BIOBUSINESS BRIEFS

DEAL WATCH

M&A activity in 2009

In 2009, the landscape of mergers and acquisitions (M&As) by the top 50 pharmaceutical companies (ranked by sales in 2008) was dominated by mega-mergers, with three deals exceeding the US$40 billion mark. Beyond these deals there was significant, if smaller, activity, with 21 of these companies embracing M&As as part of a diverse range of strategies (FIG. 1; see Supplementary information S1 (table) for a compilation).

Overall, the 50 top-tier companies were involved in 44 completed M&A deals in 2009, a small increase above the 42 such deals completed in 2008. The total value of the deals in 2009 was a massive $190 billion compared with $48 billion in 2008, but more than 80% of the 2009 figure is attributable to just three deals: Pfizer–Wyeth ($68 billion), Roche–Genentech ($47 billion) and Merck–Schering-Plough ($41 billion). Taking this into account, the remaining spending of $34 billion represents a reduction of around 30% compared with 2008.

From a strategic perspective, it is clear that the need to fill development pipelines is still a key driver for acquisitions; more than a third of the deals completed in 2009 were for companies with portfolios of innovative, development-stage products and associated technologies. For example, in June 2009, Bristol–Myers Squibb acquired Medarex for $2.4 billion, gaining control of Medarex's clinical-stage oncology portfolio and its Ultimab antibody development technology.

Similarly, there were six acquisitions of medical device (or related technology) companies, four of which were completed by Abbott Laboratories. In total, Abbott invested more than $3.7 billion on these deals, which enabled the company to expand and strengthen its position in the ocular and cardiovascular fields, as well laboratory information management systems. In addition, Abbott spent $6.6 billion to acquire the pharmaceutical operations of Solvay Pharmaceuticals, which will expand Abbott's presence outside the USA.

Market expansion was also a major driver of acquisitions in 2009, with companies seeking to expand their presence in their current operational markets as well as to enter other new regions, including the emerging markets. The most active company in this area was Sanofi–Aventis, which spent more than $3 billion on three deals to expand its presence in India, Mexico and Brazil.

However, other companies were not so successful in their M&A activities in 2009. For example, CSL and Astellas Pharma failed in their bids to acquire Talecris and CV Therapeutics, respectively. Talecris eventually raised $950 million through an initial public offering (IPO) in late-2009, and CV Therapeutics secured a deal with Gilead for $1.4 billion, which was a significant increase over the offer from Astellas Pharma.

With the biotech IPO market showing signs of opening up, the dynamics of the M&A market in 2010 are likely to become more complex. Successful innovator companies will have an increasing number of options available to them, leaving the top-tier companies facing competition from the public markets, which could drive deal prices even higher.

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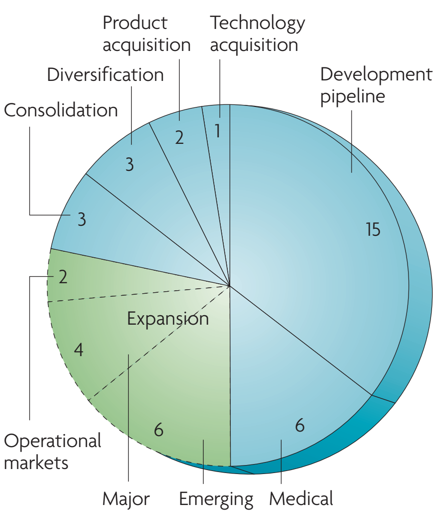

Figure 1 | **M&A deals involving the top 50 pharmaceutical companies in 2009, divided by strategy.** Source: Analysis of the PharmaDeals database by PharmaVentures.