

Sanofi acquires Acambis – the logical next step

LONDON, UK----28 July 2008----ExpertREACT. Recently vaccine giant Sanofi Pasteur made a recommended cash offer for small UK/US based Acambis plc. The move was widely expected and finalizes the growing relationship between the two companies. However, looking at the value of Acambis, compared to that of 2-3 years ago, and uniqueness of selected programs, **VacZine Analytics** believes Sanofi gets a basket of new product strategies at a good price.

On Friday 25 July 2008, Sanofi Pasteur finally communicated its intention to make the widely expected move to acquire the UK/US-based Acambis plc (1). Sanofi is offering a premium of 65.2 per cent of the current share value of Acambis plc valuing the company at approximately £276 million. By acquiring Acambis, Sanofi gains an additional two major clinical programs, ACAM-CDIFF™ and ACAM-FLU-A™ in addition to the full rights to ChimeriVax™ West Nile, ChimeriVax™ JE and ACAM2000. Back in 2006/07 Sanofi had already signed deals with Acambis based on the ChimeriVax™ series which many believe paved the way for full acquisition.

The acquisition of Acambis highlights a continuing wave of consolidation and growth within the highly dynamic vaccines sector. Overall, vaccine company based acquisitions have accelerated in pace since April 2006, when Novartis first acquired Chiron Vaccines. Since then Pfizer, a relatively new entrant has made multiple acquisitions including Powdermed/ Coley and AstraZeneca acquired Medimmune. Even relatively small players such as Intercell AG continued the trend by appropriating Iomai Corporation in May 2008. Although Acambis is relatively small company in terms of employees (~200) and yearly revenues (<£50m), it could be considered one of the last available attractive vaccine company targets for a newcomer to gain entry to the sector.

Acambis, founded in 1993, originally known as Peptide Therapeutics became a fully-fledged vaccine company by its acquisition of US-based Oravax back in 1999. Although having other interests, in its early days the company heavily focused on the biodefense vaccine segment mainly driven by heightened concerns against continued terrorist attacks re: September, 2001. The potential commercial rewards were huge. For example, the US government backed schemes such as President Bush's Project Bioshield (July 2004) earmarked \$5.4 billion over 10 years to maintain strategic stockpiles for vaccines and antisera against many deadly pathogens such as smallpox, anthrax and *Clostridium botulinum* toxin. Indeed, Acambis which had smallpox vaccine technology signed two major supply contracts in 2000 and 2001 with the US Government. Moreover, its second generation ACAM2000™ smallpox program (live vaccinia virus, cell culture produced), allowed the company to bid for US Government tenders for future "warm-based" manufacturing contracts. Today the company states that it has supplied 195.2 million doses of ACAM2000™ forming the majority of the US Government's Strategic National Stockpile. Furthermore Acambis recently finalized a \$425m ten-year supply deal (~9m doses/yr) for ACAM2000™ after continued delays (3).

Despite the eventual success with ACAM2000™ some observers took the view that Acambis's involvement in the vaccine biodefense also brought the company many exhausting challenges which in some cases distracted senior management. The unpredictable nature of the biodefense sector and litigation from rival Bavarian Nordic regarding the MVA technology appeared at times to disgruntle the impatient investment community who seemingly keep the value of the company low despite the high potential of the overall sector. For this and other reasons, Acambis took on a new management team led by CEO Ian Garland in late 2007 to reinvigorate the business and focus more on high value vaccine programs with steady future revenue streams.

VacZine Analytics believes Sanofi's full access to the ChimeriVax™ product series could equate to \$2-3 bn annual revenues at peak if the products are successfully developed. Although many expect the West Nile vaccine, if successful, to be a niche US elderly vaccine, the Japanese encephalitis (JE) and Dengue antigens have large upside in endemic countries alongside their utility in private Western traveler's markets. Strategically, the relevance of both diseases to the fast-growing economies of SE Asia could not be higher to local policy makers, especially in terms of Dengue fever and young children. Sanofi's attempt to address local problems will solidify its future position in the region and other existing products in its portfolio.

CONTINUED.....



CONTINUED.....

To the trained eye Sanofi's acquisition of Acambis now also gives the company access to a universal influenza vaccine candidate ACAM-FLU-A™. A major drive behind this approach is to avoid the yearly reformulation of the current flu vaccine so massively reducing the current costs related to manufacturing and implementation. Whether ACAM-FLU-A™ (Phase I) is successful or not, Sanofi which currently dominates egg-based flu manufacturing cannot afford for universal flu vaccine technology to be exploited by rival flu manufacturers. Indeed, Novartis Vaccines has recently entered into an early stage agreement with Dynavax Technologies (4) regarding a similar technology suggesting that other players find the concept credible.

Sanofi now has access to the only active program focused on the hospital "superbug" *Clostridium difficile* which is cited in some countries to kill more individuals than MRSA. Like Merck & Co (*S.aureus*) and Novartis Vaccines (*P. aereginosa*), Sanofi now enters the emerging field of vaccines to prevent nosocomial infections. Because *Clostridium difficile* is a toxin-mediated disease and individuals with higher levels of anti-toxin antibody have been shown to be at lower risk of disease vaccinating high-risk individuals (>65 yrs) is a plausible strategy. ACAM-CDIFF™ is due to enter proof-of-concept studies in the latter part of 2008.

Lastly, with the successful acquisition of Acambis, Sanofi is closing the gap between itself and rival GSK Biologicals in terms of the breadth of its late stage pipeline. Our previous analysis back in April 2008 indicated that GSK Biologicals had the largest number of late stage unique clinical programs (~14) (2). Now it is a matter of close debate which company will have the most vaccine products beyond 2015.

- (1) Acambis Corporate Press Release. July 25th 2008. Available at: http://www.acambis.co.uk/documents/sites/1/News_releases/Recommended_cas_h_offer.pdf. Accessed July 2008.
- (2) **VacZine Analytics**. Vaccine Pipeline Review (CAT No: VAVS001), April 2008
- (3) Acambis Corporate Press release. 23rd April 2008. Available at: <http://www.acambis.com/documents/sites/1/Misc/ACAM2000Contract08.pdf>. Accessed July 2008.
- (4) Dynavax Technologies. Corporate Press Release. 23 July 2008. Available at: <http://investors.dynavax.com/releasedetail.cfm?ReleaseID=324094>. Accessed July 2008

For more information about this research please visit www.vacZine-analytics.com
Or e-mail us at info@vacZine-analytics.com

About VacZine Analytics:

VacZine Analytics is a new strategic research agency based in the United Kingdom. Its aim is to provide disease and commercial analysis for the vaccine industry and help build the case for developing new vaccines.

© 2008 VacZine Analytics. All rights reserved.

