

Western Europe

In the year 2015, the Western European Pharma market was a sellers' market, a result of global high deal activity. Valuations in the Pharma sector in 2015 appeared to be holding up at an average of 17x EBITDA (compared to 2014). The average revenue multiple in 2015 increased from 2.5x to 3x.

Most notable transactions in 2015

The largest deal by size was **Endo's** acquisition of **Par Pharmaceutical**. Endo used its "acquisition platform", i.e. its new tax domicile in Ireland which it gained through an inversion via its acquisition of Paladin Pharmaceutical in 2013, to acquire Par Pharmaceutical from a group of private equity investors. The deal valued Par at US\$ 7.4bn, representing a multiple of 21x EBITDA and 3x revenues. With the acquisition, Endo gets access to Par's generic business which includes a line of high barrier to entry generics, as well as some niche innovative brands. The Par portfolio includes 100 products and a pipeline of more than 200 ANDA. The resulting combination has created a leading specialty pharmaceutical company, with a fast growing generics business which is now one of the top 5 industry players in the USA by revenue. The drivers for the deal were the expansion of Endo's global generics footprint, access to Par's pipeline of products, manufacturing capabilities and operational synergies.

Perrigo, also with legal and tax domicile in Ireland (since its acquisition of Elan in 2013), made a big step into OTC by acquiring privately held **Omega Pharma** in Belgium. Omega in turn had been a prolific acquirer of local OTC brands in Europe. The deal amounted



to US\$ 4.7bn, representing an EBITDA multiple of 13.5x and a revenue multiple of 2.9x. The combination of Perrigo and Omega makes Perrigo a leading global healthcare company, a top 5 global OTC player and the world's largest manufacturer of OTC products. Perrigo has great hopes for its OTC business which it plans to expand by repositioning old, prescription-only branded drugs as OTC medicine ("Rx-to-OTC switches"). The key drivers were to give Perrigo the ability to leverage Omega's strong and established commercial, regulatory and distribution platform. The acquisition allows Perrigo to expand its markets across Europe and to achieve critical mass across the European OTC market place.

Concordia Healthcare (US) bought out **Amdipharm** (UK) for US\$ 3.5bn, which included the assumption of US\$ 1.4bn of debt. A substantial element of the purchase price is in the form of an earn-out contingent on future performance of the target. Revenues for Amdipharm for 2015 were circa US\$ 530m. With no published EBITDA numbers on Amdipharm we are estimating that the deal value represented a revenue multiple of circa 3.5x to 4x (adjusting for the earn-out and the debt). The driver for the deal

was to increase Concordia's global footprint and also adds a diversified and attractive portfolio of 190 complementary niche pharmaceutical products.

Outlook

There is evidence that the Pharma M&A market was cooling towards the end of 2015. The number of deals announced in the 4th quarter was down on prior quarters. M&A lawyers are now starting to question whether the Pharma M&A juggernaut is slowing. However, whilst there will likely only be one or two more "super mergers" (e.g. Pfizer/Allergan) in the coming years there will continue to be an appetite for mid-sized deals. This will be partly fuelled by major US players with significant war chests who are looking for international growth or an expansion of their product pipelines (e.g. J&J and Gilead) and by mid-tier European Pharma companies acquiring product portfolios and looking at their own exit strategies.

CONTRIBUTED BY IMAP UK

Assay Advisory

Ian Bussey
(ian.bussey@imap.com)

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

/ Alexion gets Synageva for US\$ 8.3bn

/ Endo acquires Par for US\$ 8bn

/ Baxalta gets OncoSpar from Sigmatau for US\$ 900m