

Pharmaceutical firms mix and match to hone pipelines

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by [John George](#)

Staff Writer

The continuing pressure on pharmaceutical companies to broaden their pipelines of new drug candidates spurred several life sciences deals in the region last year -- with Philadelphia-area companies being both acquirers and acquirees.

The biggest local transaction was Pfizer Inc.'s \$1.8 billion purchase of **Vicuron Pharmaceuticals Inc.**, which closed in September.

Cephalon Inc. acquired two companies to strengthen its presence in the oncology field.

InKine Pharmaceutical Co. Inc. merged with a North Carolina company to create the largest specialty pharmaceutical company focusing exclusively on gastroenterology in the country.

The accelerated deal-making activity in the life sciences sector means larger pharmaceutical companies no longer have the luxury of waiting for products to be in the late-stage of clinical testing, known as phase III, before sitting down to negotiate a deal.

"The competition for phase-III drugs is so intense right now," said Robert P. Moran, president of Plexus Ventures, a life sciences consulting firm based in Maple Glen. "Many of the larger companies realize the need to go further back in pipelines [for acquisition targets]. They are clearly widening their nets."

Moran said major pharmaceutical companies are going to vast lengths to position themselves as the partner of choice for small biotech and specialty pharmaceuticals firms -- including devoting special sections of their Web sites to how they accommodate the needs of smaller partner companies.

"In the past, the big pharmaceutical companies were much more willing to steamroll firms to get the product rights they wanted and the deals they wanted," he said. "Today, they have to be more flexible. This is driven by so many of the larger companies having difficulties with their own pipelines."

Vicuron of King of Prussia was an attractive acquisition target because it had two products, both antibiotics, in the late stages of clinical development. The Food and Drug Administration is reviewing Vicuron's new drug applications for Anidulafungin, which fights fungal infections, and Dalbavancin, for gram-positive infections.

For Pfizer, the addition of both products -- if approved -- will broaden its presence in the anti-infective and antibiotic fields. Pfizer, based in New York, already has two antifungal treatments in the market: Diflucan, launched in 1992; and Vfend, which was approved in 2002. Pfizer also sells Zithromax, the biggest-selling antibiotic in the world, and Zyvox, which is used for more serious gram-positive infections.

When the deal was proposed in June, Pfizer Chairman Hank McKinnell said the acquisition "demonstrates [the company's] commitment to strengthen and broaden our pharmaceutical business through strategic product acquisitions."

George Horner, the president of Vicuron, said aligning with Pfizer was in the best interest of his company's stockholders because it meant both products would benefit from Pfizer's regulatory and marketing expertise.

Strengthening its product pipeline was also the reason behind Cephalon's two acquisitions in 2005, which gave the Frazer biopharmaceutical company new oncology treatments in addition to its own Actiq, a drug approved for the treatment of breakthrough pain in cancer patients.

In December, the company completed its \$360 million acquisition of Zeneus Holdings Ltd., parent of Zeneus Pharma Ltd. Zeneus now operates as a wholly owned subsidiary of Cephalon. The acquisition accelerates its entry into the European oncology market.

Among the 12 products marketed by Zeneus in Europe are Myocet, a cardio-protective chemotherapy agent used to treat late-stage breast cancer, and Targretin, a treatment for cutaneous T-cell lymphoma. The company also has several investigational compounds in early- or late-stage development.

Through the acquisition, Cephalon added offices in Spain and Italy and expanded its presence in France, Germany and the United Kingdom. The company also added offices in Benelux; Scandinavia; and Northern, Central and Eastern Europe. The transaction added about 245 Zeneus Pharma employees to Cephalon Europe, including 170 sales and marketing professionals in 18 countries.

In another transaction to boost its portfolio of cancer products, Cephalon paid \$160 million for Salmedix Inc. The purchase price will grow by an additional \$40 million contingent upon Salmedix reaching undisclosed regulatory milestones for products it has under development.

Salmedix's most advanced product, Treanda, an experimental treatment of slow-progressing non-Hodgkin's lymphoma, is in late-stage clinical testing in the United States and Canada. The San Diego-based company has two other cancer treatment candidates in midstage clinical development.

Frank Baldino Jr., Cephalon's chairman and CEO, said the transactions will help bolster the company's oncology portfolio domestically and in Europe. He also noted the company

continues to receive encouraging data from ongoing studies of CEP-701, its experimental leukemia drug developed internally.

This year Cephalon also negotiated four settlements with generic drug manufacturers to protect patents on its flagship product, the sleep disorder treatment Provigil, for six more years.

Another local biopharmaceutical company facing patent concerns, InKine of Blue Bell, was bought by **Salix Pharmaceuticals** for \$181.3 million last year.

InKine's lead product, Visicol tablets, are used for bowel preparation in patients who are undergoing colonoscopy procedures.

Last summer, InKine agreed to be acquired by Salix, a Raleigh, N.C., company that also specializes in gastroenterology products.

"The combined company should benefit from the expanded reach and penetration of a sales force totaling approximately 100 specialty sales representatives focused on gastroenterologists," Salix President and CEO Carolyn Logan said when the deal was disclosed.

Logan said the addition of Visicol provided Salix with an entry into the growing purgative/bowel preparation market. The deal also included a second potential product, InKine's second-generation purgative product, INKP-102, under development for constipation.

jgeorge@bizjournals.com / 215-238-5137