GlobalData»

One month into 2018, biotech merger and acquisition (M&A) deal activity has already skyrocketed. Acquisitions from colossal drug makers, Celgene and Sanofi, total more than $26bn combined, and the companies have indicated a focus to expand their oncology and hematology portfolios. Many other large pharma firms are expected to join the race and boost their product portfolios through M&As, according to GlobalData , a leading data and analytics company.

Over the course of January 2018, Sanofi planned to acquire Abylnx for $4.8bn and hemophilia-focused Bioverativ for $11.6bn. Meanwhile, Celgene snatched up the chimeric antigen receptor T-cell (CAR-T)-specialist Juno Therapeutics for approximately $9bn just weeks after acquiring Impact Biomedicines for up to $7bn, with $1.1bn upfront and additional milestone payments. The question now becomes, what implications these deals will have for both pharmaceutical companies and for other players in the biotech industry, and whether or not the streak is likely to continue.

Sanofi outbid NovoNordisk's offer and secured its second acquisition within a week, buying out the Belgium biotech Ablynx for $4.8bn. Sanofi has viewed rare diseases as an alternative to its diabetes business, which is currently being threatened by increasing competition and pricing pressure.

Celgene's Q3 2017 earnings showed lower than expected revenues, leading to a decrease of 24% in the share price over a six month period and to significant sales target cuts. Most of the reduction originated from a failed Crohn's disease drug trial.

Ashwin Oberoi, Healthcare Analyst at GlobalData , comments: "Although Celgene expects Juno's CAR-T drug lisocabtagene maraleucel to gain approval in 2019, this therapy is a late market entrant behind Novartis' Kymriah and Gilead's Yescarta, both of which are CAR-T therapies that were approved in 2017. Celgene is taking a huge risk by assuming that lisocabtagene maraleucel can successfully steal market share from the other two CAR-T therapies."

Fundamentally, large drug developers are facing pressure from maturing markets and require

opportunities to spark revenue growth. GlobalData believes that Merck, Pfizer, and Amgen are all plausible candidates to expand via M&A. All these large pharma companies have huge off-shore cash stores and are likely to make an acquisition to boost their mid-late stage pipeline.

Oberoi adds: “Companies that remain as likely targets generally include those with therapies that have recently gained approval or are likely to gain approval within high-impact disease areas. Generally, interest is strong in companies that focus in oncology, rare diseases, and gene-editing technologies, such as BioMarin, Clovis Oncology, Puma Biotech, and Bluebird Bio.

“With the sudden activity in M&A observed in January 2018, this trend is expected to continue throughout the year. As a result of the major surge in growth of the biotech industry through improved earnings, economic growth, and recent deal activity, the sector is poised to reach an all-time record high.”