

## HMR builds biotechnology around core unit

In March 1996, Hoechst Marion Roussel (HMR, Frankfurt), the world's second-largest pharmaceutical company, sold 49% of its vaccine business for around \$120 million to Chiron's (Emeryville, CA) Biocine division. Chiron has an option on the remaining 51% for a similar amount. And within days, HMR had dissolved its partnership in allergy R&D with ImmuLogic Pharmaceuticals (Waltham, MA) and sold around 80% of its stake in the company for \$10 million. So, is HMR getting out of biotechnology as part of the company's global restructuring, due for completion at the end of 1996?

The answer is decidedly "no." In the past six months, HMR has sealed a number of agreements with small biopharmaceutical companies. And now it plans to create a core unit for biotechnology research within its R&D site at Bridgewater, New Jersey.

The divestment of its vaccine division, says Joachim Pietzsch, a spokesperson for HMR in Frankfurt, can be largely attributed to geographical factors. "The vaccine division of Behringwerke was relatively strong in Germany but in . . . the world market it was too weak to be a competitive business. . . . It was necessary to get together with a partner who is strong, for example in the US market, like Chiron." The relationship with Chiron not only gives Hoechst access to Chiron's new generation of genetically engineered vaccines for the German market but also provides for future collaborations in diagnostics and therapeutics.

The \$7.2 billion merger of Marion Merrell Dow (MMD, Kansas City, MO) with the health-care division of Hoechst created HMR in May 1995. Restructuring since then has consolidated

the company's research activities at four locations: Frankfurt, Romainville (France), Somerville (NJ), where a drug development center will be based, and Kawagoe (Japan).

The reorganization of health-care R&D within Hoechst has not only involved HMR but also another of its seven divisions, Behringwerke (Marburg, Germany), its pharmaceutical

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research and development affiliate which has been disassembled. The plasma products business is now part of a new company called Centeon, a 50/50 joint venture with the Rhône-Poulenc Rorer subsidiary, Armour. The diagnostics business merged with Syva Diagnostics (San Jose, CA) to create Behring Diagnostics, a new division of Hoechst. And the immunology and rheumatology research group moved from Behringwerke to HMR in Frankfurt. The vaccine business sale to Chiron was thus the fourth part of the Behringwerke operation to be jettisoned.

Neither Marion Merrell Dow nor Roussel had distinct biological products in development, although both had small molecule development deals with biotechnology companies: MMD with Affymax (Palo Alto, CA), Cortech (Denver,

CO), Oncogene Science (Cambridge, MA), Scios Nova (Mountain View, CA), and Gensia (San Diego, CA); Roussel with Vertex (Cambridge, MA) and ImmunoGen (Cambridge, MA). Hoechst still has some biotechnology products in development, including a recombinant insulin [currently awaiting marketing approval at the European Medicines Evaluation Agency (London)], an insulin analog in phase II trials, and recombinant hirudin—an anticoagulant—in phase III.

HMR's strategy in biotechnology has not yet been finalized but involves both agreements with small biopharmaceutical companies and the creation of a core unit for biotechnology research in New Jersey. Peter Smith, a European pharmaceutical analyst at James Capel (London), found this approach credible: "A core group that is actually investing money has very much in mind the complementarity and the synergies within the rest of the research effort." However, Smith noted that the sheer scale of investment and the large number of projects might create organizational problems.

HMR has accelerated its external biotechnology-based collaborations of late. "We are building up biotechnology considerably—it is obvious if you compare the number of deals made by Hoechst in the past five years with the number of deals HMR has done since October," says Joachim Pietzsch. Christoph Pittius, director of business development at HMR in Frankfurt, confirmed the growing importance of biotechnology to the company: "We keep our eyes open for everything interesting. . . . genomics, gene therapy, bioinformatics, combinatorial chemistry, any type of novel approach to drug development. . ."

*Sylvia Davidson*

*Sylvia Davidson is a freelance writer working in London.*

### Acceleration of Hoechst Marion Roussel biotechnology deals

Date	Company	\$ million	Agreement
September 1985	Immunex	\$15	R&D on colony-stimulating factors; concluded July 1992.
February 1992	ImmuLogic	\$90	R&D in allergy; concluded March 1995.
November 1994	BioPharma AG	ND*	Bone morphogenetic protein, MP-52.
January 1995	Selectide	\$58	MMD acquires combinatorial chemistry.
July 1995	Aronex	ND	Antisense for cytomegalovirus.
October 1995	Cell Genesys	\$150 (13% stock and \$30 milestones)	R&D in gene therapies for AIDS. Option to extend collaboration for other applications.
October 1995	Incyte	\$15	Access to database of gene sequences.
October 1995	Lynx	\$35 (including \$5 equity) sequencing.	Access to rapid simultaneous sequencing technology; massively parallel signature
November 1995	ProScript	\$38 (\$15 in equity and R&D support, \$23 in milestones)	Discovery and development of drugs to treat inflammation and cancer based on inhibition of enzymes in the ubiquitin-proteasome pathway.
November 1995	Ariad	\$40 (including \$10 cash)	Combinatorial chemistry and structure-based drug design to develop osteoporosis drugs, focusing on drugs to block Src. HMR has exclusive commercialization rights.

\*ND, not disclosed Source: Hoechst and Recombinant Capital