



MEDIUS DEAL WATCH

June 2018

June has proved to be a very busy month on the deal front with significant private equity (PE) funded acquisitions being struck and with major pharma companies continuing to close out on their major strategic initiatives. Our table for the month reports 4 billion dollar+ deals, two of which involve private equity. In addition, there were two major spin outs with GE and Novartis respectively electing to separate out their healthcare units and Alcon [Novartis's eye care division] into stand alone companies. Other long awaited deals such as Sanofi's sale of Zentiva were also announced, with Advent International providing the cash in this case.



It's a family affair

Following the death two years ago of Giovanni Recordati at the age of 66, the majority [51.8%] stake in the family business has finally been acquired by a consortium headed by CVC Capital Partners. Under the terms of the acquisition, CVC will pay €2.3bn (\$2.9bn) in cash with €750m (\$876m) of long-term debt buying out the Recordati family's holding.

Discussions started back in 2017 and as recently as May the price tag under discussion was reported to be around \$9.4bn. It was evident that the family were seeking a “fairy tale price” however external factors such as political uncertainty influenced the final price paid. With a market cap of €7.1bn and revenues of €1.2bn [~80% of sales income is from outside Italy], the final offer was equivalent to €28 per share. The current CEO Andrea Recordati will stay on in post so maybe the fairy tale will come true and they will all live happily ever after.



Standing on your own two feet

Continuing the trend for corporate strategic focus, after a long, slow burn signalled way back in 2015, Sanofi finally pulled off a divestment of its European generics business, Zentiva. Again showing the strong role of PE in major deals, Advent International forked out \$2.2bn [enterprise value] to secure the business. Zentiva operates in 50 countries and reported sales for 2017 of €760m which were down 4.9% from 2016.

In another strategic move, GE announced the spin off of its healthcare division in a move intended to strengthen its balance sheet. The new company is expected to have an enterprise value of \$70bn and the tactic seems to have paid off with the news being met with a 7.7% rise in share price, the best recorded performance since 2015.

Staying with the spin outs, Novartis confirmed that its eye care operation, Alcon would be spun out into a separate business which will be based in Switzerland. With sales of \$7bn and Q1 2018 operating profit of ~\$90m the new business is expected to be valued at between \$15-23bn. Originally bought for \$50bn in 2011 it will be interesting to see the final return on investment!

Of course streamlining operations also occurs at a product level and this month saw the sale of the rights to Nizoral [ketoconazole anti-dandruff shampoo] by J&J on a regional basis. The rights to Nizoral in Asia-Pacific were acquired by Alliance for £60m [\$70m] with the rights in Europe, the Middle East and Africa (EMEA) being picked up by Stada. The press release from Stada does not include the price of the deal but as a benchmark, Alliance paid a ratio of 3.24 x sales so it is possible that Stada may have paid something similar at around €100m [~3 x EMEA sales]. The global divestment was completed with the American rights [Latin America and North America] to Nizoral being sold to Kramer Laboratories – again with PE assistance; Kramer was acquired by Avista Capital Partners last month (May).

Streamlining portfolios of course is only part of the ongoing company dynamics and this month saw more news of job cuts in the industry. Bayer confirmed that its R&D is under review for productivity and efficiency, job cuts may well follow. Rumours also abound that Novo Nordisk may be cutting ~3,000 jobs although this is not confirmed.

Licensors/ Acquired	Licensee/ Acquirer	Deal type	Product/ Technology	Headline \$m
Recordati	CVC Capital	Majority acquisition	Purchase of Recordati family holding	3776
Foundation Medicine	Roche	Acquisition	Buy out of the remaining equity in genome profile company	2400
Zentiva	Advent International	Acquisition	Purchase of Sanofi's European generics business	2200*
Calico	AbbVie	Collaboration extension	Age related research focus on cancer and neurodegenerative disease	1000
Oxford BioMedica	Axovant Sciences	Exclusive licence	Rights to AXO Lenti PD in Parkinson's includes equity investment of \$25m	843
Translate Bio	Sanofi	Collaboration	mRNA vaccines for 5 targets	805
Samsung BioLogics	Biogen	Option exercise	Increase in equity investment in biosimilars JV to 49.9%	700
SAGE Therapeutics	Shionogi	Licence	For SAGE 217 for major depressive disorder in Japan Taiwan and S Korea	575
Microbiotica	Genentech Roche	Collaboration	Use of microbiome platform to identify novel IBD drug targets	534
F-star Gamma	Denali Therapeutics	Acquisition	F-Star's gamma unit inc. blood brain barrier specific antibody	471
Aerpio	Gossamer Bio	Licence	AKB 4924 a hypoxia inducible factor 1 stabiliser for IBD	420
Hookipa Biotech	Gilead Sciences	Licence	For arenavirus vector technology in hepatitis B and HIV	410
Blueprint Medicines	CStone Pharmaceuticals	Exclusive licence	For avapritinib, BLU 554 and BLU 667 in China	386
Counsyl	Myriad Genetics	Acquisition	Company acquisition in women's health	375
TMS	Biogen	Exclusive option	TMS 007 for acute ischaemic stroke	357
Crystal Genomics	Aptose Biosciences	Co-development option and licence	CG026806 BTK inhibitor for outside S Korea and China	303
Novimmune	TG Therapeutics	Collaboration option	For development of CD47 CD19 bispecific antibody in haematological B cell cancer	185
Biohaven Pharmaceutical	Royalty Pharma	Financing	To support rimegepant development	150
Broad Institute	Editas	Research funding	Genome editing	125
Verastem	Yakult Honsha	Licence	For duvelisib oral P13K in oncology for Japan	100
Jazz	TerSera Therapeutics	Divestment	Prialt (ziconotide) intrathecal infusion for severe chronic pain	80
J&J	Alliance	Asset acquisition	Purchase of Nizoral in Asia Pacific region	79
Evotec	Sanofi	Acquisition	Infectious disease unit including employees and 10 drug candidates	70
Skyhawk	Celgene	Collaboration	Exclusive option to 5 RNA drug candidates in neurological diseases	60**

* Enterprise value **only the upfront payment is quoted



Following the money

This month saw several companies decide to follow their investments with Roche electing to buy up the remaining interest in Foundation Medicine, the genomic profiling business. Paying cash of \$137 per share [a premium of 29%] this brings the transaction value up to \$2.4bn. This deal dates back to 2015 when the initial purchase was of 56.3% of the equity at a price of \$50 per share.

Things are clearly going well in the AbbVie / Calico collaboration which was started in 2014 and the parties have elected to invest an additional \$500m each into the project. Set up in 2013 by Google, Calico is focused on age related conditions; to date the partnership has generated many early stage programmes in oncology and neurosciences.

Similarly, Biogen exercised its option to increase its stake in the JV partnership with Samsung BioLogics, increasing its investment in the biosimilar business from 5.4% to a 49.9% stake. Started in 2012, the cost of purchasing the additional shares amounts to ~\$700m.

Options certainly seem to be a preferred modus operandum for Biogen and with a headline value of \$357m, Biogen signed up to an exclusive option with TMS to acquire the plasminogen activator, TMS 007 as well as back up compounds. TMS 007, is in development for ischaemic stroke and is currently in phase 2 studies in Japan. The agreement includes an upfront payment of \$4m with a further \$18m on exercise plus a further \$335m in milestones and sales bonus payments.

No month would feel complete without a mention of the ever deal active Celgene, this time putting an exclusive option in place with Skyhawk Therapeutics. The collaboration is focused on the development of small molecules which target RNA responsible for mis-splicing in neurological diseases. The option extends to up to five drug candidates. Only the upfront payment of \$60m is referred to in the press release but it is anticipated that the usual fees, milestones and royalties would feature in any subsequent licence agreement.

It is also another example of the *follow the deal relationships* as a year ago this month, Celgene placed a very similar global strategic collaboration with Dragonfly Therapeutics, a sister company to Skyhawk. In that arrangement, Celgene gained an exclusive option to license global rights for up to four therapeutic candidates based on Dragonfly's natural killer technology platform with potential utility in the treatment of acute myeloid leukaemia, multiple myeloma, and additional haematological malignancies. The deal included a \$33m upfront, no other financial information was disclosed.

Sanofi

It was a busy month for the French company closing out three of the June DW top 20 deals. With a headline value of \$805m, Sanofi's vaccine unit, Sanofi Pasteur, signed to access up to five undisclosed infectious disease targets from Translate Bio's mRNA platform. The deal comprises an upfront payment of \$45m with a further \$760m in milestones and R&D costs being covered in exchange for global marketing rights.



Sharon Finch, the founder of Medius, has extensive business development experience working both in industry and for over 20 years with Medius. Sharon works primarily on partner searches and transactions.

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Featuring lower down in the DW table, Sanofi finalised the sale of its infectious disease drug unit to Evotec with a headline value of \$70m. This agreement covers the transfer of 100+ employees and 10 drug candidates at the R&D site in Lyon. This represents yet another *follow on deal* – Evotec previously took over Sanofi's Toulouse R&D Site with 200 employees back in 2015.

Top dollars

The top headline value licensing deal in June's DW table was the licence secured by Axovant who paid \$30m upfront as part of a \$843m headline value deal. As part of the transaction, Roivant Sciences [Axovant is part of the Roivant family of companies] will acquire \$25m in equity despite its announcement this month that there will be a 10% headcount reduction by Roivant. The agreement provides rights to Oxford BioMedica's experimental gene therapy OXB-102 for Parkinson's disease. It has been a long haul with the asset being put into clinical studies back in 2007. It will be interesting to see who else buys into the emerging trend for gene therapy particularly since Novartis's major acquisition of Avexis for \$8.7bn.

Regional deals

Deals for Asia currently seem to be really hot with four deals in June specifically for that region and with one retaining rights for the licensor, Crystal Genomics in China and S.Korea. Partnering with Aptose Biosciences, the companies will co-develop CG026806 a BTK inhibitor under and option / licence agreement with the noted territorial limitation, the deal carries a headline value of \$303m.

Sage and Shionogi also closed a deal for SAGE 217 in major depressive disorder which carried a headline value of \$550m for Japan, Taiwan and S.Korea alone. But despite an upfront payment of \$90m Sage shares dropped 3.3% in value so maybe the shareholders had higher expectations for the asset.

Please note that the next edition of Deal Watch will be in early September, covering July and August. Thereafter Deal Watch review will be published on a bimonthly basis.

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