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December 18, 2015

Viiv-Bristol HIV deal ramps up asset swap stakes

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Big pharma’s year-end asset flea market has produced another major transaction. Viiv Healthcare has effectively purchased Bristol-Myers Squibb’s HIV pipeline as the latter group exits development in antivirals.

For $350m, Viiv gets three late-stage candidates and several discovery projects, a deal that significantly expands the armoury of the joint venture, majority-owned by GlaxoSmithKline. For Glaxo, this is recognition that HIV is one of its remaining strengths as its respiratory franchise continues to struggle.

Bristol took great pains to emphasise that it is not leaving HIV completely – it will support the marketed drugs Reyataz, Evotaz, Sustiva and Atripla, three of which will see shrinking revenue in coming years. But there is no doubt this transaction was an effort to unlock some immediate value from assets to which investors were not according much.

The combined NPV of the HIV candidates included in the transaction is $1.5bn, not far off the $1.2bn deal value when milestones are included. So while Bristol-Myers might have pushed for a higher price, it had said that virology was no longer an R&D focus, so finding a new home in a specialised HIV house had to have been a goal.

One would presume that Gilead Sciences might also have been keen, but its corporate development side seems to have been occupied with a rheumatology race with AbbVie (*Galapagos turns the tables on AbbVie, courtesy of Gilead, December 17, 2015*).

The rival that declined?

Gilead, of course, does not necessarily look weak in its HIV pipeline, with the launch of the single-agent NRTI drug tenofovir alefenamide, a prodrug of Viread, looking to be the biggest of the class of 2016.

What it does not have is candidates in some of the novel therapy categories contained in the Bristol-Myers/Viiv deal: attachment inhibitors and maturation inhibitors. This transaction includes the three disclosed clinical-stage candidates in these classes.

As with its antiviral rival, Bristol has other fish to fry. The cancer immunotherapy Opdivo has become such a huge share of its current valuation that Bristol has little choice but to devote its R&D budget on dozens of clinical trials trying to expand its use.

Glaxo, meanwhile, has been hemmed in on all sides by the underperformance of its respiratory division. The UK group reversed a plan to spin off its Viiv interest – the joint venture is co-owned with Pfizer and Shionogi – when it realised that HIV was growing as the rest of its pharmaceutical sales shrank (*Glaxo strategy underwhelms as near-term outlook dims, May 7, 2014*).

In HIV, Viiv can claim two strongly growing assets in Triumeq and Tivicay, but the venture had little in its pipeline – it lists just the integrase inhibitor S-265744. Thus a late-stage clinical refresh was what it needed, adding a forecast $240m in 2020 sales.

In Bristol-Myers, Glaxo found a pragmatic partner in a transaction aimed at rationalising the pipelines of both organisations. HIV will not be the answer to all of the UK group’s woes but, as long as biotech valuations remain inflated and chief executive Andrew Witty is steadfast against megamergers, opportunistic deals like this one might be its only response.

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