

Perhaps not transformational, but a decent price for Astra



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In summing up AstraZeneca's \$4.1bn buyout of a diabetes joint venture with Bristol-Myers Squibb today, analysts at Bryan Garnier opined: "This is not exactly the transformational deal we dreamt about." They can say that again.

Still, the somewhat pedestrian nature of the asset should not detract from the fact that Astra looks to have picked up a growing product portfolio for what looks like a decent price (see table). Bristol's implied calling of the top of the market and strategic about turn might seem odd, but the group clearly has new priorities.

Just over a year ago Bristol saw fit to hand over \$3.5bn for its share of Amylin, which it had bought jointly with Astra ([joint-venture approach does little to hide risk of Amylin takeover, July 2, 2012](#)). Now, for just another \$600m it has given up on this business, as well as handing Astra full control of the diabetes drugs Forxiga and Onglyza, and their combinations with metformin.

Bristol said the move was part of a strategy to evolve into a leading biopharma business, and one can understand why it now sees diabetes – an increasingly tricky market – as perhaps not worth the hassle.

A lot has changed over the past year, and in nivolumab, for instance, Bristol has a potential oncology asset that consensus forecasts value at a spectacular NPV of \$21.7bn. ISI Group's Mark Schoenebaum was quick to point to the deal as signifying Bristol's prioritising of nivolumab, and the analyst wondered whether the sale of Bristol's share of Eliquis might be next.

Bargain?

The table below summarises the NPVs of the diabetes joint venture's main products, according to *EvaluatePharma's* consensus data. On the face of it, even if AstraZeneca ends up paying Bristol the full \$4.1bn it might still get a bargain, since its half of the products' projected combined NPVs looks to be worth closer to \$5.6bn.

Product	NPV (\$m)
Bydureon (exenatide)	4,038
Onglyza (saxagliptin)	3,398
Kombiglyze/Komboglyze (saxagliptin + metformin)	1,550
Forxiga/Farxiga (dapagliflozin)	1,304
Byetta (exenatide)	600
Symlin (pramlintide)	280
metreleptin	56
<i>Total</i>	<i>11,226</i>

Of course, certain other adjustments have to be made. For instance, Royalty Pharma is owed a small royalty payaway on sales of Onglyza and Kombiglyze, and the value of some projects accrues to Japan partners.

Importantly, however, Astra will have to pay Bristol what appears to be a significant royalty on sales of the non-Amylin products until 2025 on top of the headline price, and this is not captured in this simple NPV analysis.

Nevertheless, there still seems to be scope for the UK firm to make money on the deal, assuming expectations

pan out. If reports about Astra's unhappiness about the venture are accurate – apparently the set-up was too complex, leaving the group unable to respond quickly to other diabetes players like Merck & Co, Sanofi and Novo Nordisk – then taking it in-house could provide a quick fix.

Of course, dapagliflozin has yet to clear the US FDA, although the chances of approval by its 11 January PDUFA date look good after the recent 13-1 adcom backing, and since this is a second-cycle application ([*Panel's thumbs up for dapa a glimmer of good news for Astra, December 13, 2013*](#)).

Furthermore, with \$1.4bn of the purchase price contingent on regulatory, launch and sales-related milestones Astra is likely hedging against any nasty surprises. In the UK group's own way it has pulled off a decent deal, on terms that should not alarm its long-suffering investors.

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