

Shire's acquisition of Baxalta headlines strong start to healthcare M&A in 2016

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With Shire's acquisition of Baxalta International expected to generate sales of \$20 billion by 2020, the deal marks a strong start to healthcare Mergers and Acquisitions (M&A) for 2016, following on from a record-breaking year in which global transactions totaled \$680 billion in 2015, according to research and consulting firm GlobalData.

Shire agreed to purchase US-based Baxalta for \$32 billion after six months of hot pursuit. Shire reported that it has offered to pay \$18 in cash and 0.1482 of its American depository receipts for each Baxalta share, representing a total value of \$45.57 per share and a 37.5% premium above Baxalta's closing price on August 3, 2015.

Mr Gianfranco Zeppetelli, GlobalData's Deals Analyst, says Shire has consolidated its position as a leading player in the treatment of rare diseases.

He explains: "Baxalta develops biotech treatments for rare blood conditions, cancers and immune system disorders and would provide Shire with a strong portfolio of hemophilia treatments, which accounted for 22% of the total global sales in 2014.

"Additionally, the acquisition further reduces Shire's dependence on its flagship treatment and primary sales generator Vyvanse."

Shire has been bulking up following AbbVie Inc.'s abandoned \$52 billion buyout of the company last year and the Baxalta deal is its latest focus on companies with therapies for rare diseases.

Mr Zeppetelli continues: "Shire has already moved aggressively into the rare disease treatment market, which accounts for about 40% of group sales, and the inclusion of Baxalta's portfolio would double the size of that business.

"In addition to its strength in the rare blood disorder hemophilia, Baxalta has presence in immunology and cancer, and will advance Shire's strategy of building out a broad platform within the rare diseases space.

"Baxalta will also benefit from a lower tax rate, perhaps as low as 16% by 2017, as Shire is domiciled in Dublin despite keeping many operations elsewhere," the analyst concludes.