

Section: Mergers & Acquisitions

Hisamitsu's Expansion in the US

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Hisamitsu Pharmaceutical, a maker of transdermal patches has acquired Noven Pharmaceuticals for US\$428 M. The acquisition will give Hisamitsu opportunities for further growth in the US market and access to new drug delivery technologies developed by Noven.

Hisamitsu Pharmaceutical, based in Japan, announced the acquisition of Noven Pharmaceuticals for an all cash transaction of US\$428 M. Hisamitsu's offer of US\$16.50 a share is 22% higher than Noven's last closing price. A wholly-owned subsidiary of Hisamitsu will set up the tender offer for 100% of Noven's outstanding shares. The deal has been unanimously approved by the Board of Directors and the tender is to commence late July.

Hisamitsu had been looking to expand in the US and the proposed merger with Noven will provide Hisamitsu with new technologies in drug delivery to develop new products and to establish a US base for its own over the counter (OTC) and prescription drugs. It had already had a 5% stake in Noven before this takeover. Hisamitsu has developed a range of transdermal patches which release drugs through the skin. Its therapeutic pain-relief patch, Salonpas®, which was launched in the US last year, is one of the market leaders in the treatment of muscle strains and rheumatic pain.

Noven, based in Florida, US, focuses on three principal areas: transdermal drug delivery, Novogyne, the pharmaceuticals joint venture with Novartis, and Noven Therapeutics. Noven's transdermal products include an oestrogen patch and the only patch approved for the treatment of attention-deficit hyperactivity disorder (ADHD). After the takeover, Noven is to continue as a standalone business unit retaining its existing workforce. The merger is expected to bring about the combined capabilities, commitments for development, manufacture and commercialisation of transdermal and other therapies. As a follow-on this deal, Hisamitsu may also consider the acquisition of the Novogyne joint venture from Novartis, which markets hormone replacement therapy patches Vivelle dot® and Combipatch®.

Noven's first quarter net income rose 73% from a year earlier to US\$4.5 M as sales increased 29% to US\$27.6 M. This despite suffering a setback when certain batches of the ADHD transdermal patch Daytrana® (methylphenidate) were withdrawn because of manufacturing issues. Just before the announcement of the acquisition, the company released positive Phase II clinical trial results of Mesafem™ (low-dose paroxetine mesylate) for the treatment of hot flashes associated with menopause. Now the enlarged company with combined resources can be expected to expedite the drug into

Phase III and bring it to the market faster. But getting to the market may not be a certainty as other drugs, such as Wyeth's Pristiq® (desvenlafaxine), experienced regulatory delays for the same indication.

Healthcare companies in Japan are facing tough times in their local market as the Japanese government is seeking to curb healthcare costs for its ageing population. Coupled with the economic downturn, stepping out of the home market is even more urgent for Japanese companies to maintain growth. In the past 18 months, Hisamitsu is the fourth Japanese pharmaceutical company to announce a takeover in the US; others include Eisai's acquisition of MGI Pharma (Deal no. 29181); Takeda's of Millennium (Deal no. 30116), and Shionogi's purchase of Sciele Pharma (Deal no. 31129). Acquisitions of companies abroad are one way to secure future prospects and gain access to a pipeline of drugs, regulatory approvals and established distribution networks in the US and other Western markets. The latest deal may be smaller than some of those announced by other Japanese giants, but its significance and strategic intent is basically the same.