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Javelin infidelity leaves Myriad looking for another partner



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In the corporate equivalent of jilting your fiancé at the altar Javelin Pharmaceuticals yesterday unceremoniously abandoned long-term merger partner Myriad Pharmaceuticals and flew into the arms of the much more financially attractive Hospira.

While Myriad has discovered that money can buy you love - Hospira's takeover offer at \$2.20 a share valuing the company at \$141m is a 72% premium to Myriad's offer of 0.282 of its shares or \$82m on Friday's close - it now leaves the Utah-based company with the vexing question of what to do next.

In its statement put out on Monday, Myriad did not look as if it was going to be making much effort to regain the attentions of Javelin anytime soon, yet alone within the five days it has to respond. Describing its offer as "fair" Adrian Hobden, Myriad's president and chief executive, added that the group's priority would be to use its substantial financial resources prudently, which would include developing the group's existing drug portfolio. Hardly fighting talk.

Distressed assets

But in what looks like getting the ring back, Myriad's 'substantial financial resources' will be topped up by the repayment of a \$8.5m loan the group gave Javelin, with interest and a further \$1.5m of expenses and a consolation termination fee of \$2.9m.

However, Myriad's bid, which arrived in December, always looked like a cheeky one and the result of the cash-rich company looking for a late stage developmental pipeline on the cheap.

Javelin, with only \$7m on the balance sheet, a scarily short cash run that would have lasted it until the end of January when the deal was announced in December, certainly fitted the bill.

Alongside two other products in phase III the group, which specializes in pain management, has a PDUFA date scheduled for October 3 for Dyloject, its treatment for the management of moderate to severe pain, and is also expected to file its most valuable drug Ereska, a form of intranasal ketamine, in post operative and cancer pain by the end of the year.

In terms of the value of the drugs Myriad appeared to be getting a bargain. According to forecasts from *EvaluatePharma*, Javelin's product NPV for just Dyloject and Ereska alone were a combined \$542m, much more than what Myriad was offering Javelin shareholders: to own a 41% stake in the new company, rising to 45% on approval for Dyloject.

Moving on

But it should also be borne in mind that without the Myriad deal Javelin could not have afforded to commercialise Dyloject, which is forecast to have sales of \$214m by 2014, and with cash running out fast would have faced a very uncertain and short future.

Ironically it looks as if the cash that Myriad lent Javelin might have been the means by which the group ultimately managed to seal its deal with Hospira, whose primary care expertise in injectible drugs makes it a more natural fit with Javelin's product.

In March, Javelin hinted that a large US pharma company with a large hospital exposure was negotiating for US rights to Dyloject and had made an offer, but that it was not going to act on the deal due to the need to raise more money to execute an agreement with the mystery company.

Javelin obviously changed its mind.

Back in the dating game

For Myriad, which separated from Myriad Genetics, a more profitable and less risky diagnostic business back in

2009, this infidelity on the part of Javelin leaves it once again on the hunt for more assets.

But paying for the next big deal should not be an issue, as money is the one thing that Myriad has, partly thanks to the deal Myriad Genetics struck with Lundbeck over Alzheimer's treatment Flurizan, that saw it net a chunky \$100m upfront fee, just weeks before the drug bombed in phase III trials ([Flurizan failure highlights Myriad's diagnostic potential](#) June 30, 2008).

With its shares of these spoils that have given it a cash pile of \$169m, more than its current market cap of \$111m, the group can buy another company or more products to shore up its pipeline of three drugs in phase II and three in phase I.

Although there appears to have been some relief over the deal falling through among Myriad investors, sending the shares up 10% on Monday, the group may have to search long and hard to find a company with the price tag just as cheap as Javelin.