

Javelin and Hospira relationship sours as writs fly



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Having unceremoniously dumped Myriad Pharmaceuticals in favour of Hospira, Javelin Pharmaceuticals is now finding out just how painful relationships can be ([Javelin infidelity leaves Myriad looking for another partner, April 13, 2010](#)). Yesterday, Javelin announced that it was suing its new merger partner after Hospira extended the deadline of its \$145m tender offer for Javelin shares for the second time from June 2 to June 16.

What might be forcing Javelin to take such drastic action is fear of the consequences if a deal does not go through. The group is almost certainly running on fumes when it comes to cash and desperately needs an additional \$2m loan from Hospira that would have come as part of the end of the tender offer and was payable on June 1.

Without this Javelin has a few weeks and at best a couple of months before it runs out of money, speculated one analyst. At the end of March the group had \$1.1m in cash and even with the aggressive cost cutting that it has indulged in and the loans that have already been extended to it by Hospira the group must be near the end of its reserves. Fears that the deal could be coming apart sent Javelin shares down by 13% on Thursday.

The UK question

The falling out between the two groups appears to centre round issues relating to supply chain problems with Javelin's lead drug Dyloject in the UK, where sales have been suspended due to regulators finding particles in some vials of the painkiller.

When this was first revealed Hospira extended the date of the original tender offer from May 18 to June 2. It is thought that the group believes that the impact to sales could be a material adverse effect that could invalidate the terms of the merger ([Javelin's production woes could impact Hospira deal, May 25, 2010](#)).

Speaking to *EP Vantage* today a Hospira spokesperson said: "It's reasonable to think that this could result in that."

Dyloject is important and is one of the main reasons why Hospira originally tilted its cap at Javelin, the drug is up for US approval by October 3. The other major attraction is intranasal ketamine drug Ereska, a treatment for post operative cancer pain, which is due to be filed by the end of this year and forecast to have sales of \$183m by 2016, considerably more than the \$145m, or \$2.20 per share Hospira is paying for the whole company.

Deal or no deal?

If the issues around Dyloject in the UK can be sorted out Javelin looks like a very attractive company. So the sticking point will be whether Hospira is more interested in Javelin's products or is using the UK issues as a way of forcing down the price it eventually pays for Javelin, which starting to looking increasingly expensive given the group's current market capitalisation of \$85m.

Today, Hospira was maintaining that it was continuing to work with Javelin to look into the European production problems with Dyloject, but the fact that Javelin has taken the unusual step of suing its potential rescuer implies that their relationship, working or otherwise, is now very frosty.