Pfizer making the numbers add up? \$31bn is to be raised in long-term debt, with the rest of the all-cash consideration coming from short-term financing and existing cash. Within three years Pfizer aims to cut \$1bn of costs from the combined business, and reckons the deal will start being earnings-accretive within four years of close.

Fast growing

With Seagen boasting [two of the fastest-growing cancer drugs in the industry pipeline](#), and Pfizer in need of growth, a deal seemed obvious when it was first rumoured last month.

In addition to Adcetris, Padcev and Tukysa, Pfizer today cited [Tivdak](#), SGN-B6A and [disitamab vedotin](#) as reasons for buying Seagen. Such earlier-stage assets could reinforce the sales forecast, though clearly they carry much higher risk than the likes of Adcetris.

On an investor call today the companies' management teams said Seagen had been a pioneer in turning ADCs into reality. As if to underscore the complexity of this approach, Mersana, an ADC rival of Seagen, today said the FDA had put [XMT-2056, an anti-Her2 project with a Sting agonist payload](#), on clinical hold after a patient death.

However, it is unclear why Merck should have lost interest in Seagen, having been [cited as a key possible acquirer last year](#). One possibility is that Pfizer entered the fray and indicated that it was willing to pay more; another that Merck saw an [increasingly hostile US FTC](#) as too big a risk to getting a deal done without making major divestments.

The FTC now becomes Pfizer's problem. Though the company today insisted that it did not foresee major issues, it does not expect the Seagen deal to close until late 2023/early 2024 and, given the FTC's increased scrutiny over conflicts even at the earliest stages of drug R&D, there are several possible overlaps.

An obvious one is the BCMA target in multiple myeloma, where Pfizer has the T-cell engager elranatamab and Seagen an ADC called SEA-BCMA, both in clinical trials. Another is bladder cancer, where [Padcev and Pfizer's Merck KGaA-derived Bavencio arguably compete for some of the same patients](#). In B7-H4 blockade Pfizer and Seagen have early-stage assets, PF-07260437 and SGN-B7H4V respectively.

If the FTC remains a black box, Seagen's exposure to [arbitration against Daiichi Sanyo has at least been quantified](#), though ultimately this did not prompt a quick takeover by Merck. Neither did the fact that [Clay Sigall had been defenestrated as chief executive last year](#).

Many will hope that David Epstein, appointed to the post in November, has engineered a better deal than a rudderless Seagen would have done.

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