

Pfizer buying skin drug maker Anacor for \$5.2 billion (Update)

May 16 2016, by By Linda A. Johnson



In this Monday, Nov. 23, 2015, file photo, a man enters Pfizer's world headquarters, in New York. Pfizer is buying Anacor Pharmaceuticals Inc. in a deal announced Monday, May 16, 2016. (AP Photo/Mark Lennihan, File)

Pfizer is fortifying its key immunology and inflammation drug business, snapping up a small maker of skin disorder treatments for about \$5.2 billion, weeks after the U.S. Treasury Department torpedoed Pfizer's planned \$160 billion deal for Allergan PLC.

Pfizer Inc.'s agreement Monday to acquire Anacor Pharmaceuticals Inc., a money-losing developer of topical skin treatments, is the biggest U.S.-based drugmaker's latest move in a yearslong struggle to accelerate growth.

Pfizer, known for Viagra and pneumonia vaccine Prevnar 13, had been counting on acquiring Dublin-based Allergan and moving its headquarters—on paper—from New York to Ireland to reduce its tax bill. However, Treasury on April 5 issued new rules governing "tax-inversion" deals, removing the financial incentives for buying Allergan.

With Palo Alto, California-based Anacor, Pfizer gains an experimental eczema treatment that could be approved by the Food and Drug Administration by next January, plus U.S. rights to topical toenail fungus treatment Kerydin and a portfolio of other drugs in early testing.

If approved, its topical eczema medicine, crisaborole, would be the first new medication type in 15 years for eczema, also known as atopic dermatitis. About 18 million to 25 million people in the U.S. have the chronic inflammatory skin disorder, which causes inflammation and itching, often in skin folds and lasting for two weeks or more. It's particularly common in infants and children.

Pfizer, which sells blockbuster Enbrel for plaque psoriasis and other immune disorders, said peak annual sales of crisaborole could reach or exceed \$2 billion.

Albert Bourla, group president of Pfizer's vaccines, oncology and consumer health care businesses, called the buyout "attractive," saying in a statement that there are currently few safe topical treatments for eczema.

Anacor had only \$17.5 million in revenue in the first quarter, when it

lost \$16.1 million.

Its shares soared 55 percent, or \$35.50, to \$99.53, in afternoon trading Monday. Pfizer shares rose 16 cents to \$33.35.

Pfizer will pay \$99.25 per Anacor share, 55 percent above its Friday closing price of \$64.03.

Anacor holds rights to Kerydin, which is marketed in the U.S. by Sandoz, the generics division of Swiss drug giant Novartis AG. Pfizer said it could repurchase all Kerydin rights from Sandoz at the end of 2017.

In addition, Anacor has licensed rights to three experimental drugs it developed to other companies—agreements that would transfer to Pfizer when the acquisition closes, Pfizer said.

Credit Suisse analyst Vamil Divan wrote to investors that the deal fits Pfizer's strategy of acquiring drugs that are approved or in late-stage patient testing.

"Given the size of this transaction, we believe (Pfizer) still has plenty of firepower and we would not be surprised to see them announce additional deals in the coming months," Divan added.

Pfizer expects the transaction to add to its adjusted earnings per share starting in 2018 and increase after that. The company does not expect the acquisition to impact its current 2016 financial outlook.

Boards of both companies have approved the deal, which is expected to close in the third quarter.

Moody's Investors Service revised Pfizer's rating outlook to negative

from stable, saying "the deal will reduce Pfizer's U.S. cash levels, increasing the likelihood of future debt issuance for dividend payments, share repurchases or acquisitions."

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Citation: Pfizer buying skin drug maker Anacor for \$5.2 billion (Update) (2016, May 16)
retrieved 23 April 2024 from

<https://medicalxpress.com/news/2016-05-pfizer-anacor-pharmaceuticals-52b.html>

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