

United States

In an all-time record year for global M&A, acquired US-based companies accounted for approximately US\$ 2tn or 46% of global deals across all industries in 2015. The healthcare industry, dominated by Pharma, was the most active deal arena, accounting for 15% of all M&A activity in the US. This M&A-enthusiasm was in part supported by economic growth and low interest rates.

The past year was again a seller's market for US-based companies: excluding the Allergan-related mergers, 73% of the total global deal value originated from US-based targets, similar to in 2014. On the other hand, almost half (46%) of the global deal value originated from buyers located in the US (compared to 21% in 2014). Interestingly, the average deal size involving US-based targets was more than double the global average. This high activity involving US-based targets is, to some extent, also a secondary effect of the tax inversion wave which peaked in 2014: Pharma companies with new, tax-efficient domiciles deploying capital for acquisitions in the USA.

Most notable transactions in 2015

Allergan was responsible for the two largest and most prominent transactions in 2015 – Allergan being a result of various mergers over the past five years; of Forest, Actavis, Warner Chilcott and Watson, amongst other companies. In July, **Teva acquired Allergan's generic business for over US\$ 40bn** (paying 6x revenue), followed in December by **Pfizer's proposed merger with the other part of Allergan for US\$ 183bn** (paying 14x revenue, including an R&D pipeline and a biosimilar program).



The transaction resulted in the creation of the world's largest drug maker. Pfizer needed to prop-up its weak pipeline (similar to their acquisition of Wyeth in 2009) and deploy its capital; however, more importantly for this deal were the tax motives, including the realization of an expected US\$ 21bn one-off tax savings by Pfizer.

Another notable deal in 2015 was **AbbVie's acquisition of Pharmacyclics for US\$ 19bn**, winning a hotly contested bid against J&J. This deal was a strategic move to access Pharmacyclics' hematologic oncology portfolio, including its recently approved flagship product Imbruvica, an innovative BTK-inhibitor to treat B-Cell Malignancies, expected to deliver peak sales of US\$ 7bn. Finally, **Pfizer's acquired specialty injectables provider Hospira for US\$ 16bn** earlier in the year, made it one of the top five US generics drug manufacturers. In addition, the deal gave Pfizer access to a biosimilar platform complementary to that of Allergan.

Outlook

For 2016, we expect few, if any, large "bigger is always better" deals,

but instead the reemergence of strategically more precise transactions. On the one hand, such large deals will be dominated by spin-offs and carve-outs of businesses, particularly by those that went through major transformations recently, such as Pfizer/Allergan. On the other hand, we expect large acquisitions initiated by certain Big Pharma, which have been rather passive (or unsuccessful) in the recent consolidation waves. This includes J&J, with a US\$ 18bn cash pile, as well as also other US-based Big Pharma companies with big war chests such as Merck&Co or Gilead Sciences. Furthermore, since the tax inversion wave has passed, which mainly involved European targets, we expect the US, the major source of BioPharma innovation (with around 80% of global R&D spending in the past years), to continue to be the location of most of the Biotech and Pharma M&A targets in the years to come.

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JANUARY FEBRUARY MARCH **APRIL** MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Clinigen acquires IDIS for US\$ 338m

/ Dr. Reddy's buys India products from UCB for US\$ 128m