

Section: Mergers & Acquisitions

Alkermes to Purchase Elan's Drug Delivery Unit for US\$960 M in Cash and Stock

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Elan has finally found a buyer for its drug delivery unit by entering into a US\$960 M agreement to merge Elan Drug Technologies with Alkermes. Elan will receive US\$500 M in cash and a 25% equity stake in the merged entity, Alkermes plc, which will be incorporated in Ireland and quoted on Nasdaq. The new company will focus on CNS therapeutics and will have a portfolio of 25 marketed products based on its drug delivery technologies and pro forma revenues in excess of US\$450 M annually.

Alkermes has agreed to merge with Elan's profitable drug delivery unit, Elan Drug Technologies (EDT), in a transformational cash and stock deal worth US\$960 M (Deal no. 40623). Elan will receive US\$500 M in cash and a 25% equity stake of 31.9 million ordinary shares in the merged entity, Alkermes plc, which will be incorporated in Ireland and quoted on Nasdaq. The deal, which is subject to conditions and approvals, is expected to close during the third quarter of 2011. The acquisition of EDT will advance Alkermes' strategy of creating a sustainably profitable biopharmaceutical company and Alkermes plc will have diversified revenue streams, expertise in CNS disorders and a pipeline of internal and partnered products in clinical development, including several late-stage products. The proprietary drug delivery technologies to be integrated in the new company include EDT's NanoCrystal® and solid oral dosages technologies and Alkermes' long-acting injectable drug technologies.

The deal will be immediately accretive to cash earnings and the merged company will have pro forma product, royalty and manufacturing revenues in excess of US\$450 M annually and adjusted EBITDA of approximately US\$80 M as a result of revenues from 25 commercialised products. Its near-term growth, which is expected to reach double-digit levels by fiscal year 2013, will be driven by five key products with long patent lives and significant commercial potential – Risperdal® Consta® (risperidone long-acting injection), Invega® Sustenna® (paliperidone palmitate extended-release injectable suspension), Ampyra® (dalfampridine), Vivitrol® (naltrexone for extended-release injectable suspension) and Bydureon™ (exenatide extended-release for injectable suspension).

For Elan, the transaction will accelerate a number of the company's existing strategic and financial objectives by reducing its US\$1.27 B debt burden and improving its capital structure. It will also enable the company to invest in its neuroscience-focused R&D pipeline. Elan had been planning to divest or spin off

its drug delivery unit since 2008 as part of its strategic review process. However, it was only willing to do so at the right price and it has thus far been thwarted in its efforts as a result of poor market conditions amid the global economic crisis. The divestment of EDT will enable the company to focus on its key value drivers, including Tysabri® (natalizumab), which was co-developed with Biogen Idec (Deal no. 06595). Tysabri, formerly known as Antegren®, was approved in 2004 for relapsing forms of multiple sclerosis (MS) and in 2008 for moderately to severely active Crohn's disease.

Alkermes' current revenue streams result from active collaborations with a number of major pharmaceutical companies. In 2005, it formed a US\$490 M agreement with Cephalon for the commercialisation of Vivitrol in the US for alcohol dependence (Deal no. 20816). It later partnered with Johnson & Johnson's Cilag International for the commercialisation of the product in Russia and other CIS countries in a US\$39 M deal (Deal no. 29371). Alkermes also has a commercial supply agreement with Janssen Pharmaceutica (Deal no. 01541) for its Medisorb® injectable sustained-release formulation of Janssen's schizophrenia drug risperidone, Risperdal Consta, which was co-developed by the two companies (Deal no. 00161). Alkermes will also receive royalties on the sale of the type 2 diabetes drug Bydureon, a Medisorb formulation of Byetta® (exenatide) developed in collaboration with Amylin Pharmaceuticals (Deal no. 05959).

The merger with EDT will help Alkermes in its long-time quest to join the ranks of big biotech and enable it to transform into a profitable CNS-focused company with a diversified product portfolio and a strong foundation for future growth. Significantly, the acquisition of EDT will increasingly enable Alkermes to advance its own pipeline products to market, without the need for pharmaceutical partners.