

Section: Mergers & Acquisitions

BMS Teams Up with AstraZeneca to Buy Amylin for US\$7 B

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Bristol-Myers Squibb has succeeded in its pursuit of Amylin Pharmaceuticals by agreeing to acquire the company in a deal valued at approximately US\$7 B, including US\$1.7 B towards the settlement of Amylin's net debt and a contractual payment obligation to Eli Lilly. In an interesting twist, upon closing of the transaction AstraZeneca will pay approximately US\$3.4 B in cash in order to become a development and commercialisation partner for Amylin's product portfolio with equal sharing of profits and losses.

In a two-stage deal that has the support of the Boards of Directors of both companies, Bristol-Myers Squibb (BMS) is to acquire diabetes drug developer Amylin Pharmaceuticals for US\$31 per share in cash, or an aggregate purchase price of approximately US\$5.3 B, pursuant to a cash tender offer and second step merger (Deal no. 47571). The offer price represents a 10% premium over Amylin's closing price prior to the announcement of the transaction and Amylin's Board of Directors has unanimously recommended that the company's shareholders tender their shares into the tender offer. BMS will finance the acquisition from its existing cash resources and credit facilities and Amylin has agreed not to solicit competing offers.

Amylin became a takeover target when its 9-year partnership with Eli Lilly for the GLP-1 (glucagon-like peptide-1) agonist exenatide, which spawned the type 2 diabetes drugs Byetta® (exenatide) and Bydureon™ (exenatide extended-release), ended in November 2011 following disappointing sales and regulatory problems (Deal no. 11452). A key factor in the breakdown of the alliance was Lilly's decision to use the same sales force to sell both Byetta and its competitor Tradjenta™ (linagliptin), an oral DPP-4 (dipeptidyl peptidase-4) inhibitor developed by Boehringer Ingelheim (Deal no. 38795), a move that Amylin saw as compromising Lilly's commitment to its exenatide products. Amylin subsequently filed a lawsuit against Lilly alleging that the company was engaging in anticompetitive activity. However, the parties later agreed to transition exenatide responsibility to Amylin in a deal potentially worth US\$1.6 B (Deal no. 43933). Taking account of Amylin's net debt and a contractual payment obligation to Lilly, together totalling approximately US\$1.7 B, the total cost of the Amylin acquisition to BMS is approximately US\$7 B.

In an interesting twist, BMS will share this cost with its partner AstraZeneca. On completion of the transaction, BMS will partner with AstraZeneca for the development and commercialisation of Amylin's product portfolio, thus expanding the companies' existing diabetes alliance (Deal no. 26257). AstraZeneca will pay Amylin, as a wholly owned subsidiary of BMS, approximately US\$3.4 B in cash and the parties will equally share profits and losses arising from the

collaboration. AstraZeneca also has the option, to be exercised at its sole discretion, to establish equal governance rights over key strategic and financial decisions regarding the collaboration, upon payment of an additional US\$135 M to BMS.

The stage was set for BMS and AstraZeneca to enter the acquisition race for Amylin when the US FDA issued a complete response letter in January 2012 requesting additional clinical data for dapagliflozin, an SGLT-2 (sodium glucose co-transporter-2) inhibitor that is being co-developed by the parties. BMS reportedly made a US\$3.5 B bid for Amylin in February 2012 that was subsequently rejected by Amylin's Board of Directors. By joining forces with AstraZeneca, however, the company was able to offer a price that was suitably acceptable to Amylin shareholders.

The deal with Amylin represents BMS' second acquisition of 2012 after its US\$2.5 B buyout of Inhibitex in February (Deal no. 44778) and it is the company's largest since it bought DuPont Pharmaceuticals for US\$7.8 B in 2001 (Deal no. 8125). The acquisition will strengthen and complement BMS' existing diabetes platform and offers the potential for sizeable cost synergies over time. Byetta, Amylin's flagship product, was the first GLP-1 receptor agonist to be approved by the FDA for type 2 diabetes and reported sales of US\$517.7 M in 2011, accounting for 83% of the company's total net sales. Approved by the FDA in January 2012 after a protracted regulatory process, Bydureon is a once-weekly, long-acting release formulation of exenatide that was developed in collaboration with Alkermes (Deal no. 5959) and for which analysts predict peak year sales could exceed US\$1 B. The success of the transaction for BMS and AstraZeneca will in part depend on the ability of the companies to maximise the commercial potential of this asset.