

M&A activity cools in 2012 as break-ups loom



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As big pharma gears up for what could be the year of the big break-up, a review of M&A activity in 2012 reveals that the sector took its foot off the accelerator, with both the number of deals and their total value shrinking. Data from *EvaluatePharma* show that 180 deals were struck last year, down from more than 190 in each of the preceding two years.

Moreover, big pharma seems by and large absent from the game, with Roche, Merck & Co and Abbott Laboratories not even playing. With the 2012 patent cliff now a thing of the past, the pressure to fill pipelines has eased; meanwhile, affordable biotech valuations seem to be harder to find (see tables).

Satiety

On most counts, the pharma sector simply seemed less ravenous in 2012, and certainly had no appetite at all for anything more than deals in the single-digit billions. Bristol-Myers Squibb was the big spender of 2012, accounting for more than a fifth of all M&A expenditures. Its big purchases were on the one hand risk-mitigated in the case of Amylin Pharmaceuticals and on the other an utter failure in the case of Inhibitex.

Top 10 pharma/biotech M&A deals in 2012 and 2011

Year	Rank	Acquiring company	Target company or business unit	M&A deal status	Deal value (\$bn)
2012	1	Bristol-Myers Squibb	Amylin Pharmaceuticals	Closed	7.0
	2	Watson Pharmaceuticals	Actavis	Closed	5.9
	3	GlaxoSmithKline	Human Genome Sciences	Closed	3.0
	4	Dainippon Sumitomo Pharma	Boston Biomedical	Closed	2.6
	5	Valeant Pharmaceuticals International	Medicis Pharmaceutical	Closed	2.6
	6	Bristol-Myers Squibb	Inhibitex	Closed	2.5
	7	Novartis	Fougera Pharmaceuticals	Closed	1.5
	8	AstraZeneca	Ardea Biosciences	Closed	1.3
	9	Amgen	Micromet	Closed	1.2
	10	Celgene	Avila Therapeutics	Closed	0.9
2011	1	Takeda	Nycomed	Closed	13.1
	2	Gilead Sciences	Pharmasset	Closed	11.2
	3	Teva Pharmaceutical Industries	Cephalon	Closed	6.8
	4	Teva Pharmaceutical Industries	Taiyo Pharmaceutical Industry	Closed	1.4
	5	Forest Laboratories	Clinical Data	Closed	1.3
	6	Alexion Pharmaceuticals	Enobia Pharma	Closed	1.1
	7	Amgen	BioVex	Closed	1.0
	8	Alkermes	Elan Drug Technologies	Closed	1.0
	9	Daiichi Sankyo	Plexxikon	Closed	0.9
	10	Shire	Advanced BioHealing	Closed	0.8

The \$7bn buyout of Amylin allowed Bristol-Myers to extend its diabetes joint venture with AstraZeneca – and reap a \$3.2bn reimbursement from the Anglo-Swedish company ([Joint-venture approach does little to hide risk of Amylin takeover, July 2, 2012](#)). The \$2.5bn buyout of Inhibitex, on the other hand, was a bomb, with the New York group writing off nearly all its purchase price when cardiovascular and kidney safety signals emerged for the hepatitis C antiviral BMS-986094 ([Bristol-Myers setback another blow to hep C field, August 24, 2012](#)).

Watson's buyout of Actavis was aimed at allowing the New Jersey-based group to rise up the global rankings of global generic sales ([Global growth would be goal of Watson-Actavis tie-up, March 22, 2012](#)). Meanwhile, GlaxoSmithKline finally got its man, so to speak, with the \$3bn buyout of Human Genome Sciences ([Game of hardball wins Human Genome for Glaxo, July 17, 2012](#)).

Below the surface

The table below shows that the pharma M&A scene looked a lot like that of 2009 in both number and total transaction costs if the mega-mergers of Pfizer with Wyeth and Merck & Co with Schering-Plough are excluded from the mix.

Pharma and biotech acquisitions of last decade		
Deal announcement date	Deal value (\$bn)	Deal count
2012	42.6	180
2011	55.6	196
2010	108.9	194
2010 <i>(excluding Novartis-Alcon)</i>	71.2	193
2009	151.9	179
2009 <i>(excluding mega-mergers)</i>	42.8	177
2008	109.4	191
2008 <i>(excluding mega-mergers)</i>	62.6	190
2007	70.0	163
2006	100.2	147
2005	61.8	141
2004	97.6	96
2004 <i>(excluding mega-mergers)</i>	34.6	95
2003	38.6	90
2002	67.0	94
2002 <i>(excluding mega-mergers)</i>	7.0	93
Report Average (excluding mega-mergers)	53.4	151

Of course, 2009 was a much different time in big pharma as companies were desperate to keep from falling down the patent cliff. Back then, big pharma companies were involved in a total of 34 deals, twice that of 2012, as the table below indicates. In the last five years, those companies were involved in 160 M&A transactions for an average of 32 a year.

Thus it is clear that as most of an iceberg lies below the surface of the water, much of the M&A action today is happening at small and medium-sized pharma and biotech companies – although 2012 was clearly more active than 2011 on almost every measure in the big pharma space.

Big pharma M&A analysis										
	2012				2011					
	Pharma deals		Total deals		Pharma deals		Total deals		Five-year total (2008-2012)	
Company	Value (\$bn)	Count	Value (\$bn)	Count	Value (\$bn)	Count	Value (\$bn)	Count	Value (\$bn)	Count
Bristol-Myers Squibb	9.5	2	9.5	2	0.5	1	0.5	1	13.3	6
GlaxoSmithKline	3.31	3	3.32	4	0.04	2	0.04	2	9.7	26
Novartis	2.2	3	2.3	4	-	-	0.5	1	55.5	20
AstraZeneca	1.3	2	1.3	2	-	1	-	1	1.8	4
Pfizer	0.7	2	0.7	2	0.4	3	0.4	3	73.9	15
Roche	-	-	-	-	0.2	2	0.6	5	52.1	18
Merck & Co	-	-	-	-	0.4	1	0.4	1	42.2	6
Sanofi	-	1	-	3	-	1	-	1	32.4	25
Johnson & Johnson	-	4	-	6	-	1	20.3	3	27.6	24
Eli Lilly	-	-	-	1	-	-	-	1	7.7	6
Abbott Laboratories	-	-	-	-	-	-	-	-	15.0	10
<i>Total</i>	<i>17.0</i>	<i>17</i>	<i>17.1</i>	<i>24</i>	<i>1.5</i>	<i>12</i>	<i>22.7</i>	<i>19</i>	<i>331.1</i>	<i>160</i>
<i>Excluding mega mergers</i>	<i>17.0</i>	<i>17</i>	<i>17.1</i>	<i>24</i>	<i>1.5</i>	<i>12</i>	<i>2.4</i>	<i>18</i>	<i>117.8</i>	<i>154</i>

This should not be surprising. Now many of the biggest companies are trying to rationalise their business models, as demonstrated by Pfizer's spin-out of its animal health business into Zoetis, Abbott Laboratories splitting off its pharmaceutical arm into AbbVie and Johnson & Johnson considering cleaving off its diagnostics business.

With another patent cliff coming in 2015, there might be a growing desire once again to buy rather than build pipelines among certain big pharma companies that have experienced recent setbacks – AstraZeneca and Elan spring to mind. No doubt this would please the investment bankers who of late have seen no big scores and had to content with the smaller deals that have become the industry's fashion.

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