

BIO 2013 - Takeda's small building blocks to recovery



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After the year Takeda had in 2012 observers might be wondering if something has since gone wrong at its business development department. With four months of the current year now crossed off there have been no announcements about acquisitions; this from a company that completed five takeovers in 2012 and has made no secret about wanting to add more products to its pipeline.

But with Takeda's ambitions to increase its presence in Latin America, alongside growing its US business, it is unlikely that the silence that has settled over its business development unit will last for long. "We have said publicly that we are looking to strengthen our vaccines business globally, to augment the Japanese vaccines business," Anna Protopapas, the group's executive vice-president of global business development, told *EP Vantage* yesterday at the Biotechnology Industry Association's international convention in Chicago.

Takeda needs to keep its foot on the deal accelerator because 2013 is set to be a financial low point for the Japanese company. The loss of its \$4bn-a-year diabetes drug, Actos, is expected to have its biggest impact this year, causing forecast revenues to dip before starting a recovery in 2014.

Thankfully most of this decline has been built into the shares, which have enjoyed a 38% rise since the beginning of 2013, though a large part of this could be down to recent Japanese retail investor interest in pharma. But with a shortage of mid-stage pipeline products, the need to keep buying remains.

Not at any price

Despite the need for products to refill the pipeline, and eventually shore up the bottom line, Takeda is still not afraid to cull products that do not fit in with its long-term strategy. Last month, the group said it would hand back rights to two products to development partner NPS Pharmaceuticals. Speaking of the decision Ms Protopapas says, "US and emerging markets continue to be priority areas for us to grow in."

Even within this strategy there are limits. The addition of Nycomed in 2011 might have transformed Russia into the group's third-biggest market, but according to Ms Protopapas there are certain emerging markets that hold less interest. "It would require significant investment to have critical mass in India, so it is a matter of prioritising where we can get value."

However, Takeda, which boasts over \$4bn in the bank, is struggling to get as much value from deals and M&A as it has in the past, because of the increasingly heady valuations of some companies that make up the US biotech sector.

Small pearls

To try to mitigate this, the group is considering smaller biotechs, where it stands a better chance of scooping up bargains among businesses that have either not made it onto the radars of other groups or that are struggling to find funding to advance candidates through the clinic.

Of the five acquisitions Takeda completed last year the majority were completed for under \$300m, the most expensive, URL Pharma, came in at \$800m, but did have a product on the market. According to Ms Protopapas size really does not matter when it comes to signing on the dotted line. "We don't have a specific threshold within the company; what we are looking for is true innovation."

But if Takeda is to maintain the share price gains it has enjoyed in recent months the one area the group must start growing is the number of deals it has so far achieved this year.

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