

## Takeovers tick up in 2012 but feeding frenzy still some way off



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The first half of 2012 has seen \$44.6bn of global biopharma takeover activity, a 29% increase over a year ago. However, the number of deals done has remained fairly constant – backing up the view that more cash is increasingly being thrown at the R&D productivity problem.

But while individual deal values are creeping up, and replenishing big pharma revenues lost to generic competition is a clear driver, anything that could be described as a takeover frenzy still seems some way off, *EvaluatePharma* data show. Last year's first half also gave hopes that M&A action was stepping up but these failed to materialise, and – unless the second half of 2012 lives up to the billing of the first – bullish biotech investors might find that the status quo has largely prevailed by the time the year is out (see table below).

So far this year the combined deal values are already equivalent to some 82% of the total done during the whole of 2011. But last year was heavily skewed in favour of the first half too, in which 87 deals were done for a combined \$34.6bn, the subsequent second half slow down resulted in the less impressive 29% year-over-year increase.

Pharma and biotech acquisitions of last decade		
Deal announcement date	Deal value (\$bn)	Deal count
2012 H1	44.6	83
2011	54.1	171
2010	108.3	180
2010 (excluding Novartis-Alcon)	70.3	179
2009	151.9	173
2009 (excluding mega-mergers)	42.9	171
2008	109.4	186
2008 (excluding mega-mergers)	62.4	184
2007	70.0	161
2006	99.7	138
2005	61.5	135
2004	97.7	94
2004 (excluding mega-mergers)	34.7	93
2003	39	89
2002	66	87
2002 (excluding mega-mergers)	5.8	86
2001	46.1	80

Moreover, while deal values are picking up relative to last year they are still relatively low over the 10-year timeframe. And if Nestlé's \$11.9bn buyout of Pfizer's nutrition business is excluded 2012 starts looking like a

case of business as usual. This could be a worrying sign given that during 2011 as a whole global M&A between pharma and biotech companies slowed dramatically ([M&A deal activity dims in 2011 as big pharma backs off, January 31, 2012](#)).

Another factor that perhaps distorts the figures is the exclusion of Roche's attempted \$5.7bn takeover of the gene sequencing firm Illumina, launched in January but abandoned three months later. This looked like a promising sign of early M&A action this year.

There are other signals that big pharma remains for the most part a cautious acquirer, such as GlaxoSmithKline's low-ball \$3.6bn takeover of Human Genome Sciences and the \$7bn Amylin move, structured as a risk-sharing joint bid by Bristol-Myers Squibb and AstraZeneca.

These could act as a dampener on hopes that we are on the verge of a patent expiry-driven biotech buyout frenzy – hopes no doubt kept alive by Bristol's other big deal so far this year, the \$2.5bn acquisition of Inhibitex, a company with no projects beyond phase II. Takeover speculation has driven up the market valuations of Onyx Pharmaceuticals, Dendreon, Medivation, Arena Pharmaceuticals and others.

Amylin, Human Genome and Inhibitex, along with AstraZeneca's takeover of Ardea Biosciences, feature as the biggest biotech buyouts by pharma of the year so far, and if the Pfizer nutrition business is excluded the takeover of Amylin becomes the biggest biopharma acquisition overall (see table below).

<b>Top 10 takeouts of 2012 so far (excluding Nestlé/Pfizer)</b>				
<b>Rank</b>	<b>Acquiring company</b>	<b>Target company/business unit</b>	<b>Deal status</b>	<b>Deal value (\$bn)</b>
1	Bristol-Myers Squibb	Amylin Pharmaceuticals	Open	7.0
2	Watson Pharmaceuticals	Actavis	Open	5.9
3	GlaxoSmithKline	Human Genome Sciences	Open	3.6
4	Dainippon Sumitomo Pharma	Boston Biomedical	Closed	2.6
5	Bristol-Myers Squibb	Inhibitex	Closed	2.5
6	Novartis	Fougera Pharmaceuticals	Closed	1.5
7	AstraZeneca	Ardea Biosciences	Closed	1.3
8	Amgen	Micromet	Closed	1.2
9	Celgene	Avila Therapeutics	Closed	0.9
10	Takeda	URL Pharma	Closed	0.8

While there is therefore a risk that 2012 might peter out like last year, bullish investors will no doubt point to a second half that is set to be rich in US regulatory decisions ([Key data readouts in the second half of 2012, July 20, 2012](#)). With the FDA showing signs of uncharacteristic leniency in drug approvals of late, perhaps there are reasons to believe that momentum will build and full-year M&A activity will outpace that of 2011.

The second half will also show whether investors have the bottle to support biotech valuations at a level that indicates that takeover mania is just around the corner.

*All data sourced to EvaluatePharma*

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