

## Astra's acquisition of MedImmune still looks overpriced



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One year on from AstraZeneca's acquisition of MedImmune for a whopping \$15.6bn, the two parties are no doubt conducting a review of how well the integration has progressed. More importantly, investors in the UK group will be looking to see what value the acquisition has added to try and justify the price, consistently seen as much too high, it paid for the US biotech.

An NPV analysis of MedImmune's products suggests the criticisms levelled at AstraZeneca for over-paying are likely to continue. The total NPV of all products acquired from MedImmune amount to \$8.21bn, still only half of the acquisition price, according to EvaluatePharma's NPV Analyzer. Although today's announcement that MedImmune's long-standing chief executive David Mott is leaving the company was attributed to "personal reasons", could it be a sign that the relationship is straining under the pressure to deliver on its high expectations?

### High premium

So what did AstraZeneca pay the other \$7.4bn for? Whilst MedImmune's platform technology will represent a significant portion, the gap between overall NPV and the acquisition price is likely to still be significant.

Of the products acquired, the only real success story so far has been the BLA filing for Numax (motavizumab) in February for the treatment of respiratory syncytial virus (RSV) infections. A decision from the FDA is due in November, a critical event if the antibody is to extend the franchise already established by Synagis.

As well as the total NPV of MedImmune's products coming up well short of the acquisition price, a review of the archive analyst consensus forecasts suggests the big pharma group is struggling to add value since the acquisition.

Over the five years between 2008 and 2012, current consensus forecasts for MedImmune's products are \$940m lower than was previously expected in May last year, just prior to the acquisition. This 12% miss must be disappointing to the company and only provides further ammunition to those critics of the deal.

Product acquired	Phase (Current)	Today's NPV (\$m)	Status on Acquisition	Current forecasts - June 2008 (\$m)				
				2008	2009	2010	2011	2012
Numax	Filed	4,409	Phase III	70	485	909	923	949
Synagis	Marketed	1,315	Marketed	820	580	284	253	219
Gardasil	Marketed	1,127	Marketed					
FluMist	Marketed	676	Marketed	119	171	227	273	310
Cervarix	Marketed	557	Approved					
Ethyol	Marketed	88	Marketed	69	59	50	46	33
EBV vaccine	Phase II	20	Phase II					
MEDI-528	Phase II	10	Phase II					2
Retaspimycin (IV)	Phase II	6	Phase I					1
		8,208		1,077	1,293	1,470	1,495	1,514
			<b>Archive forecasts - May 2007 (\$m)</b>	1298	1436	1564	1686	1807
			Missing sales (\$m)	(221)	(142)	(94)	(190)	(293)
			<b>Total missing sales (\$m)</b>	(940)				

Specifically, the combined sales of the Numax/Synagis franchise are also lower than hoped. Sales of \$1.17bn in 2012 are lower than the \$1.36bn that were forecast a year ago.

Of the 47 products acquired that were in development, eight candidates have advanced at least one stage over the last 12 months, whilst nine research projects have been terminated, mostly from pre-clinical studies.

In comparison, Schering-Plough's acquisition of Organon Biosciences for the same \$15.6bn last November looks more likely to add value to the US pharma major and generally represent better value for money. The total NPV of Organon's products amounts to \$10.4bn, much closer to the acquisition price.

In addition, a review of the archived analyst consensus forecasts for Organon's products shows Schering-Plough adding value to previous estimates, with the main success story so far the increased potential for Bridion, due to receive FDA approval by the end of next week. Current consensus of \$490m by 2012 represents a 60% increase on the \$308m forecast just before the acquisition.

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