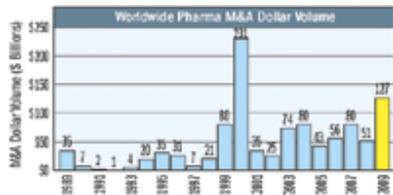


## The Deal Sheet

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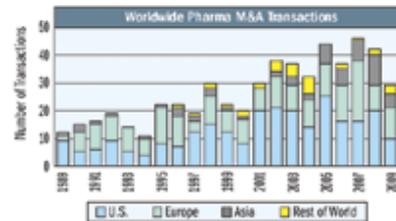


Worldwide Pharma M&A Dollar Volume

Last year, most industries suffered a collapse in business, M&A, and financing activity as the economy plunged, credit dried up, and the drivers of M&A disappeared. This was not true for the pharmaceutical industry. The business effects of the recession were modest, while M&A and financing continued, albeit at a more moderate pace in general.

## M&A Numbers

In 2009, M&A volume was 29 deals (over \$25 million) completed for a total of \$126.5 billion, compared to 48 deals worth \$51.1 billion in 2008 (see graphs). The number of deals slowed dramatically, but the dollar volume soared due to two megamergers: Pfizer's acquisition of Wyeth, and Merck's of Schering-Plough (see chart). As of December 31, the value of the year's 11 announced deals was \$11.7 billion, a moderately active market. For 1Q 2010, M&A numbers were healthy, with nine deals (over \$25 million) for a total of \$9.5 billion. If this volume is sustained, the number of deals will top 2009.



Worldwide Pharma M&A Transactions

## Financing Numbers

Pharma's debt and equity financing activities surged in 2009 after collapsing in 2008. Non-bank debt issuance was \$86.1 billion, compared to \$20.2 billion in 2008. The market opened up for investment-grade debt and a flood of issues resulted. Many of these financings were driven by M&A activity.

Date	Acquirer	Target	EV Deal	EV Deal
3/25/09	Pfizer	Wyeth	162.9	17,007
11/5/08	Merck & Co.	Schering-Plough	81,900	41,000
2/23/09	GlaxoSmithKline	Smith Line	3,300	2,300
10/30/08	Novartis	Pfizer & Glaxo Pharmaceuticals	3,200	3,200
10/20/08	Sanofi-Sintelabo	Synovis	2,400	2,500
8/12/08	Sandoz	Zelmac	1,800	1,500
1/25/09	Watson Pharmaceuticals	Ames Group	1,700	1,700
4/17/09	Glaxo Sciences	Dr. Reddy's	1,300	1,300
6/24/08	Novartis	Sandoz Generics, (Sandoz Pharma)	1,300	1,300
3/23/08	Landbeck	Shion	800	800

Equity issuance increased to \$3.8 billion, compared to \$0.9 billion in 2008, as the market partially recovered. The number of offerings was 23, compared to 10 in 2008. By either measure, the volume of activity was relatively modest.

## The Future Outlook

The forecast for pharma companies is mixed, as the industry struggles to realign itself to a sustainable new business model. The biggest challenge is on the shoulders of Big Pharma, whose structural underpinnings have been undermined the most. The stock market will continue to penalize the industry as long as these changes are working

their way through individual companies, and solutions are being implemented. Generics will continue to prosper, but with high stock price volatility.

Unfortunately, pharma industry multiples are now well below the market's, and will continue to suffer until the industry outlook improves. Young & Partners expects M&A activity to continue to be high, as companies merge or acquire to achieve scale and to enhance their product pipelines. Firms will continue selling products to one another as they restructure their product portfolios. The need to fill the shrinking drug pipeline will also fuel in-licensing arrangements, partnerships, and joint ventures.

In short, in 2010 expect an active M&A market, M&A-driven debt financing, and modest equity issuance. There's no clear sign of any megamergers, but the year is still young.