

# Pfizer to combine off-patent drug business with Mylan

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The combination will allow Pfizer to boost depressed sales through the loss of patent protection of certain drugs

Pfizer announced Monday it will merge its off-patent drug business with generic drugmaker Mylan to create a global leader in low-cost treatment,

a business that faces significant political pressure in the US.

The new entity, which will be renamed upon the deal's closure, will have a portfolio that includes impotence drug Viagra, cholesterol pills Lipitor, painkiller Lyrica and the life-saving EpiPen treatment for severe allergic reactions.

The merger comes amid rising competition in generic drugs from companies in India and elsewhere, a segment of pharma that is known for having low barriers to entry and commodity-like products.

Joining forces with Pfizer's off-patent division, called Upjohn, will give Mylan access to more international markets. The deal also is expected to result in \$1 billion in annual cost savings starting in 2023, the companies said.

"The combined organization will have a presence across nearly every continent and major market, establishing a new leadership position in Asia, and offering products capable of treating all major therapeutic areas," said Mylan chairman Robert Coury, who will serve as executive chairman of the new company.

This marks the latest move by Pfizer, which has grown into one of the world's biggest pharma companies through a string of acquisitions. The new company will be 57 percent owned by Pfizer shareholders, and 43 percent owned by Mylan investors.

Michael Goettler, head of Upjohn, will serve as CEO of the new firm, while Mylan CEO Heather Bresch will leave the company.

Bresch was at the helm when the company was skewered for its massive price increases for the EpiPen emergency treatment, one of several issues that has dogged Mylan in recent years.

Analysts at Morningstar characterized Mylan as "one of the most controversial publicly traded healthcare companies," citing charges of "price gouging" for EpiPen and a high debt load, among other issues.

Mylan also has disclosed US subpoenas looking into the company's sale of opioids and in connection with US antitrust probes of generic companies.



The combined company, to be named after the transaction is complete, will be led by Robert Coury, current chair of Mylan's board

## **Pfizer eyes blockbusters**

Pfizer, meanwhile, has focused extensive investment in research and development with an eye towards developing new blockbuster drugs.

A company earnings release listed about a dozen drugs in various stages of development and introduction, including new treatments for renal cell carcinoma, eczema and muscular dystrophy.

In recent months, Pfizer has announced deals to combine its consumer healthcare business with GlaxoSmithKline's unit, and to spend \$11.4 billion to acquire Array BioPharma, which is known for drugs in development focused on oncology and rare disease.

Pfizer chief executive Albert Bourla said the deal with Mylan would sharpen the company's focus on "breakthroughs that change patients' lives."

JPMorgan Chase praised the deal, saying it "makes sense with Pfizer able to focus on its innovative core business and the combined Mylan/Upjohn able to extract synergies" and focus on emerging markets.

However, ratings agency S&P viewed the divestment as "modestly negative to Pfizer's business strength."

S&P lowered the credit score for Pfizer a notch to 'AA-' and put the company on credit watch for another possible downgrade, while affirming Mylan's rating with a positive outlook.

Separately, Pfizer reported that second quarter profit jumped 30.3 percent to \$5 billion, due in part to a large one-time boosts from a favorable US tax settlement, and a lower tax rate after the late 2017 US tax cut signed by US President Donald Trump.

Revenues dropped 1.5 percent to \$13.3 billion.

Pfizer also cut some of its 2019 financial forecasts, citing the accounting of the GlaxoSmithKline and Array transactions.

Mylan's share price surged 12.6 percent to end the day at \$20.78, while Pfizer fell 3.8 percent to \$41.45.

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