

## Results - Glaxo spices up Q1 with \$720m acquisition



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GlaxoSmithKline managed to add some interest to uneventful first-quarter numbers with the \$720m acquisition of Sirtris Pharmaceuticals, an early-stage drug researcher with expertise in the novel area of sirtuins, a class of enzymes thought to be involved in controlling the ageing process.

While the move in price terms is not a big deal for Glaxo, which reported quarterly profits of £2.05bn (\$4.06bn) today, down 5% on last year, Sirtris investors are likely to be more impressed. They have been offered an 84% premium to the group's share price yesterday, which for a company with only one product in early clinical trials, even one with a platform technology, is not to be sniffed at.

The price is an indication of how much big pharma is prepared to pay for promising looking technologies, as demonstrated by the \$1.1bn acquisition of Sirna by Merck, and Bristol-Myers Squibb's \$430m swoop on Adnexus. It also reflects the substantial IP protection Sirtris has in the field of sirtuins.

The group's most advanced candidate is SRT501, in a phase IIa study in combination with metformin, in patients with type 2 diabetes. The product is based on a formulation of resveratrol, a natural substance found in red wine. The group also has eight other pre-clinical candidates, two in oncology.

### Low calorie benefit

Sirtris has developed a way to modulate sirtuins, enzymes which are activated when calorie intake is reduced. A calorie restricted diet has been shown to have a beneficial effect on lifespan and factors associated with diabetes, muscle wasting and neurodegenerative diseases such as Parkinson's disease.

Like Domantis, which Glaxo bought in 2006 for its antibody platform, the company will continue to run as an autonomous unit, albeit with a bigger budget.

On a conference call today, Glaxo's chief executive Jean-Pierre Garnier said the company would continue to take advantage of similar opportunities, and said Sirtris held "great promise" for the discovery of new drugs.

Glaxo often boasts of having the broadest pipeline of new drugs in the industry, but the group has had a number of regulatory set backs in the last year, most notably over Cervarix. The company said today it hoped to submit the extra data the FDA has required on the cervical cancer vaccine by the end of the current quarter.

Mr Garnier also said it would take another three to six months to judge whether diabetes drug Avandia can recover from the safety scare, which linked the product to an increased risk of heart attack. Sales of the three Avandia products, including Avandamet and Avandaryl slumped 56% to £191m in the quarter, although prescriptions had stabilized in the last six to eight weeks, he added.

Once one of the company's biggest growth drivers and second-biggest product, analysts now expect the group of drugs to generate sales of only £653m in 2012. In April 2007, the month before a medical journal published the damaging study, archived consensus for 2012 was at £2.26bn.