

# MERGERMARKET

## Pharma, Medical & Biotech Trend Report

### Q1-Q3 2015

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## Data analysis

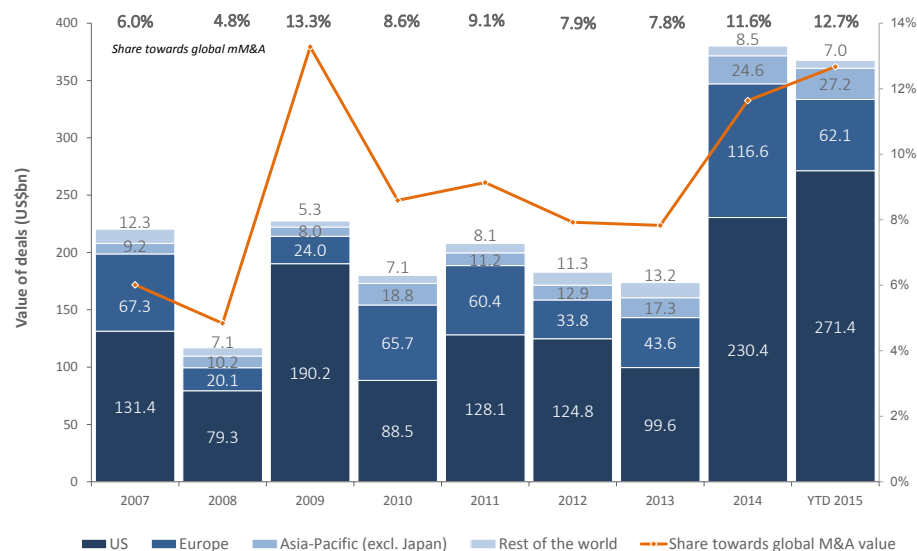
Global Pharma, Medical & Biotech (PMB) activity during Q1-Q3 2015 hit its largest year-to-date value on Mergermarket record (since 2001), with 954 transactions worth US\$ 367.6bn representing a 46.2% increase by value compared to the same period in 2014 (980 deals, US\$ 251.5bn). At US\$ 150.4bn, Q3 deal value alone reached the second highest quarter on record following Q1 2009 (US\$ 164.1bn), and saw two consecutive quarterly increases throughout 2015.

The increase in deal activity has been driven by a surge of M&A within the Pharma sub-sector, attracting 268 deals worth US\$ 231.5bn, a 93.4% increase compared to the same period last year (251 deals, US\$ 119.7bn). The Biotech sub-sector, on the other hand, decreased 31.6% by value to US\$ 12.6bn (98 deals), down from US\$ 18.4bn (111 deals) during year-to-date 2014.

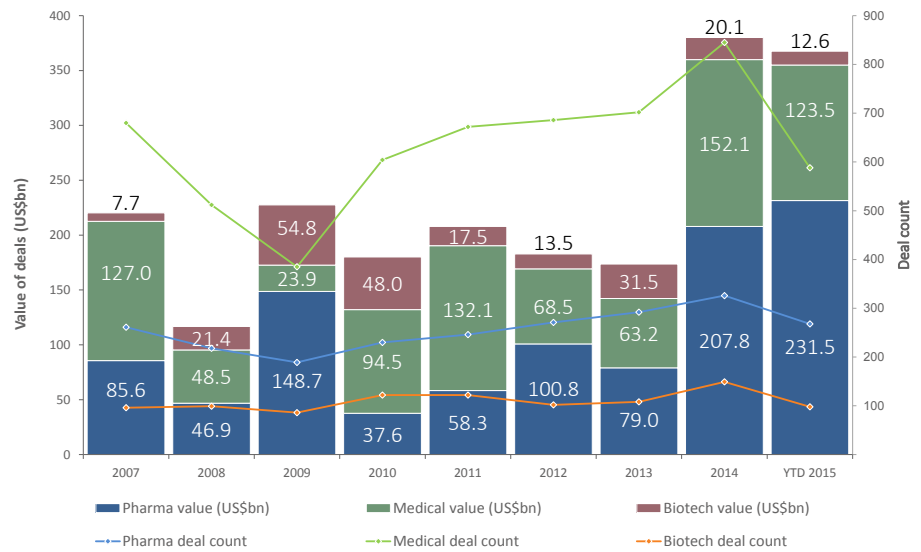
Global domestic activity increased 199.9% by value year-on-year to reach US\$ 198.0bn, taking up a 53.9% share in global PMB activity and already overtaking 2014's total domestic deal value (US\$ 103.4bn) by 91.5%. Furthermore, US\$ 84.4bn-worth of domestic deals announced in Q3 alone marked the highest quarterly deal value since Q1 2009. The strategy implemented by the US government in 2014 to increase the number of PMB transactions within its borders has had visible effects, with deal value bolstered by the US\$ 50.5bn domestic acquisition of US-based Cigna Corporation by Anthem Inc, the highest valued deal targeting the sector in 2015 to-date.

The US (372 deals, US\$ 271.4bn) remains the main attraction for activity targeting the sector, with four out of the top five deals worth US\$ 127.9bn acquiring US targets. As a result, US activity took a 73.8% share in global deal value targeting the sector during 2015, up from 60.6% for the same period in 2014. Furthermore, an impressive US\$ 129.0bn-worth of deals in Q3 alone reached the second highest quarterly value on record after Q1 2009

## Sector share in global activity



## Global sub-sector trend



(US\$ 160.5bn). The increased competition for US companies is reflected in their ability to command higher price tags, with average adjusted EBITDA multiples jumping from 15.7x to 18.3x year-on-year.

After a promising Q2 2015 for the European PMB sector, bolstered by the US\$ 35.0bn offer for Ireland-based Perrigo by UK-based Mylan in April, deal activity has continued its downward trend experienced since Q3 2014. There were 311 deals worth US\$ 63.1bn announced to-date, a 40.7% decrease by value compared to the same period in 2014 (348 deals, 104.6bn). This drop in activity can be largely attributed to a substantial 82.9% decrease in deal value targeting the European Medical sub-sector, falling to US\$ 10.9bn from US\$ 63.8bn year-on-year.

Deal activity targeting Asia-Pacific's (excl. Japan) PMB sector has reached its highest deal count to-date with 199 deals, with the number of deals remaining consistently above 60 per quarter since Q4 2014. With US\$ 27.2bn-worth of deals, the region experienced a 172.3% increase by value compared to the same period in 2014 (161 deals, US\$ 15.8bn). China has been the driving force behind Asia-Pacific's (excl. Japan) rise in activity with 107 transactions worth US\$ 20.7bn announced to-date, accounting for 75.9% of total deal value targeting the region, up from a 50.2% share in 2014, and its highest share on Mergermarket record.

JP Morgan advised on three of the top five PMB transactions in 2015 to-date, resulting in a leading position in the financial advisor rankings by value and volume, with 33 deals worth US\$ 160.5bn. Morgan Stanley came in second position by value with 16 transactions totalling US\$ 132.3bn, and Goldman Sachs by volume with 29 deals worth US\$ 99.7bn.

Latham & Watkins topped the legal advisor tables by value and volume with 33 deals valued at US\$ 134.2bn. Weil Gotshal & Manges was in second position by value advising on 27 transactions worth US\$ 122.0bn.

## Top deals

Value (US\$m)	Deal details	Advisory details
50,460	<p><b>Announcement date:</b> 24-Jul-2015</p> <p><b>Target:</b> Cigna Corporation (USA)</p> <p><b>Bidder:</b> Anthem Inc (USA)</p>	<p><b>FA to sell-side:</b> Morgan Stanley  <b>LA to sell-side:</b> Cravath, Swaine &amp; Moore; Majmudar &amp; Partners; Sidley Austin; <i>Advising FA:</i> Weil Gotshal &amp; Manges</p> <p><b>FA to buy-side:</b> Credit Suisse; UBS Investment Bank  <b>LA to buy-side:</b> White &amp; Case; <i>Advising FA:</i> Gibson Dunn &amp; Crutcher; Latham &amp; Watkins</p>
40,500	<p><b>Announcement date:</b> 27-Jul-2015</p> <p><b>Target:</b> Allergan plc (Generics business) (USA)</p> <p><b>Bidder:</b> Teva Pharmaceutical Industries Ltd (Israel)</p> <p><b>Seller:</b> Allergan plc (Republic of Ireland)</p>	<p><b>FA to sell-side:</b> JPMorgan  <b>LA to sell-side:</b> Cleary Gottlieb Steen &amp; Hamilton; Latham &amp; Watkins; Weil Gotshal &amp; Manges; <i>Advising FA:</i> Debevoise &amp; Plimpton</p> <p><b>FA to buy-side:</b> Barclays; Greenhill &amp; Co  <b>LA to buy-side:</b> Kirkland &amp; Ellis; Sullivan &amp; Cromwell; Tulchinsky Stern &amp; Company</p>
35,044	<p><b>Announcement date:</b> 24-Apr-2015</p> <p><b>Target:</b> Perrigo Company plc (Republic of Ireland)</p> <p><b>Bidder:</b> Mylan NV (UK)</p>	<p><b>FA to sell-side:</b> Morgan Stanley  <b>LA to sell-side:</b> A&amp;L Goodbody; Freshfields Bruckhaus Deringer; Wachtell, Lipton, Rosen &amp; Katz</p> <p><b>FA to buy-side:</b> Goldman Sachs  <b>LA to buy-side:</b> Arthur Cox; Cravath, Swaine &amp; Moore; NautaDutilh; Stibbe; Stikeman Elliott; <i>Advising FA:</i> Davis Polk &amp; Wardwell</p>
19,045	<p><b>Announcement date:</b> 04-Mar-2015</p> <p><b>Target:</b> Pharmacyclics Inc (USA)</p> <p><b>Bidder:</b> AbbVie Inc (USA)</p>	<p><b>FA to sell-side:</b> Centerview Partners; JPMorgan  <b>LA to sell-side:</b> Wilson Sonsini Goodrich &amp; Rosati; <i>Advising FA:</i> Goodwin Procter; Latham &amp; Watkins</p> <p><b>FA to buy-side:</b> Morgan Stanley  <b>LA to buy-side:</b> Cleary Gottlieb Steen &amp; Hamilton; Wachtell, Lipton, Rosen &amp; Katz; Weil Gotshal &amp; Manges; <i>Advising FA:</i> Davis Polk &amp; Wardwell</p>
17,895	<p><b>Announcement date:</b> 05-Jun-2015</p> <p><b>Target:</b> Baxalta Inc (80.5% Stake) (USA)</p> <p><b>Bidder:</b> Baxter International Inc (Shareholders)</p> <p><b>Seller:</b> Baxter International Inc (USA)</p>	<p><b>FA to sell-side:</b> Citi; Goldman Sachs; JPMorgan  <b>LA to sell-side:</b> Arntzen de Besche; Baker &amp; McKenzie; Faegre Baker Daniels; Kirkland &amp; Ellis; Lee &amp; Ko; LETT Law Firm; Mayer Brown</p> <p><b>FA to buy-side:</b> -  <b>LA to buy-side:</b> -</p>

## Heat chart based on potential companies for sale

	TMT	Pharma, Medical & Biotech	Business Services	Energy, Mining & Utilities	Consumer	Industrials & Chemicals	Financial Services	Leisure	Real Estate	Transport	Construction	Agriculture
North America	481	360	275	253	235	234	195	84	57	46	44	20
Europe	372	178	171	188	352	370	192	108	48	103	87	39
North Asia	267	110	91	90	118	311	89	59	52	32	59	14
Australasia	80	49	51	63	104	38	38	19	17	17	13	18
South East Asia	68	31	49	74	59	70	57	18	33	29	27	21
South America	45	15	40	59	57	28	28	11	8	19	12	3
South Asia	9		55	32	38	59	45	14	35	20	13	2
Japan	56	12	25		39	33	15	13	7	6	8	
Central America	94	6	7	12	7	27	6	5	1	7	4	
Africa	9	4	12	46	12	29	17	6	5	16	15	7
Middle East	39	12	12	6	9	11	13	4	3	4	2	1
Central Asia	26	1	4	4	2	7	3	1		1	2	1

## Drivers

Market turbulence has hit the biotech sector hard, with the NASDAQ Biotechnology Index (NASDAQ:NBI) falling 24% since the year's peak on 20 June. While some bankers and biotech investors say big pharma companies should step up their efforts to acquire assets at a discount, big Pharma executives say they are waiting for a sustained downdraft before considering stepping up M&A activities. In interviews, senior executives at Pfizer (NYSE:PFE), Roche Holding (VTX:ROG), AstraZeneca (NYSE:AZN) said their established strategies, not short-term market moves, are the key determinant of when or whether they will buy or partner with smaller biotechs.

Since valuations could fall still farther and cause investors to hold off financing companies until things settle, Biotech companies with limited products in development may partner or sell out to big pharma companies in the current market decline. "If the market stays low, tons of companies could be forced to sell," said one healthcare banker. "A lot of companies could run out of gas." As prices rose for most of the first half of 2015, there was "a standoff between buyers and sellers over valuations," said the banker.

Mitral valve technology is a hotspot for M&A within the sector, with major device companies and small innovators exercising a 'land grab' in the market, according to Mergermarket sources. Medtronic (NYSE:MDT), Abbott Laboratories (NYSE:ABT), Heartware International (NASDAQ:HTWR), and Edwards Lifesciences (NYSE:EW) have all bought mitral valve technology in the last three months, with companies adopting a "toolbox" approach to acquire the necessary components to build up their capacity.

Health system partnerships will be used increasingly to support growth through acquisitions. According to Tom De Weerd, CFO of Surgical Care Affiliates (SCA) (NASDAQ:SCAI), the Illinois-based healthcare services provider is looking to enter into health system partnerships as a way to aid its acquisition strategy. Speaking at a recent Deutsche Bank Leveraged Finance conference, the CFO said SCA's primary focus in the past few years had been on building partnerships with health systems. He added that in recent times, the company had more actively concentrated on partnering with insurers, specialty doctors and groups of doctors, with which it would seek to develop or acquire facilities.

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as potential targets in the last six months.

## Financial advisor league table by value

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	3	JPMorgan	160,467	33	53,850	198.0%
2	4	Morgan Stanley	132,277	16	51,697	155.9%
3	1	Goldman Sachs	99,723	29	138,608	-28.1%
4	14	Barclays	69,596	18	19,317	260.3%
5	10	Credit Suisse	60,150	13	23,948	151.2%
6	29	UBS Investment Bank	53,976	7	2,554	2013.4%
7	8	Centerview Partners	50,299	6	24,610	104.4%
8	6	Citi	42,533	13	38,434	10.7%
9	9	Greenhill & Co	40,500	1	24,426	65.8%
10	7	Lazard	32,942	16	29,449	11.9%

## Financial advisor league table by deal count

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Deal count	Count change
1	2	JPMorgan	160,467	33	24	9
2	1	Goldman Sachs	99,723	29	25	4
3	5	Jefferies	21,761	27	21	6
4	7	Rothschild	9,974	24	19	5
5	14	Barclays	69,596	18	12	6
6	13	Morgan Stanley	132,277	16	15	1
7	8	Lazard	32,942	16	18	-2
8	10	EY	626	15	17	-2
9	3	KPMG	921	14	24	-10
10	9	PwC	547	14	18	-4

## Legal advisor league table by value

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	6	Latham & Watkins	134,228	33	108,187	24.1%
2	12	Weil Gotshal & Manges	122,036	27	58,713	107.9%
3	39	Cravath, Swaine & Moore	105,969	15	19,725	437.2%
4	22	White & Case	101,930	26	37,705	170.3%
5	2	Sullivan & Cromwell	93,812	18	173,536	-45.9%
6	11	Davis Polk & Wardwell	85,883	15	70,806	21.3%
7	48	Gibson Dunn & Crutcher	77,892	9	10,053	674.8%
8	45	Kirkland & Ellis	73,741	30	12,274	500.8%
9	5	Cleary Gottlieb Steen & Hamilton	69,515	7	110,615	-37.2%
10	1	Skadden Arps Slate Meagher & Flom	68,771	23	205,443	-66.5%

## Legal advisor league table by deal count

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Deal count	Count change
1	1	Latham & Watkins	134,228	33	56	-23
2	8	Jones Day	9,825	31	24	7
3	2	Kirkland & Ellis	73,741	30	31	-1
4	7	Weil Gotshal & Manges	122,036	27	24	3
5	11	White & Case	101,930	26	19	7
6	6	Ropes & Gray	36,991	24	25	-1
7	3	Skadden Arps Slate Meagher & Flom	68,771	23	26	-3
8	4	DLA Piper	811	21	26	-5
9	13	Cooley	8,261	19	18	1
10	17	Norton Rose Fulbright	380	19	16	3

## Mergermarket criteria

All data is based on transactions over US\$ 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds US\$ 10m. Deals where the stake acquired is less than 30% will only be included if the value is greater than US\$ 100m. Click [here](#) for the full deal criteria

**M&A trend:** Based on the dominant sector of the target company being Pharma, Medical & Biotech. The dominant geography of the target company is based on global activity or the region stated. Excludes lapsed and withdrawn bids

**Cross-border M&A:** Based on a transaction involving at least two different countries between either target, bidder, or seller.

**Top deals:** Based on the dominant sector of the target company being Pharma, Medical & Biotech.

FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

**League tables:** Based on the dominant sector of the target company being Pharma, Medical & Biotech and the geography of the target, bidder or seller being global. The financial advisor tables *exclude* lapsed and withdrawn bids. The legal advisor tables *include* lapsed and withdrawn bids.

All values are in US\$.

Data correct as of 01-Oct-2015

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## About Mergermarket

Mergermarket is a mergers & acquisitions (M&A) intelligence service.

Mergermarket is part of The Mergermarket Group which has nearly 1000 employees worldwide and regional head offices in New York, London and Hong Kong.

In any market, the life blood of advisors is deal flow. Mergermarket is unique in the provision of origination intelligence to the investment banking, legal, private equity, acquisition finance, public relations (PR) and corporate markets.

With an unrivalled network of analysts covering M&A in the Americas, Europe,

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