

## Wyeth and vaccines: first acquiring then acquired

**LONDON, UK---26<sup>th</sup> January 2009---ExpertREACT.** In early January the leading vaccine player Wyeth announced it was in talks with Netherlands-based Crucell regarding a possible acquisition. As of last week, it then emerged that pharmaceutical giant Pfizer may acquire the whole of Wyeth. Discussions with Crucell stopped and, as of January 26<sup>th</sup> 2009, a definitive merger agreement with Pfizer had been reached. Wyeth's vaccines business was a strong driver to Pfizer's objectives

On January 26<sup>th</sup> 2009, pharmaceutical giant Pfizer announced it had reached a definitive merger agreement in which it would acquire Wyeth in a cash-and-stock transaction valued at \$50.19 per share, or a total of approximately \$68 billion (1). The deal is subject to customary closing conditions, including by the stockholders of Wyeth. In the minds of Pfizer's senior management the deal will now create "the world's premier biopharmaceutical company" with access to the best selling biologics and vaccines.

Wyeth Pharmaceuticals also recently announced its full 2008 year earnings recording around \$22.8 bn in revenue (2). Approximately 10% of this revenue was due to the hugely successful infant *pneumococcal* vaccine, Prevnar (PCV-7, launched in 2000). Prevnar sales for 2008 were \$2.7 bn, an 11% increase on 2007. For the future they are widely expected to decline as the company attempts to switch Western vaccination programs over to its newly enhanced 13-valent Prevnar (recently filed US/EU). Significantly for Pfizer, who have previously made attempts to enter the vaccines business, Wyeth's *pneumococcal* vaccine franchise is a much needed strong sustainable revenue stream. Wyeth has other businesses that have good portfolio synergy with Pfizer notably its hospital antibiotics Zosyn (piperacillin/tazobactam) and Tygacil (tigecycline), nutritionals/consumer and central nervous system (CNS) treatments.

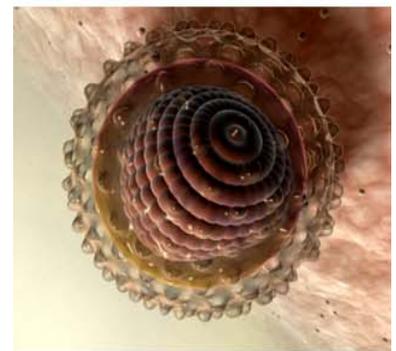
Since 2000, Wyeth (Lederle) vaccines have consistently been a leading vaccine company envied by rivals with much larger product portfolios and broader vaccine R&D pipelines. Historically, Wyeth did market other products such as the rotavirus vaccine Rotashield and influenza vaccine Flushield but both were withdrawn due to safety concerns and lack of demand respectively. Over recent years the company has entered into exploratory biotech-research alliances, for example the agreement signed with Inhibitex in 2001 regarding *Staphylococcal* antigen technology (MSCRAMM) although this agreement did not translate into a candidate entering the clinic. Wyeth, among others also signed an agreement with Vienna-based Intercell AG regarding their proprietary adjuvant IC-31. So far, the most advanced candidate being pursued by Wyeth is its Phase II development *meningococcal* B vaccine candidate (rLP2086), the vaccine being currently tested in Australia is less advanced than that of rival Novartis Vaccines, but could continue Wyeth's apparent "less products, more value" vaccine strategy.

The announcement in early January that Wyeth Vaccines was holding talks with Netherlands-based Crucell (3) made sense from a strategic point of view bearing in mind Wyeth's aim to globalize its business and enter into other fast growing segments such as travel/endemic vaccines. Crucell (~1000 employees), which recorded revenues of around E200m in 2008 had a number of possible revenue drivers notably, its aluminium-free hepatitis A vaccine, Epaxal, that has potential advantages over existing vaccines in terms of immunogenicity and Quinvaxem, a fully liquid pentavalent pediatric vaccine. Crucell's travel vaccine franchise Dukoral (oral cholera vaccine) and Vivotif (oral typhoid vaccine) although small (est 90 million Euros, 2008) had recorded rapid growth over 2007 which may have been exploited further by a larger company. Crucell had also established a number of licensing revenues stream based on its PERC6 cell-line technology which is being used to development influenza vaccines with Sanofi Pasteur. Also, on the 26<sup>th</sup> January, Crucell announced that it stopped discussions with Wyeth due to the news of Pfizer's bid for Wyeth (4).

The news of Pfizer's bid for the whole of Wyeth, if successful and approved will impact upon the vaccine business and force other leading players to revisit their strategic plans. To date, Pfizer's actions in its attempts to enter the vaccines business have been mixed, mainly technology based and opportunistic in nature. In 2006, the company began its entry with its acquisition of Powdermed Ltd, UK focused on DNA-based vaccines although both the HSV and HBV programs have since been terminated (5).

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Pfizer also made investments in the therapeutic vaccine area as well as complimentary novel adjuvant technologies with the acquisition of Coley Pharma (November 2007). In April 2008, the company was granted an exclusive worldwide license by Avant/Celldex to a therapeutic cancer vaccine candidate, CDX-110, in Phase II development for the treatment of glioblastoma multiforme (GBM). Pfizer has also made investments in Swiss-based Cytos (August 2008) for a number of indications based on the Immunodrug™ technology.

Despite Pfizer's many investments in vaccines/ biologics based technologies and R&D programs, over time **VacZine Analytics** believes it became clear to Pfizer's senior management that the company's biologics strategy was possibly too long-term. This coupled, with other potential benefits of the Wyeth acquisition in terms of cost-savings, other attractive revenue streams and business globalization increased the pressure to secure the right deal. Ironically, if all goes ahead, Pfizer, with no current marketed vaccines could possess the fourth large vaccines business and most successful single vaccine franchise in the industry (*pneumococcal*). Because vaccines are only predicted to account for 5% of the enlarged group in 2012 and Wyeth's track record to date in vaccines is strong, Pfizer would do well to manage its new vaccines acquisition from "arm's length" and provide the vaccine tool-kit it has appropriated thus far.

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