

## Average M&A deal values recover in 2011



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The number of mergers and acquisitions struck within the pharma and biotechnology sector might have dimmed last year but some pretty sizeable deals happened. Topping the table were Takeda's \$13.1bn takeover of Nycomed and Gilead's surprise \$11bn swoop on Pharmasset – deals not dissimilar in price, but for vastly different assets.

Traditional big pharma is notable by its absence from the top ten deals – Sanofi-Genzyme was announced the year before so is classified as a 2010 deal – although serial acquirer Teva makes two appearances. Meanwhile average deal values recovered substantially last year, encouraging news for those hoping to find a suitor (see tables).

Average deal values for disclosed deals			
DealDate	Total Value (\$bn)	Total Count	Average deal value (\$m)
2011	52.3	85	615
2010*	50.3	112	449
2009*	43.3	107	404
2008*	61.2	113	542
2007	69.8	111	629
2006*	78.0	92	848

\* excludes deals above \$20bn

The table above, calculated using only those deals for which terms were revealed, shows the average M&A deal value climbed 40% last year, to \$615m, back towards pre-credit crunch levels. The number of deals actually fell quite substantially, showing that for deals that did get done, sellers were able to extract sizeable price tags. In an attempt to capture underlying deal trends for drug developers it excludes deals over \$20bn and any transaction in the medtech or diagnostics space.

The huge takeout of Pharmasset no doubt helped boost average deal value substantially last year; Gilead's desire to spend \$11bn on the back of phase II data set a new benchmark for risky M&A decisions ([History not on Gilead's side in high stakes gamble on Pharmasset, November 24, 2011](#)).

An analysis published yesterday found that, excluding Johnson & Johnson's acquisition of Synthes, traditional big pharma companies spent only \$1.2bn on eight M&A deals last year ([M&A deal activity dims in 2011 as big pharma backs off, January 31, 2012](#)). The table below breaks down deal making by market cap of the acquirer even further, over the last five years. Again the analysis only includes deals struck in the drug development sector and excludes \$20bn plus transactions.

The lack of activity by the biggest companies – such as Pfizer, GlaxoSmithKline and Roche – is clearly apparent, at the lowest levels in recent years. The next group down made a fairly big contribution, and includes deals struck by Takeda, Teva and Bristol-Myers Squibb.

Deal making by companies worth \$5bn-\$15bn meanwhile shot up, as transactions including Alexion's \$1.1bn bid for Enobia, Forest Lab's \$1.3bn takeover of Clinical Data and Shire's purchase of Advanced BioHealing were struck.

The absence of big pharma from the buyers' market – and its ability to write huge cheques – could certainly have helped smaller groups get a look in last year. Whether the industry's very largest companies return to the M&A scene in any number remains to be seen. Deal flow seen this year – such as Celgene's acquisition of Avila for \$350m upfront and Amgen's \$1.1bn bid for Micromet – suggests bigger companies remain in the market.

	<b>Deals struck by market cap of acquirer</b>									
	<b>\$50bn+</b>		<b>\$30-50bn</b>		<b>\$15-30bn</b>		<b>\$5-15bn</b>		<b>\$1-5bn</b>	
<b>Deal Date</b>	<b>Value (\$bn)</b>	<b>Count</b>	<b>Value (\$bn)</b>	<b>Count</b>	<b>Value (\$bn)</b>	<b>Count</b>	<b>Value (\$bn)</b>	<b>Count</b>	<b>Value (\$bn)</b>	<b>Count</b>
2011	2.0	6	21.3	4	12.9	5	8.0	17	4.3	19
2010*	14.3	22	8.6	9	6.9	2	1.7	6	12.9	28
2009*	20.8	22	3.9	4	0.7	3	1.2	8	11.9	18
2008*	14.1	25	17.4	6	4.2	2	6.1	5	5.5	31
2007	20.2	14	17.9	2	8.5	7	2.7	3	15.6	21

\* excludes deals above \$20bn

The table below shows the biggest transactions of 2011 and 2010. No traditional big pharma name makes the list, although arguably Teva and Amgen could be classified in this group now and possibly even Gilead.

Roche's \$5.7bn bid for Illumina last week is the biggest potential transaction to be announced so far this year, but it is unlikely to be largest. With companies including AstraZeneca, Eli Lilly and even Merck & Co struggling to fill pipelines, a much more substantial deal for 2012 could well be on the cards.

<b>Top 10 Pharma/Biotech M&amp;A Deals in 2011 and 2010</b>							
<b>Year</b>	<b>Rank</b>	<b>Acquiring Company</b>	<b>Deal Type</b>	<b>Target</b>	<b>Deal Value (\$bn)</b>	<b>Status</b>	<b>Financing Structure</b>
<b>2011</b>	1	Takeda	Company Acquisition	Nycomed	13.1	Closed	Cash
	2	Gilead Sciences	Company Acquisition	Pharmasset	11.0	Closed	Cash
	3	Teva Pharmaceutical Industries	Company Acquisition	Cephalon	6.8	Closed	Cash
	4	Forest Laboratories	Company Acquisition	Clinical Data	1.3	Closed	Cash
	5	Alexion Pharmaceuticals	Company Acquisition	Enobia Pharma	1.0	Open	Cash
	6	Amgen	Company Acquisition	BioVex	1.0	Closed	Cash
	7	Alkermes	Business Unit	Elan Drug Technologies	1.0	Closed	Share Exchange + Cash
	8	Daiichi Sankyo	Company Acquisition	Plexxikon	0.9	Closed	Cash
	9	Teva Pharmaceutical Industries	Majority Stake	Taiyo Pharmaceutical Industry	0.9	Closed	Cash
	10	Shire	Company Acquisition	Advanced BioHealing	0.8	Closed	Cash
<b>2010</b>	1	Novartis	Majority Stake + Company Acquisition	Alcon	38.0	Closed	Share Exchange + Cash

2	Sanofi	Company Acquisition	Genzyme	20.1	Closed	Cash
3	Teva Pharmaceutical Industries	Company Acquisition	ratiopharm	5.0	Closed	Cash
4	Valeant Pharmaceuticals International	Company Acquisition	Biovail	4.5	Closed	Share Exchange + Cash
5	Astellas Pharma	Company Acquisition	OSI Pharmaceuticals	4.0	Closed	Cash
6	Abbott Laboratories	Business Unit	Piramal Healthcare Solutions business	3.8	Closed	Cash
7	Pfizer	Company Acquisition	King Pharmaceuticals	3.6	Closed	Cash
8	Grifols	Company Acquisition	Talecris Biotherapeutics	3.4	Closed	Share Exchange + Cash
9	Celgene	Company Acquisition	Abraxis BioScience	2.9	Closed	Share Exchange + Cash
10	Johnson & Johnson	Company Acquisition	Crucell	2.2	Closed	Cash

All data sourced to EvaluatePharma.

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