

*Pumping up deflated pipelines*

# Biotech Buyout Boom

In urgent need of new blockbusters, feverish Big Pharma is spending billions of euros to acquire biotech companies and drug licences. This trend is going to accelerate.

It's an open secret: the biotech industry is growing much more rapidly than its pharmaceutical counterpart and biological drugs (such as antibodies, interleukins and vaccines), have become the hottest candidates for new blockbusters. According to IMS Health, a consulting and data services company, US biotech sales grew 20 percent to €26 billion in 2006, while pharmaceutical sales grew only 8 percent to €178 billion. Biologicals have another crucial advantage: usually they aren't vulnerable to patent expirations and generic competition. They mustn't compete with biogenerics because there – still? – exists no administrative system for regulating them. Thus, it's no surprise that drug makers are busy licensing developmental drugs or taking over entire enterprises (at least those that wear a golden "biotech" label).

In the hope of refilling empty pipelines, Big Pharma sometimes acts like a headless chicken. Take as an example the loony prices paid in recent months for relatively small companies. AstraZeneca forked out €10 billion for MedImmune, Merck KGaA paid the same sum for Serono, Schering-Plough paid €9 billion for Organon Biosciences, Shire snapped up Transkaryotic Therapies for €1.3 billion, Merck acquired Sirna Therapeutics for €700 million and Novartis for an additional €230 million, and finally Pfizer took over Coley Pharmaceutical Group for €106 million. If authorities give the thumbs up, Japanese drug maker Takeda will soon acquire Millennium Pharmaceuticals (USA) for €5.7 billion (see *Lab Times* 3-2008, page 46). Not forgetting Roche's buyouts of Glycart Biotechnology in 2005 and Piramed in 2008 for a total of €260 million.

## King's ransom on the table

If they don't buy whole companies at once, they cherry pick the best assets. Lots of pharmaceutical and biotech contracts and alliances have been concluded in recent months and many more will follow. The big drug makers, desperate for ways to

reduce their enormous drug development cost, have in recent years tended to invest their earnings in young, cash-needy biotech companies that will beat down their own development risks.

In 2005, Novartis signed a €421 million deal with Astex Therapeutics (Cambridge, UK) to market two new cancer treatments, a second deal worth €304 million with Vec-



Photo: BP

Empty pipelines are causing bellyache on the pharmaceutical boardroom floor.

tura (Chippenham, UK) and Arakis (near Cambridge, UK), and a third €184 million deal with Arrow Therapeutics (London). The German Merck KGaA recently took a €270 million chance on Idera's cancer therapies. AstraZeneca was keen on Silence Therapeutics' siRNA technologies for use in respiratory diseases and cancer (and put €260 million for it on the table).

Even GlaxoSmithKline (see related story on the opposite page) jumped on the bandwagon and embraced US cancer stem cell specialist Oncomed with €900 million, hoping to turn one of their oncologic candidates into big profit.

## Biotech building boom

High priced buyouts are one measure, multi million deals are a second. As a third approach, pharmaceutical companies invest in bricks and mortar. Take as an example Roche's Penzberg facilities. Since 2000, the Swiss drugmaker has bought up Europe's largest biotech facilities. The €750 million investment focussed in the *Nonnenwald* (a small forest near Munich), houses more than 4,000 employees and is the point of origin for the anaemia drug EPO and the breast cancer drug Herceptin.

Abbott opened a 330,000 square foot biological manufacturing plant in Puerto Rico in 2007 to produce its €1.7 billion blockbuster Humira and – soon – other monoclonal antibodies. The cost? Nearly half a billion dollars (about €330 million). And as a third example comes Bristol-Myers Squibb, which will invest €450 million to build a biotechnology plant 35 miles northwest of Boston that is expected to open in 2009 and will employ several hundred people.

All this is chicken feed compared with Wyeth's mega campus, Grange Castle, a 1.2 million square-foot and €1.5 billion facility in Ireland, opened in 2005. At this "biggest biotech plant in the world" Wyeth plans to produce Enbrel, the best selling biological drug (yielding €2.9 billion in 2006).

## Tantalising biotech

It seems that ordinary, chemical-based drugs have left the building. "Biologicals" made out of living cell cultures are all the rage. The big question, however, is whether drug makers have the insight to pick the most lucrative biotech candidates to refill their pipelines or whether they are wasting their resources in a knee-jerk response.

Some market experts argue that large pharmaceutical companies like Novartis, Roche and Wyeth have effectively become pharma-biotech hybrids. That is correct, considering the scope of their new R&D activities, but when it comes to administration and development speed they are still lumbering bureaucratic tortoises. W. KOEPELLE