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LONDON, UK (GlobalData), 3 July 2012 - **Bristol-Meyers Squibb** (BMS) **acquired Amylin P harmaceuticals**
late last week in a complex
three-part

deal
that included
AstraZeneca
(AZ). Under the deal, BMS will pay $5.3 billion in cash ($31/share) to Amylin shareholders, and assume the $1.7 billion in debt and future royalties owed to Eli Lilly as part of the bitter divorce the two companies had over Bydureon (exenatide) last November. In turn, AZ will make a payment of around $3.4 billion to Amylin as a wholly owned subsidiary of BMS, continuing a long-standing partnership between BMS and AZ for diabetes therapies. Both BMS and AZ will take equal rights to profits and losses, with AZ having the option to take equal share of governance for another $135m. GlobalData anticipates that AZ is likely to exercise this right.

At $31/share, BMS paid a significant premium of about 10% over the market close on June 29. The acquisition is expected to be dilutive to BMS' adjusted earnings in 2012 and 2013 by $0.03/share, and is not expected to make an impact on AZ's adjusted earnings.

Amylin currently markets three diabetes drugs, none of which pose a threat to the BMS/AZ diabetes portfolio. Amylin's product Byetta (exenatide), which was the first GLP-1 receptor agonist to reach the market, is a twice-daily injectable that had gross revenues of almost $518m in 2011. Bydureon (exenatide weekly injection) is Amylin's more updated and longer-acting version of exenatide, and some analysts believe that it will reach sales of over $1 billion in the next few years. However, Bydureon had a difficult two-year extension of the approval process, where Amylin had to prove that the drug did not cause cardiac arrhythmias. Last week, a former regulator at the US Food and Drug Administration (FDA) surfaced to announce that Amylin had dragged its feet to provide safety data from Bydureon trials, leading to a complete response letter. The FDA is also requiring Phase IV studies to show that Bydureon does not cause heart attacks or other cardiovascular complications, thyroid cancer, or pancreatitis.

In 2011, Amylin entered into litigation and eventually severed ties with its marketing and development partner, Eli Lilly. This resulted in an upfront payment of $250m plus up to $1.2 billion in sales royalties on the back end in order for Amylin to procure exclusive marketing rights for the diabetes drug.

This deal could be an indicator of where acquisitions are headed within the pharmaceutical industry. As Big Pharma gets less and less efficient with its R&D and continues to have enormous sales erosions from blockbuster patent cliffs, they will continue to acquire smaller, more nimble biotechs. Amylin, with three marketed products totaling over $1 billion in sales, was a very attractive acquisition for many players; however, the 10% premium was probably a little expensive given the questionable safety profiles for Amylin's exenatide product line. However, with Big Pharma's rush to plug holes caused by patent expirations, it is likely that biotechs will make the most of this desperation to leverage higher acquisition prices. Earlier in 2012, Amylin rejected an offer from BMS for $22/share, which at the time was also at a significant premium. This could lead to more joint acquisition deals as Big Pharma attempts to mitigate costs and level their books.