

# Analysts expect more tie-ups in generic drug business

July 27 2015

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Analysts say they expect more tie-ups are coming in the generic drug industry in the wake of Teva's mammoth deal for the generic drug business of Allergan.

The Dutch drugmaker Mylan, which had resisted Teva's advances for three months, is pressing ahead with its offer for Irish drug and ingredients maker Perrigo. Teva withdrew its offer for Mylan on Monday as it announced its alternative deal.

Now Mylan faces persuading a reluctant partner to the table. Perrigo has turned down Mylan's offer.

If they can't work it out, Perrigo might find other suitors as the competitive [generic drug](#) industry keeps consolidating.

Mylan NV and Teva Pharmaceutical Industries Ltd. have both looked for ways to consolidate. Teva said its \$40.5 billion purchase of Allergan PLC's generics unit will make its drug development pipeline stronger and its business more efficient. Mylan is aiming to combine its generic drugs with Perrigo Co.'s over-the-counter medicines, generic drugs, nutritional products and infant formulas. Larger companies also have more leverage in negotiating prices with health insurers and other groups that pay for health care.

Analyst Randall Stanicky of RBC Capital Markets said that the industry "needs to consolidate" and said Akorn Inc. might become a takeover

target.

He said Akorn, Sagent Pharmaceuticals Inc. and Impax Laboratories Inc. may also get their own chances to grow: as larger companies combine, regulators may order sales of some business in order to keep the industry from getting too concentrated. Akorn and Sargent and Impax might buy those businesses, he wrote.

Susquehanna Financial Group analyst Andrew Finkelstein said Mylan might make an offer for Akorn Inc. if it can't buy Perrigo.

Mylan would have to get approval from its own shareholders and Perrigo's to complete the deal, and Stanicky said it's not clear if either of those things will happen. If Mylan shareholders do support its offer, Perrigo will probably open talks with other companies about a sale.

Mylan made two offers for Perrigo in April, and said the latter was worth \$34.1 billion, or \$232.23 per share in cash and Mylan stock. Perrigo disputed the value of those offers, saying they looked richer than they really were because Teva's offers had driven up the price of Mylan shares. Its stock is trading well below Mylan's proposed price.

Perrigo Co. stock rose \$7.26, or 3.9 percent, to \$193.76 in afternoon trading, which made it the third-largest gainer on the S&P 500 index. The stock spiked to \$215.73 April 8 but hasn't approached that price since then.

Since Mylan wants to buy Perrigo for cash and [stock](#), the lower share price affects the value of its bid. Its shares closed at \$59.57 the day before Teva went public with its offer, and they were worth about \$73 when Mylan made its latest offer for Perrigo. On Monday Mylan was the biggest loser on the S&P 500, as its shares fell \$9.89, or 15 percent, to \$56.05.

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Citation: Analysts expect more tie-ups in generic drug business (2015, July 27) retrieved 10 May 2024 from <https://medicalxpress.com/news/2015-07-analysts-tie-ups-drug-business.html>

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