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Strategies Driving M&As

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Singapore:Ã?Â However, companies must reinvigorate and expand their deal-making strategies in order to become market leaders. Additional key findings in Ernst and Young's Firepower Index and Growth Gap Report 2015 include:

Growth matters: Over the past five years, big biotech and specialty pharma firms delivered cumulative growth that was more than five times that of big pharma. Total shareholder returns for big biotech and specialty pharma firms were 257 percent and 332 percent respectively, compared to 116 percent for big pharma. This comes as product sales at many of the big pharma companies are not keeping pace with revenue growth for the overall drug market, resulting in a growth gap of $100 billion by 2017.

Tax-efficient strategies: Thanks in part to the tax-efficient strategies at their disposal, specialty pharma companies were the dominant acquirers in 2014, deploying over 50 percent of their available firepower for M&A. Big pharma used only about 10 percent of its firepower for M&A in the same period. Of note, one specialty pharma company announced two deals roughly equal to all of big pharma's combined transactions.

Big pharma's share of firepower decreases: Big pharma's own firepower increased from 2011 to 2014 by 16 percent. However, big pharma's share of the total biopharma industry's firepower of USD1.3 trillion dropped for the fourth consecutive year in 2014, hitting a new low of 66 percent.

Pricier assets: Valuations of potential acquisition targets (ie, companies with projected 2015 sales exceeding USD1 billion) rose, on average 164 percent, from 2011 to 2014. Those valuations put many of the most attractive growth targets out of reach for certain big pharma acquirers even as big pharma companies looked to do more deals to focus on areas of therapeutic strength. The twin forces of declining relative firepower and increasing valuations influenced some firms to divest non-strategic businesses or product lines, while others seized the opportunity to add scale.

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Implications for 2015 and beyond

Closing growth gaps remains challenging for many big pharma firms. Nevertheless, companies enter 2015 with bolder aspirations and a continued emphasis on therapeutic focus and/or adding scale. The report identifies several factors and considerations likely to affect M&A in 2015 and beyond:

Growth still matters: Continued stronger shareholder returns from biotech and specialty pharma, combined with overall market growth projections, are expected to put additional pressure on many big pharma firms with growth gaps to do deals in 2015.

Higher premiums likely to persist: Greater competition for high-quality growth assets due to the strong buying power of both specialty pharma companies and big biotechs means high valuations for target companies will continue into 2015.

More focused deal-making likely: Given the high premiums expected for attractive assets in 2015, transformational M&A will be an option only for a select few. As a result, big pharma companies may continue portfolio pruning, coupled with bolt-on acquisitions, to develop - or maintain - critical mass in key therapeutic areas.

Shareholder activism on the rise: Shareholder activism is increasing at a time when several companies that announced divestitures in 2013-14 generated superior returns for investors.

Source: Extracted from Ernst and Yong's Firepower Index and Growth Gap Report 2015

M&A Deals in 2015

January, 2015

05-01-2015: Pfizer acquired a controlling interest in Redvax, a spin-off from Redbiotec, a privately held Swiss biopharmaceutical company, based in Germany, getting access to a preclinical human cytomegalovirus (CMV) vaccine candidate.

06-01-2015: Gilead Sciences acquired Phenex's Farnesoid X Receptor (FXR) program that comprised of small molecule FXR agonists for the treatment of liver diseases including nonalcoholic steatohepatitis (NASH)

07-01-2015: Belgian biotech firm Cardio3 BioSciences entered into oncology business by acquiring OnCyte, the oncology division of privately-held US based Celdara Medical

09-01-2015: AMRI acquired aseptic clinical manufacturing site of Aptuit in Glasgow, UK

11-01-2015: Shire announced to buy NPS Pharmaceuticals, a maker of treatments for rare diseases, to bolster its portfolio of therapies for gastrointestinal disorders

11-01-2015: US-based Biogen Idec acquired UK based Convergence Pharmaceuticals, a clinical-stage biopharmaceutical company, to leverage its portfolio of ion channel-modulating product candidates for neuropathic pain

12-01-2015: Netherlands-based company, Qiagen acquired the Enzyme Solutions Unit of privately-held US company, ArcherDX

14-01-2015: China-based Tianyin Pharmaceutical partnered with Buchang Pharmaceutical to establish Tianyin-Buchang Strategic Alliance to accelerate its cardiovascular revenue driver, Gingko Mihuan

16-01-2015: Roche acquired French firm, Trophos, to gain access to its screening platform generated olesoxime developed for a rare and debilitating genetic neuromuscular disease most commonly diagnosed in children

16-01-2015: China's research service provider, WuXi acquired NextCODE Health for its genomic analysis and bioinformatics profile

25-01-2015: China based SBio Sirton Pharmaceuticals from First Shanghai enter into manufacturing, development and marketing of pharmaceutical products in Europe

26-01-2015: Generics firm Actavis acquired UK based Auden Mckenzies to strengthen its generics profile

February, 2015

02-02-2015: US generics drugmaker Mylan plans to acquire female health care businesses of India based Famy Care

04-02-2015: US based Medicines Company acquired Annovation Biopharma, developer of novel intravenous anesthetic products

05-02-2015: Pfizer plans to acquire global biosimilar drug developer, Hospira

09-02-2015: Roche acquired Germany based Signature Diagnostics, developer of translational oncology and genomics profile

10-02-2015: Indian pharmaceutical company Cipla formed a joint venture with Morocco-based Societe Marocaine De Cooperation Pharmaceutique (Cooper Pharma) and the Pharmaceutical Institute (PHI) to enhance its presence in the region

10-02-2015: GSK acquired Switzerland-based GlycoVaxyn, a specialist vaccine biopharmaceutical company

11-02-2015: UAE based Julphar entered into Bangladesh market by acquiring drug maker RAK Pharma

13-02-2015: US synthetic biology focused US firm Intrexon acquires ActoGeniX for its orally-delivered biotherapeutics

23-02-2015: US-based Valeant announced to acquire US firm, Salix, a global developer of gastrointestinal drugs

23-02-2015: Japanese drug maker Sosei Group acquired Heptares Therapeutics, a US-based clinical-stage company
23-02-2015: Bristol-Myers Squibb acquired US based Flexus Biosciences, a biotechnology company focused on the discovery and development of novel anti-cancer therapeutics
24-02-2015: US-based Shire acquired Meritage, for its phase 3-ready compound, oral Budesonide Suspension (OBS), for the treatment of adolescents and adults with eosinophilic esophagitis, a rare, chronic inflammatory gastrointestinal disease
24-02-2015: Japanese firm Takeda acquired 13 products from Turkish company Neutec
March 2015
02-03-2014: India's Sun Pharma plans to acquire GSK's opiates business in Australia including two manufacturing sites in Tasmania and Victoria, to make analgesics for pain treatment
05-03-2015: US-based Targacept acquired Catalyst Biosciences for its profile of engineered human proteases to develop next-generation biopharmaceuticals with improved efficacy and therapeutic index to treat major diseases
14-03-2015: US-based clinical-stage drug developer Kura Oncology acquired rights of Janssen Pharmaceutical's tipifarnib
18-03-2015: US based Ignyta, developer of personalized medicine in cancer, acquired four oncology R&D assets from Israel based Teva Pharmaceuticals

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