

# Deal Watch

Welcome to the June Deal Watch, our monthly analysis of the top pharma deals. In line with our customary practice, this review focuses predominantly on those deals where financial terms are disclosed during June. So, as we move into the summer of 2014, what's hot and happening in terms of deals this month?



## Deal Values Hotting Up...

**A**cquisitions lead the way and topping the table at US\$42.9bn was the acquisition of Covidien (based in Dublin) by Medtronic. Already a major contender in medical devices, this deal – the largest in the medical device field – means the combined company is a serious competitor to the market leader, J&J. An interesting aspect of the deal is the base of the company being in Ireland, a clear tax benefit which was a key feature in the previous month's bid by Pfizer to acquire AstraZeneca (AZ) to take advantage of the lower tax rate in the UK compared with that in the US.

It was a busy month for Medtronic as it also announced the signature of a memorandum of understanding with Sanofi to enter into a global strategic alliance in diabetes. It is intended to base the alliance on an open innovation model with Sanofi bringing its extensive insulin portfolio and Medtronic contributing its insulin pumps and glucose monitoring expertise. No financial terms have been disclosed.

Next in the top headlines was the \$3.9bn acquisition of Idenix by Merck & Co, representing \$24.50 per share in cash and a 239% premium over the share price on the Friday before the announcement. The juggernaut which is the hepatitis C deal machine rolls on with this deal keeping the cost-of-entry price tag up. The Merck & Co acquisition brings three oral hepatitis C compounds which are in clinical development and offers the promise of a triple therapy which could prove effective

in all genotypes. With its own products in development, this clearly signals Merck's long term investment and determination in this field. Table 1 shows the rather expensive range of deals closed in this intensely competitive field over the last few years. The acquisitions are not without risk as BMS found when, seven months after paying \$2.5bn, it had to discontinue development of Inhibitex product INX-189 in phase 2 because of safety issues.

Key to any deal price tag of course is the product valuation. Idenix's negotiation position will have been helped no end by the price and recent US sales of Gilead's Sovaldi (sofosbuvir); the US price is \$84,000 (for a 12-week course) with sales of \$2.27bn in the first quarter of this year. It was inevitable that such a high price would attract attention from the regulators, although the UK price is lower than that in the US (the UK list price is £35,983 for a 12-week course), NICE is now questioning Gilead's data, stating that evidence is lacking in some subgroups and indicating that there are uncertainties in the evidence base. So the jury is out until October when a decision is expected.

Although not commanding quite such a high headline, this month OraSure granted AbbVie exclusive promotion rights to its OraQuick HCV test in the US for \$75m. This deal shows Sanofi is clearly not alone in taking a broad approach to franchise management!

## A Midsummer Night's Dream

Now formally off the table and staying unrequited was the acquisition bid made

### About the Author

Sharon Finch is one of the regular contributors to the monthly Deal Watch from the Medius team providing analysis and insight into the industry's deals.

T: +44 (0) 20 8654 6040  
E: dealwatch@medius-associates.com

**Table 1: Major hepatitis C deals**

Licensors Acquired / Licensee Acquirer	Product	Status at Deal/ Date	Deal Type/Share Price Premium	Headline Value US\$m
Idenix/ Merck & Co	Samtasvir (NS5A inhibitor) + other HCV therapies	Phase 2 June 2014	Acquisition (announced), 239% premium	3,900
Pharmasset/ Gilead	Solvadi / PSI-7977	Phase 3 Nov 2011	Acquisition, 89% premium	10,800
Inhibitex/ BMS	INX-189 / BMS-986094	Phase 2 Jan 2012	Acquisition, 163% premium	2,500
Alios BioPharma/ Vertex	ALS-2200/ALS-2158 (HCV polymerase inhibitors)	Preclinical June 2012	Global licence	1,525 (60 upfront)
Enanta/ Novartis	EDP-239 (NS5A inhibitor)	Preclinical Feb 2012	Exclusive global licence, US co-promotion	440

by Pfizer for AZ, the failure of which was attributed by Pfizer's CFO to the sole issue of price.

Clearly not deterred by this, AZ has moved on to build on its respiratory franchise by in-licensing Synairgen's inhaled beta interferon, SNG001. This product is in development as an immunomodulatory therapy for viral respiratory tract infections in patients with severe asthma. The deal carries a headline value of \$232.25m which includes a \$7.25m upfront fee. Seeing some success from its partnering, AZ also marked the start of a clinical trial with the antisense drug ISIS-ARRx, in patients with metastatic castrate-resistant prostate cancer, by paying partner Isis Pharmaceuticals a \$15m milestone.

Staying in the hostile M&A arena, Allergan declined Valeant's second takeover bid, so this story still rumbles on but Valeant is not yet giving up. The company announced that an exchange offer for Allergan's common stock would go ahead taking its May 30 proposal directly to the shareholders; so watch this space!

#### Hot Gossip

Rumours were abroad from no less a source than the UK Financial Times that Shire was about to make a \$5bn bid for NPS Pharmaceuticals. So strong were the rumours that this led to NPS issuing an official denial. Next up was the comment that Allergan was on the cusp of making a bid for Shire, but of course it was pipped at the post by AbbVie, which eventually clinched the deal in mid-July for \$54bn in cash and shares.

During June, Shire remained busy focusing on the day-to-day business with a move into specialised patient populations targeting the pre-school market via a new clinical study with Vyvanse. Success in this endeavour could secure a six-month data exclusivity. Also building on its R&D collaboration with arGEN-X, Shire entered into a long-term alliance paying an upfront of \$20.4m (cash and equity) for access to therapeutic antibodies in cancer and autoimmune diseases.

Streamlining is evident at Teva with the company undertaking a major cost-cutting exercise. But it is also looking to build on its pain franchise as noted with its purchase of Labrys Biologics for up to \$825m. This brings access to Labrys' monoclonal antibody drug LBR-101, which is under development for the prevention of chronic and episodic migraine and will clearly complement Copaxone.

#### Oncology Focus & Immuno-Oncology is Still Growing!

Still keeping its place in the headlines and following its recent licence with Nogra Pharma with the notable \$710m upfront payment, Celgene closed a deal with NanoString Technologies for the development of a companion diagnostic assay to support the development of Revlimid for treatment of Diffuse Large B-Cell Lymphoma at a more modest headline of \$45m.

Of course the growth area within oncology is the immunological approach, and GSK closed a \$350m co-development

and option deal with Adaptimmune. Adaptimmune develops TCR engineered T-cells and the agreement focuses on co-development around the cancer testis antigen NY-ESO-1, to which GSK has an option on the programme though to clinical proof-of-concept.

Similarly, Pfizer signed up with the French company Collectis for its CAR-T platform which uses chimeric antigen receptors to re-programme T-cells to target cancers. Under the terms of the agreement, Pfizer secured exclusive development and marketing rights for 15 targets selected by Pfizer. Collectis has reserved 12 other targets and Pfizer will provide preclinical development assistance for four of these. Deal terms include an \$80m upfront payment, R&D funding and up to \$185m in milestones for each candidate, giving an estimated headline value of \$2.8bn. In addition, Pfizer has agreed to make a 10% equity investment stake purchasing new shares at €9.25 (\$12.63) each, representing an estimated \$28m. Instead of arriving at a personalised solution by harvesting individual patient's T-cells, Collectis is using allogenic CAR-Ts to provide a treatment which should be manufactured and standardised more easily. Collectis plans to open a research site in the US to work more closely with Pfizer.

Joining the checkpoint modulator fray, Merck Serono formed a partnership with Morphosys to discover and develop antibodies against certain immune checkpoints using the Morphosys

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Licensor Acquired / Licensee Acquirer	Product / Technology	Deal Type	Headline (\$m)
Covidien/ Medtronic	Medical device company adding US critical mass	Company acquisition	42,900
Idenix Pharmaceuticals/ Merck & Co	Hepatitis C assets include IDX21437 (p1/2 nucleotide inhibitor) to combine with Merck HCV drugs	Company acquisition	3,850
Labrys Biologics/ Teva	Includes Labrys' p2b anti-CGRP mAb for treatment of episodic migraine	Company acquisition	825
Chelsea Therapeutics/ Lundbeck	Includes Northera (droxidopa) for neurogenic orthostatic hypotension (approved)	Company acquisition	658
OAO Veropharm/ Abbott Laboratories	Russian based manufacturing company	Company acquisition	630
DAVA Pharmaceuticals/ Endo International	Generics business including generic doxycycline and cefdinir	Company acquisition	575
Bionomics/ Merck & Co	BNC 375 in Alzheimer's disease (preclinical)	Exclusive research and licence agreement	526
Adaptimmune/ GSK	TCR engineered T-cells which target NY-ESO-1 and other targets in oncology (p1/2)	Co-development and option	350
Genia Technologies/ Roche	Single molecule, semiconductor, DNA sequencing using nanopore technology	Company acquisition	350
Medreich/ Meiji Seika	Indian based manufacturing company	Company acquisition	290
Cellectis/ Pfizer	Chimeric Antigen Receptor T-cell (CAR-T) immunotherapies directed at multiple selected oncology targets (platform)	Collaboration	265* + \$28m equity
Dimension Therapeutics/ Bayer	Gene therapy for the treatment of haemophilia A (preclinical)	Licence	252
Synairgen/ AstraZeneca	SNG001 inhaled beta interferon (p2)	Exclusive licence	232
Ligand Pharmaceuticals/ TG Therapeutics	Development, commercialisation of Interleukin-1 Receptor Associated Kinase-4 (IRAK-4) inhibitors (preclinical)	Exclusive licence	208
Pregenen/ bluebird bio	Gene editing technology platform	Company acquisition	156
OraSure Technologies/ AbbVie	OraQuick HCV rapid test in US	Co-promotion**	75
Orion/ Bayer	ODM-201, an investigational novel oral androgen receptor inhibitor (p2)	Co-development, option to co-promote in Europe	68
Sorrento Therapeutics / Morphotek	To generate chemotherapeutic antibody drug conjugates (ADCs) (platform)	Research and option agreement	50
NanoString Technologies/ Celgene	Development of a companion diagnostic assay	Development	45
ECR Pharmaceuticals / Valeant	Akorn subsidiary with branded generics business	Company acquisition	41

*All deals are worldwide unless otherwise noted.*

*\* Deal terms included up to \$185m milestones per product; estimated headline could be approximately \$2.8bn if all products are successful.  
\*\*US only*

» Ylanthia platform. Financial terms were not disclosed but include milestone and royalties.

Staying with the mid-caps and turning to prostate cancer, Bayer and Orion entered into a joint development deal for ODM-201. This phase 3-ready, androgen receptor inhibitor therapy will supplement Bayer's oncology pipeline. The phase 2 results showed a decline in PSA levels of more than 50% in the study of 124 patients. Bayer paid €50m (\$68m) upfront with further milestones in return for global rights which should complement Xofigo (from the acquisition of Algeta). The companies will jointly fund the phase 3 trials. Orion will retain co-promotion rights in Europe.

### Facing the Music

Not all of the deals announced this month are related to innovations and acquisitions. Reflecting some of the news flow, we saw Pfizer make a settlement of \$325m for the alleged improper marketing of Neurontin. Pfizer is not the only major pharma in this position; also this month GSK settled US claims of irregular marketing activities in asthma and antidepressants at a reported \$105m.

So the deals keep flowing as we move into the summertime. It will be interesting to see how the major acquisitions play out, following the closure of the Pfizer-AZ saga. Could this be the summer of unrequited proposals?