

Amgen buying deCODE Genetics for \$415 million

December 10 2012, by Linda A. Johnson

Biotech pioneer Amgen Inc., in a bid for a big edge in using people's genetic information to find better ways to attack diseases, is buying human genetics research and analytics leader deCODE Genetics for \$415 million.

Amgen, the world's largest [biotech company](#) by revenue, and deCODE, based in Reykjavik, Iceland, announced the all-cash deal Monday.

DeCODE, founded in 1996, has discovered [genetic risk factors](#) for dozens of diseases, ranging from cardiovascular disease to cancer.

Probably its key asset—and the reason for the deal—is deCODE's huge database of the genetic and medical information of Iceland's population. That data can help researchers find links between genetic variations and characteristics that increase a person's risk of getting a particular disease and also affect patients' response to a drug.

"[DeCODE Genetics](#) has built a world-class capability in the study of the genetics of human disease. This capability will enhance our efforts to identify and validate human disease targets," Amgen CEO Robert Bradway said in a statement.

"This fits perfectly with our objective to pursue rapid development of relevant molecules that reach the right disease targets while avoiding investments in programs based on less well-validated targets," Bradway added.

That's important because the vast majority of experimental drugs, after years of expensive testing, eventually turn out not to work well or to have dangerous side effects. Drugmakers worldwide are trying to find ways to make their drug-development process more efficient to avoid spending tens of millions of dollars testing drugs that end up failing.

UBS Securities analyst Matthew Roden wrote in a note to investors that Amgen management stressed to him that being able to more efficiently identify and confirm targets for future development would help the company spot promising candidates, as well as likely failures, earlier.

"It is not surprising that Amgen is building out this R&D capability," given that some of its key experimental drugs were identified based on human genetics work, Roden wrote.

He has a "Buy" rating for Amgen and a 12-month share price target of \$96, higher than its shares have ever been and significantly above its \$89.95 peak over the last year. Roden noted Amgen will use off-shore cash for the deal and will not issue debt to cover it.

The board of Amgen, based in Thousand Oaks, California, has approved the deal, which does not need regulatory approval. The transaction is expected to close before year's end.

"We believe Amgen's focus and ability to incorporate our genetic research into their research and development efforts will translate our discoveries into meaningful therapies for patients," Dr. Kári Stefánsson, deCODE's founder and CEO, said in a statement.

Amgen, a biotechnology pioneer since 1980, focuses on developing powerful biologic medicines—drugs produced by living cells rather than by mixing chemicals in vats—for cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illnesses. Among its products are

the anemia drugs Aranesp and Epogen, Enbrel for immune disorders and Prolia for osteoporosis.

Amgen reported sales of \$15.6 billion last year and net income of \$3.7 billion.

Shares of [Amgen](#) rose 73 cents to \$89.05 in afternoon trading after rising as high as \$89.28 per share earlier. That was just shy of its 52-week high of \$89.95 set in mid-October.

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