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THE Health Care M&A MONTHLY

INSIDE THE HEALTH CARE M&A MARKET

INSIDE THIS ISSUE

Watson Buys Actavis

Watson Pharmaceuticals is paying $6.0 billion to acquire Actavis Group, a generic pharma group. On the closing of this deal, Watson will become the world's third largest generic pharmaceutical company. *Page 1*

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The Premiums They Paid, Part I

In a series of articles over the next few months, we will explore the premiums paid in various sectors of the health care industry. This month we take up Medical Device deals, the premiums they command and some reasons they vary from one year to the next. *Page 1*

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Takes Over Number Three Spot In Generic Pharma

The Great Recession is the gift that keeps on giving. The market plunge beginning in 2007, coupled with the Credit Crunch of 2008-09, raised the level of uncertainty, risk and, therefore, opportunity in the health care M&A market. Companies with sufficient cash on hand could—and did—make deals at very attractive valuations, witness **Pfizer's** (NYSE: PFE) $68.0 billion acquisition of **Wyeth** in early 2009 at just 2.9x revenue. This month saw yet another pharma deal that is rooted in the Great Recession: **Watson Pharmaceuticals** (NYSE: WPI) is paying $6.0 billion to buy **Actavis Group**.

Based in Parsippany, New Jersey, Watson Pharmaceuticals is a major generic pharmaceutical company. No stranger to the M&A market, WPI has grown both organically and through acquisition. For example, in 2006, the company paid $1.9 billion for **Andrx Corporation** and in 2009, it paid $1.75 billion for **The Arrow Group**. WPI paid 1.7x revenue in the first, and 2.7x revenue in the second deal. As a result of these and a half-dozen other acquisitions, on a trailing 12-month basis, WPI generated revenue of $4.6 billion, EBITDA of $1.1 billion and net income of $261.0 million.

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The Premiums They Paid, Part I

A New Series Explores Premiums In Health Care M&A

This month we inaugurate a series of articles on the premiums that are paid in health care acquisitions and takeovers. The premium/discount is the amount by which the purchase price exceeds/falls below the target company's share price, generally as priced the day before the deal is announced. Naturally, the occasion for a premium (or a discount) arises in only a subset of the deals we cover. The target must be a publicly traded company, and the entire company, not merely a part of it, must be in play. The rationale for asking a premium may be that there is competition for the target or that management needs "something extra" to cede control of a company that they have grown and become intensely invested in. Analyzing premiums paid may give investors an idea of which sectors of the health care industry offer better returns than others.

We begin by analyzing the premiums paid in the Medical Device sector from 2007 through 2011. This sector has generated the greatest deal volume of any technology sector during this period, and so offers a good range of data. In the table on page 9, we have

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Health Care Services

Behavioral Health Care

ResCare, Inc. and its parent, **Onex Rescare Holding Corporation**, have secured a $375.0 million credit agreement with **Bank of America** and other lenders. The agreement includes a $175.0 million term loan and revolving credit totaling $200.0 million. ResCare is likely to use its expanded borrowing capacity for working capital and such other purposes as acquisitions, particularly in the home care and residential segments of its business. In 2011, the company spent just $23.0 million on acquisitions, and in the first quarter of 2012, it spent just $4.6 million for a residential facility. We see room for significant acquisition activity going forward.

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Home Health Care

Merger and acquisition activity in the Home Health sector has been modest of late. Long-term care provider **The Ensign Group** (NASDAQ: ENSG) recently acquired **Zion's Way Home Health and Hospice**, a home health and hospice agency with offices in St. George and Kanab, Utah and Page, Arizona. This target business is to operate as a part of ENSG's **Cornerstone Healthcare** unit. The acquisition is expected to be mildly dilutive to earnings in 2012. No sales price was revealed.

Hospitals

Sacred Heart Health System, an integrated delivery system in Northwest Florida with three hospitals and part of **Ascension Health Alliance**, is acquiring **Bay Medical Center**, a 323-bed hospital in Panama City. The purchase price is approximately $154.0 million; the deal is structured as a 40-year lease of the real property and an asset purchase agreement of the business. Bay Medical had been owned by a local hospital authority. This acquisition is being carried out as a joint venture between Sacred Heart Health System and **LHP Hospital Group, Inc.**, which is providing capital for this transaction. This deal, valued at 0.6x revenue, will allow Bay Medical to retire all its $115.0 million in debt. It adds a fourth hospital to Sacred Heart's facility network in Northwest Florida.

Steward Health Care System is buying its first long-term, acute care hospital, **New England Sinai Hospital**, a 212-bed LTAC in Stoughton, Massachusetts with satellite units at **Tufts Medical Center** and **Carney Hospital**. The purchase price of $37.0 million consists of $13.0 million in capital investment, $11.0 million to retire certain liabilities, $10.0 million to fund the hospital's pension liabilities and $3.0 million in a line of credit. The deal is valued at 0.5x revenue. New England Sinai had launched the search for a partner in 2011. Since one of its satellite units is located at a Steward Health hospital, Carney Hospital in Dorchester, it is natural that management would consider partnering with Steward. Steward has been on a buying frenzy, but the company recently sold off a portfolio of 13 medical office buildings worth $100.0 million in a lease-back agreement with **Healthcare Trust of America**, based in Arizona. Proceeds from the transaction will be used for capital improvement in 10 of the hospitals Steward has purchased over the past two years.

Having fended off **Community Health System's** (NYSE: CYH) hostile bid, **Tenet Healthcare Corp.**

(NYSE: THC) appears to have started back down the path of divestment. It is selling **Creighton University Medical Center-St. Joseph's Hospital**, a 334-bed acute care facility in Omaha, Nebraska, to **Catholic Health Initiatives**. THC is selling its 74% stake and **Creighton University** is selling its 26% stake. CHI's **Alegent Health** is acquiring the facility, which includes 208 acute care and 157 psychiatric beds. **American Medical International**, a predecessor of THC, paid $100.0 million for the target facility in 1984. If the transaction is consummated, THC anticipates recognizing a pre-tax non-cash impairment charge of approximately $100.0 million. This deal gives Alegent its tenth area hospital.

Norwalk Hospital, a 328-bed acute care facility in Norwalk, Connecticut, recently announced plans to merge with the **Western Connecticut Health Network** (WCHN), which consists primarily of **Danbury Hospital** and **New Milford Hospital**. The addition of Norwalk Hospital to WCHN would make it the state's second largest hospital system after the **Yale-New Haven** system. WCHN would generate approximately $1.0 billion in annual revenue.

Chesterfield, Missouri-based **Mercy** is selling **St. Joseph's Mercy Health System**, which includes a 282-bed acute care hospital and 80-physician practice in Hot Springs, Arkansas, to **Capella Healthcare**, a hospital management company backed by private equity. This divestment, if completed, would leave Mercy with 23 hospitals in its network. Capella already owns 166-bed **National Park Medical Center**, also based in Hot Springs, and so is a natural partner. This acquisition could lead to some rationalization of services and cost cutting.

The Rhode Island Senate has unanimously approved a bill that would eliminate a requirement that for-profit hospital corporations wait three years between acquiring hospitals. If passed, it would in effect amend the 15-year-old *Hospital Conversions Act*, which currently requires a three-year hiatus between deals.

Saddle Up! **Cheyenne Regional Medical Center** and **Wyoming Medical Center**, two of the larger hospitals in Wyoming, are contemplating ways in which they may partner. We know that Community Health Systems wanted to enter the Wyoming market last year, but was rebuffed. Proud of their independence, the two Wyoming hospitals are claiming at this point that the partnership will not be a merger, but as they explore the ins and outs of various structures, they may find that a loose affiliation will not be able to secure their goals.

The Month in M&A at a Glance: Health Care Services, April 2012

Sector	Deal Volume	Combined Price
Long-Term Care	7	$ 510,536,000
Hospitals	7	191,000,000
Labs, MRI & Dialysis	5	26,000,000
Physician Medical Groups	8	2,524,000
Managed Care	3	—
Home Health	2	—
Behavioral Health	0	—
Rehabilitation	0	—
Other Services	6	4,816,000,000
Total	38	$ 5,546,060,000

Mitt Romney's not the only one investing off-shore. Ascension Health Alliance, the country's largest not-for-profit health care provider, is partnering with India's **Narayana Hrudayalaya Hospitals** to build a $2.0 billion health campus on Grand Cayman in the Cayman Islands. The 200-acre site will eventually house a tertiary care hospital with as many as 2,000 beds, an assisted living community and a biotech park, among other facilities. The partners say they will be bringing innovative services to an underserved population, but we wonder whether medical tourism won't be part of the picture, as well.

Laboratories, MRI & Dialysis

Only one of April's five deals came with a price tag. **Radiation Therapy Services** is acquiring **Lakewood Ranch Oncology Center**, a radiation therapy facility located in Lakewood Ranch, Florida. The buyer is paying $26.0 million, or about 1.1x revenue. This acquisition expands the buyer's presence in Sarasota and Manatee Counties. The target was formerly owned by two urology practices, which have been hired by the buyer as part of this transaction.

Eastern Maine Medical Center is selling its three outpatient dialysis clinics in Bangor, Ellsworth and Lincoln, Maine, to **DaVita** (NYSE: DVA) for an undisclosed price. They have a combined census of 225 patients, 90% of whom are on Medicare. This acquisition marks the buyer's entry into the state of Maine; competitor **Fresenius** (NYSE: FMG) currently operates 10 clinics in the state. Also, DVA recently acquired a controlling interest

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Deal Summaries—Services — Hospitals

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Bay Medical Center Panama City, Florida	Nonprofit	**Sacred Heart Health System, Inc.** Pensacola, Florida	Nonprofit	4/3/2012	$154,000,000

In Brief: The local hospital authority is selling Bay Medical Center, a 323-bed acute care facility, to a joint venture between Sacred Heart Health System and LHP Hospital Group for $154.0 million, or 0.6x revenue.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
New England Sinai Hospital Stoughton, Massachusetts	Private	**Steward Health Care System** Boston, Massachusetts	Private	4/4/2012	$37,000,000

In Brief: In a deal that is worth approximately $37.0 million, Steward Health Care is acquiring New England Sinai Hospital, a 212-bed long-term acute care hospital with satellite units at Tufts Medical Center and Carney Hospital.

Deal Summaries—Services — Laboratories, MRI & Dialysis

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Lakewood Ranch Oncology Center Lakewood Ranch, Florida	Private	**Radiation Therapy Services Hldg.** Fort Myers, Florida	Private	4/9/2012	$26,000,000

In Brief: Radiation Therapy Services Holding is paying $26.0 million to buy Lakewood Ranch Oncology Center, a radiation therapy facility.

Deal Summaries—Services — Long-Term Care

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Brighten at Medford Medford, Massachusetts	Private	**New York Owner** New York	Private	4/2/2012	$7,500,000

In Brief: A privately held REIT is selling Brighten at Medford, a 142-bed skilled nursing facility, to a New York owner for $7.5 million.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Five senior living communities Texas and Indiana	Private	**Capital Senior Living Corporation** Dallas, Texas	NYSE: CSU	4/2/2012	$49,400,000

In Brief: Capital Senior Living Corp. is paying $49.4 million to acquire a portfolio of five senior living communities that offer a combination of independent living, assisted living and memory care services. The communities are located in Texas and Indiana.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Langdon Hall Bradenton, Florida	Private	**Aviv REIT** Chicago, Illinois	Private	4/2/2012	$4,936,000

In Brief: Aviv REIT paid $4,936,000 to acquire Langdon Hall, a 66-unit, three-story assisted living community that is licensed for 80 beds. The price to revenue multiple for this transaction is 2.7x.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Two skilled nursing facilities Pennsylvania	Private	**Sabra Health Care REIT** Irvine, California	NASDAQ: SBRA	4/3/2012	$29,900,000

In Brief: In a sale-leaseback deal, Sabra Healthcare is paying $29.9 million for a portfolio of two subacute facilities, each with 60 licensed beds.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
The Clare at Water Tower Chicago, Illinois	Nonprofit	**Chicago Senior Care, LLC** Harrison, New York	Private	4/13/2012	$53,500,000

In Brief: Chicago Senior Care won the bid to acquire The Clare at Water Tower, a 53-story continuing care retirement center, or CCRC, for $53.5 million in a bankruptcy auction. The purchase price is roughly one-fifth of the replacement value of the facility.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
16 seniors living communities Various States	NYSE: SRZ	**Ventas, Inc.** Chicago, Illinois	NYSE: VTR	4/16/2012	$362,000,000

In Brief: In a sale-leaseback transaction, affiliates of Sunrise Senior Living are selling a portfolio of 16 private pay seniors living communities to Ventas for $362.0 million. The communities have a combined total of 1,274 units.

Deal Summaries—Services | Physician Medical Groups

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
First Choice Medical Group Melbourne, Florida	Private	**First Choice Healthcare Solutions** Melbourne, Florida	OTCBB: FCHS	4/9/2012	$2,524,000

In Brief: First Choice Healthcare Solutions, Inc. is paying $2,524,000 in cash and stock to acquire First Choice Medical Group of Brevard, LLC, a multispecialty medical group practice.

Deal Summaries—Services | Other

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
eResearchTechnology, Inc. Philadelphia, Pennsylvania	NASDAQ: ERT	**Genstar Capital, LLC** San Francisco, California	Private	4/10/2012	$400,000,000

In Brief: Genstar Capital is paying $8.00 per share in cash, or $400.0 million, to buy eResearchTechnology, a company that provides health outcomes services to biopharmas and contract research organizations.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Catalyst Health Solutions, Inc. Rockville, Maryland	NASDAQ: CHSI	**SXC Health Solutions Corp.** Lisle, Illinois	NASDAQ: SXCI	4/16/2012	$4,400,000,000

In Brief: SXC Health Solutions is paying $4.4 billion, or approximately 0.8x revenue, to acquire Catalyst Health Solutions, a competitor that operates as a full-service pharmacy benefit management manager primarily under the *Catalyst Rx* name.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Diabetes Specialty Center Salt Lake City, Utah	Private	**Mediq NV** Utrecht, Netherlands	Euronext: MEDIQ	4/30/2012	$16,000,000

In Brief: Mediq's New York-based subsidiary Byram Healthcare is acquiring Diabetes Specialty Center for $16.0 million, or 0.6x revenue. The target business delivers insulin pumps, glucose monitors and related supplies to diabetics.

Additional Transactions—Services

Sector	Target	Acquirer	Date
HOME HEALTH CARE	Custom Holdings, LLC	ATG Rehab	4/2/2012
	Zion's Way Home Health and Hospice	The Ensign Group, Inc.	4/3/2012
HOSPITALS	Norwalk Hospital	Western Connecticut Health Network	4/5/2012
	Unity Health Center	SSM Health Care	4/6/2012
	South Shore Hospital	Partners HealthCare System, Inc.	4/12/2012
	Creighton Univ. Medical Center-St. Joseph's	Catholic Health Initiatives	4/24/2012
	St. Joseph's Mercy Health System	Capella Healthcare	4/25/2012
LABORATORIES, MRI & DIALYSIS	West Coast Radiology	RadNet, Inc.	4/2/2012
	Atlanta Sleep Medicine Clinic	FusionHealth	4/14/2012
	Prestige Laboratory	US Clinical Laboratories	4/23/2012
	Three outpatient dialysis clinics	DaVita, Inc.	4/24/2012
LONG-TERM CARE	Kentucky skilled nursing facility	Advocat, Inc.	4/18/2012
MANAGED CARE	Superior Vision Holdings, Inc.	Nautic Partners, LLC	4/9/2012
	MasterCare DENTS	Guardian Life Insurance Company	4/10/2012
	CareSource Michigan	McLaren Health Plan	4/18/2012
PHYSICIAN MEDICAL GROUPS	Lewin & Nadar Cardiology Associates	Holy Spirit Hospital & Health System	4/3/2012
	Burlington Anesthesia PPLC	Mednax, Inc.	4/5/2012
	Farhouch Berdjis MD Medical Corp.	Mednax, Inc.	4/5/2012
	Cardiovascular Consultants of Nevada	HealthCare Partners of Nevada	4/17/2012
	Mid Michigan Orthopedics	Memorial Healthcare	4/25/2012
	Durango Cancer Center	Mercy Regional Medical Center	4/30/2012
	Southwest Oncology	Mercy Regional Medical Center	4/30/2012
OTHER	MED-STAFF Oklahoma	Accountable Healthcare Holdings Corp.	4/2/2012
	Hillsboro Medical Center	Sanford Health	4/22/2012
	DecisionView	IMS Health	4/24/2012

Transaction Updates—Services

Sector	Target	Acquirer	Announced	Update
HOSPITALS	**Rockford Health System** Rockford, Illinois	**OSF Healthcare Systems** Peoria, Illinois	5/15/2010	4/11/2012

Recent Developments: This merger, which was first announced in May 2010, was called off in early April 2012 after the Federal Trade Commission indicated it would challenge the combination on the basis of its being anticompetitive.

The Health Care M&A Monthly has a quarterly supplement which details all publicly announced health care services mergers and acquisitions. Because many companies do not reveal details of their acquisitions, especially price and terms, at the time of the announcement, those details, when available, and additional information about the target company and acquirer are provided in the quarterly report after researching SEC documents and other primary sources.

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in **Lehbi Care**, a leading kidney care company based in Riyadh, Saudi Arabia. Lehbi Care treats approximately 400 end-stage renal disease patients in three dialysis clinics around the city.

Long-Term Care

In the largest Long-Term Care deal of April, **Ventas** (NYSE: VTR) has acquired a portfolio of 16 private pay senior living communities from affiliates of **Sunrise Senior Living** (NYSE: SRZ). The value of this sale-leaseback transaction is $362.0 million, or approximately $284,140 per unit. This deal expands VTR's relationship with SRZ, and is to be funded through borrowings under VTR's revolving credit facility.

The Clare at Water Tower has finally found a buyer. **Chicago Senior Care**, a partnership between **Senior Care Development, LLC**, **Fundamental Advisors, LP** and **Life Care Companies, LLC**, agreed to pay $53.5 million in a bankruptcy auction for the 53-story CCRC. It has 248 independent living units, 39 assisted living apartments, 15 memory-support living suites and 32 skilled nursing beds. (The first few floors also have offices and classrooms for **Loyola University**.) The Clare was owned by the **Franciscan Sisters of Chicago**, who accrued $229.0 million in debt in developing it. Unable to reach sufficient occupancy during the economic downturn, it entered Chapter 11 bankruptcy proceedings on November 15, 2011. Chicago Senior Care offered a stalking horse bid of $29.5 million (they also offered to assume responsibility for the $57.0 million in existing residential deposits). Ultimately, David Reis of Chicago Senior Care was able to acquire this property at about one-fifth of its construction costs. The estimate to reach stabilized occupancy is approximately three years. Without the overhanging debt burden, Chicago Senior Care should be able to reach this goal and generate significant cash flow in the process. Let the marketing initiatives begin.

Terra Firma, a British private equity firm, is entering into the U.K. "care homes" business with a £825.0 million ($1.34 billion) deal to buy **Four Seasons Health**, the country's largest operator. Four Seasons operates 445 care homes and has 24,000 beds. The deal thus works out to approximately $55,800 per bed. Terra Firma, which is 40% owned by the **Royal Bank of Scotland**, is stepping into the breach being left by Prime Minister Cameron's overhaul of the National Health System.

Other

Pharmacy Benefits Manager. Emboldened (or scared) by the recent closing of **Express Scripts'** (NASDAQ: ESRX) $29.1 billion purchase of **Medco Health**, **SXC Health Solutions Corp.** (NASDAQ: SXCI) must have decided it was time to play catch up. The Lisle, Illinois-based pharmacy benefits manager, or PBM, announced that it is acquiring **Catalyst Health Solutions** (NASDAQ: CHSI), a competing PBM headquartered in Rockville, Maryland. Under terms of the deal, SXCI is offering $28.00 in cash and 0.6606 shares of SXCI stock for each share of CHSI stock. At $4.4 billion, the total value of the deal also includes the assumption of $271.0 million in debt. SXCI's bid values each share of CHSI stock at $81.02, offering shareholders a 28% premium to the stock's prior-day price. On closing, SXCI shareholders and CHSI shareholders will own 65% and 35%, respectively, of the combined company. This acquisition, valued at 0.83x revenue, will double the number of prescription claims that SXCI handles, giving it the heft to compete more effectively against **CVS Caremark** (NYSE: CVS) and ESRX. SXCI plans to finance the deal with $1.7 billion in debt. **JP Morgan** and **Goldman Sachs** provided SXCI and CHSI, respectively, with advice on this deal. ❑

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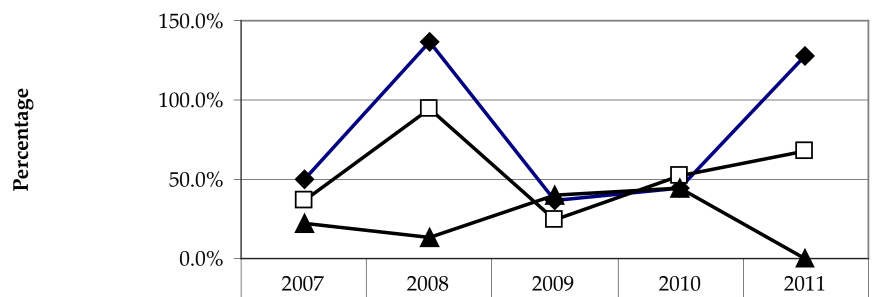
calculated both the average and the median premiums paid in each year. In all years except 2010, the median is lower than the average, as might be expected. We also plotted a third point for each year which we believe correlates with the rise and fall in the premiums. That third point represents the number of billion-dollar medical device deals in each year expressed as a percentage of all device deals announced during the year.

Premiums Paid For Medical Device Deals, 2007-2011



	2007	2008	2009	2010	2011
Average Premium	50.1%	137.1%	36.6%	44.3%	127.6%
Median Premium	37%	95%	25%	52%	68%
Billion-dollar deals	22%	13%	40%	44%	0%

Year

Average Premium — Median Premium — Billion-dollar deals

The data reveal a rough correlation: the lower the percentage of billion-dollar deals, the higher the premiums may rise. What appears to be happening is that the presence of billion-dollar deals tends to dampen the overall level of acquisition premiums. This reflects the fact that very large deals seldom have large premiums themselves, rarely above 50%. After all, a large company, particularly one with established revenue and cash flow, can provide a clear picture of future growth and lend itself to acquisition multiples analysis. However, a small company without an extensive financial history may be marketed on the basis of the promise it holds. If the buyer can be persuaded that the promise is great, then the premium can go higher.

There are, of course, other reasons to offer or ask for a higher premium. Sometimes we're dealing with a broken stock, but not a broken company. In such a case, management may ask for a large premium to compensate for a current, but unrealistically low stock price. Alternatively, when the buyer senses that a potential target is currently undervalued, he may propose a large premium to induce the target to sell. Several such instances occurred in the wake of the Great Recession. In 2008, for example, **Johnson & Johnson** (NYSE: JNJ) offered $31.00 per share, or $1.12 billion, to buy **Mentor Corp.** (NYSE: MNT). At the time, that price offered a 92% premium to Mentor's prior-day stock price. JNJ realized, however, that MNT's stock had traded above $40.00 per share at the beginning of 2008, and it was really getting the company at a 23% discount to the historical price. That deal closed at the end of January 2009, about six weeks before the market hit its generational low and turned around. Talk about timing.

In the following months, we will analyze the premiums paid in other technology sectors, notably Biotechnology and Pharmaceuticals, and compare them with each other and with the premiums paid in health care services sectors. Preliminary data suggest that health care technology generally commands higher premiums than health care services and that within the technology segment, biotech commands the highest premiums. We know that in the mid 2000s, pharma companies generally commanded higher premiums than medical device companies, but the recent series of patent cliffs currently faced by big pharma may have changed that. Answers to these and other questions will appear in upcoming issues. ❏

Health Care Financing

Venture Capital

Alder BioPharmaceuticals, a Washington-based biopharma focused on antibody therapeutics, recently closed on a $38.0 million Series D financing. This comes four years after the company's Series C round. The current round was led by new investor **Novo Ventures** and joined by existing investors **Sevin Rosen Funds**, **Ventures West**, **WRF Capital**, **H.I.G. Ventures**, **Delphi Ventures** and **TPG Biotech**. Proceeds from this funding will be used to accelerate the clinical development of Alder's pipeline of antibody therapeutics. In particular, it will support *ALD403*, an unpartnered treatment for migraine, and *ALD518*, a monoclonal antibody in cancer-related indications.

Tioga Pharmaceuticals, a San Diego-based pharma focused on gastrointestinal diseases, closed on a $10.0 million series B equity financing. The round was led by new investor **Thomas, McNerney & Partners**, which invested $8.0 million in the round. Existing investor **Genesys Capital Partners** also took part in the round. The proceeds are earmarked to advance phase 3 clinical development of *asimadoline* for the treatment of diarrhea-predominant irritable bowel syndrome, or D-IBS. *Asimadoline* has been granted Fast Track designation by the FDA for treating D-IBS. In 2009, **Ono Pharmaceutical Co.** licensed exclusive rights from Tioga to develop and commercialize *asimadoline* in Japan, South Korea and Taiwan; Tioga retains all other rights to the compound.

Other Financing News

BB&T Capital Markets (NYSE: BBT) recently closed on $112.0 million in debt financing for **Longhorn Village**. Based in Austin, Texas, Longhorn Village is a not-for-profit CCRC that is sponsored by **The Ex-Students' Association of the University of Texas**. The transaction consisted of adjustable and fixed-rate tax-exempt and taxable fixed-rated bonds that enable Longhorn Village to refinance its outstanding debt and provide it with additional working capital.

In the Dallas area, **HealthCap, LLC** has merged with **Cirrus Group**. HealthCap is a private equity firm that specializes in the health care sector while Cirrus is a health care real estate development and investment firm. The combined firm, operating under the HealthCap name, will have a more diverse mix of health care investment professionals than either component company, allowing it to attract a broader client base. ❏

Watson Buys Actavis

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Watson has clearly been in growth mode for a decade, and would like nothing better than to increase its market share. The company has largely stuck to its knitting, carving out a place for itself in the generic pharmaceutical market. It has been looking for a way to compete with the big boys of generic pharma, number one **Teva Pharmaceutical Co.** (NASDAQ: TEVA), number two **Sandoz**, a unit of **Novartis** (NYSE: NVS), and number three **Mylan** (NYSE: MYL). And it found a way to do that in buying Actavis Group, a generic pharmaceutical company with something of a checkered past.

Based in Zug, Switzerland, Actavis Group is a generic pharma with a presence in 40 countries and a portfolio of over 1,000 products. In 2011, the company generated revenue of $2.5 billion and EBITDA of $397.0 million. Our long-time readers will know that Actavis has a more colorful history than this description suggests. Back in the day, the company was based in Iceland and listed on the Icelandic stock exchange. During the boom of 2005-06, Actavis racked up nine acquisitions for about $1.9 billion, at a time when its annual revenue was about €360.0 million ($464.0 million). Then in 2007, the company agreed to be taken private. Perhaps the debt it had accumulated in its rapid-fire acquisition program contributed to the decision to sell. And perhaps being in Iceland, the first casualty of the global financial meltdown, hastened the deal. In his informative and entertaining book *Boomerang*, Michael Lewis asks how centuries of tradition in fisheries prepared Icelanders to become such wheelers and dealers in the financial services market. In retrospect, it looks like it didn't. In the event, **Novator eignarhaldfelag**, an Icelandic investment fund owned by billionaire Thor Bjorgolfsson, bought a 61.5% stake in Actavis for $3.1 billion. For a 100% interest, the price was $5.0 billion, the price to revenue multiple 2.4x and the price to EBITDA multiple 11.4x. The company was delisted on July 24, 2007. That, however, was not the end of its woeful saga. In 2008, when the Icelandic bank **Lansbanki Islands** collapsed, it wiped out much of Mr. Bjorgolfsson's wealth, necessitating a partner to step in and save Actavis.

So who would fund the buyout when the ship was sinking? Mr. Lewis's book also suggests the answer. It was the Germans who, while prudent at home, were spending abroad like drunken sailors on leave. In the end, **Deutsche Bank** stepped in and took charge in 2008. To its chagrin, it has already had to write down a hefty sum on its exposure to Actavis (€457.0 million in 2011 alone). In the interim, Actavis moved its headquarters to Switzerland and undertook a more modest and sustainable acquisition program buying a cast-off drug here and there. While details of Actavis's ownership structure are unclear at this juncture, Deutsche Bank now appears to own a preferred share stake. None too happy with its situation, Deutsche Bank was well motivated to divest itself of this troublesome asset. So one day before it was to announce its own first quarter earnings and perhaps in an effort to goose the results, Deutsche Bank announced that Watson was taking Actavis off its hands for $6.0 billion.

Under terms of the current deal, Watson will pay €4.25 billion in cash upfront and make contingent payments of up to €250.0 million in stock based on 2012 performance targets. At the maximum value, the deal is worth 2.4x revenue and 15.1x EBITDA. That's the same P/R multiple at which Actavis was taken private.

The acquisition of Actavis leap-frogs Watson Pharmaceuticals ahead of Mylan, making it the third largest generic pharma company in the world. The combined company will generate annual revenue of nearly $8.0 billion. WPI plans to fund the deal through term loan borrowings and the issuance of senior secured notes; the company currently has bridge loan commitments from **BofA Merrill Lynch** and **Wells Fargo Bank**. BofA Merrill Lynch provided WPI with financial advice on this deal while **Blackstone Advisory Partners** and Deutsche Bank provided Actavis with similar advice. ❑

Health Care Technology

Biotechnology

In April's largest Biotechnology deal, the British-Swedish pharmaceutical company **AstraZeneca plc** (NYSE: AZN) is acquiring **Ardea Biosciences** (NASDAQ: RDEA), a biotech that is focused on the discovery and development of small-molecule therapeutics treating gout and cancer. On a trailing 12-month basis, it generated revenue of $7.3 million and a net loss of $86.6 million. AZN is offering to pay $32.00 per share, or a total of $1.26 billion. This bid offers RDEA shareholders a 54% premium to the stock's prior-day price. Given the low level of current revenue, calculating acquisition multiples makes little sense. It expands AZN's portfolio with a robust drug pipeline of small- molecule drugs. Its *lesinurad* candidate for treating chronic gout is in phase 3 trials; it may be an alternative for patients who are intolerant of such existing gout treatments as *allopurinol*.

AstraZeneca also entered into a smaller deal with **Amgen** (NASDAQ: AMGN) to jointly develop and commercialize five monoclonal antibodies from AMGN's inflammation portfolio, which include *AMG 139*, *AMG 157*, *AMG 181*, *AMG 557* and *brodalumab* (aka, *AMG 827*). AZN is making a $50.0 million one-time payment; apart from this, both companies are to share both costs and profits. It is believed that this collaboration will accelerate the development of these five compounds. AZN will lead the development of *AMG 139*, *AMG 157* and *AMG 181* while AMGN will lead the development of *brodalumab* and *AMG 557*.

GlaxoSmithKline plc (NYSE: GSK) is entering into a strategic alliance with South San Francisco-based **Five Prime Therapeutics** to use Five Prime's platforms in up to six programs to identify agents and mechanisms relevant to refractory asthma and COPD. Under terms of the deal, GSK will pay $30.0 million in an upfront fee, and up to $193.5 million in option exercise fees and milestone payments for each product resulting from a selected program. Assuming that they collaborate on all six programs, the total value of the deal is $1.164 billion. Tiered royalties on sales of products emerging from these programs are also stipulated in the deal. This alliance enlarges GSK's pipeline for therapeutics to treat respiratory diseases and disorders. Five Prime will identity and validate potential drug targets and drug candidates. GSK has an option to exclusively license selected targets discovered by Five Prime. For a majority of the targets, GSK would take on sole responsibility to the further development of the drugs; for a limited number of targets, Five Prime would have an opportunity to advance biologic products through human proof-of-mechanism clinical studies.

Glaxo recently made an unsolicited bid of $13.00 per share in cash to acquire **Human Genome Sciences** (NASDAQ: HGSI). The total value of the deal is approximately $2.6 billion, and GSK's bid offers HGSI shareholders an 81% premium to its prior-day price. HGSI rejected the offer, but then authorized a committee to explore the company's strategic alternatives. It has retained **Goldman Sachs** and **Credit Suisse** to assist in this process. Some believe that HGSI would bite if GSK raised its offer to $15.00 per share. And the markets seem to concur. Since the announcement, shareholders have pushed the price as high as $14.71 per share.

Merck & Co. (NYSE: MRK) is entering into an agreement with West Lafayette, Indiana-based **Endocyte**, to develop and commercialize *vintafolide* (*EC145*), an investigational drug for platinum-resistant ovarian cancer. Under terms of the deal, MRK will make a $120.0 million upfront payment, and up to $880.0 million in development, regulatory and sales milestone payments for a total of six cancer indications. If all conditions are met, the value of the deal for Endocyte will be $1.0 billion. MRK will receive half of the profit for sales in the United States and double-digit royalties on sales outside the country.

In a reverse merger, Australia's **Biota Holdings Limited** (ASX: BTA) is joining forces with **Nabi Pharmaceuticals** (NASDAQ: NABI). Biota is a leading anti-infective drug development company with expertise in respiratory drugs; for the six months ended December 31, 2011, BTA generated revenue of A$4.3 million and a loss of A$11.0 million. Nabi, a biopharma based in Rockville, Maryland, develops vaccines for nicotine addiction; on a trailing 12-month basis, it generated revenue of $15.0 million and a net loss of $8.0 million. Under terms of the deal, each share of BTA stock will be exchanged for 0.669212231 shares of NABI stock, resulting in the issuance of about 121.7 million NABI shares. That values the transaction at approximately $225.1 million. On consummation of this reverse merger, current BTA and NABI shareholders will own 74% and 26% interests, respectively, of the combined company. The surviving company will change its name to **Biota Pharmaceuticals, Inc.**, and will have three royalty-generating products and two clinical programs. BTA brings to the merger a contract for $231.0 million with BARDA, an U.S. government entity, to develop an advanced form of *laninamivir*. Moving headquarters to the Maryland suburbs of Washington, D.C. will help it to better secure and execute this contract.

The Month in M&A at a Glance: Health Care Technology, April 2012

Sector	Deal Volume	Combined Price
Pharmaceuticals	11	$ 9,306,000,000
Medical Devices	14	5,906,400,000
Biotechnology	8	3,862,100,000
e-Health	4	—
Total	37	$ 19,074,500,000

Spectrum Pharmaceuticals (NASDAQ: SPPI), a pharma focused on oncology and hematology drugs, is acquiring **Allos Therapeutics** (NASDAQ: ALTH), a Colorado-based biopharma that develops and commercializes anti-cancer therapeutics. Under terms of this deal, Spectrum is to pay $1.82 per share in cash and one contingent value right (CVR) equal to $0.11 per share in cash for each share of ALTH. The upfront portion of SPPI's bid values ALTH at $206.0 million, at which level the price to revenue multiple is 2.7x. However, net of ALTH's $98.0 million at the end of 2011, the effective purchase price is $108.0 million, or 1.5x revenue. The CVR will be paid if certain European regulatory approval and commercialization milestones are reached for ALTH's *Folotyn* drug for treating T-cell lymphoma. In 2011, this drug generated U.S. sales of $50.0 million. **RBC Capital Markets** and **J.P. Morgan Securities** provided SPPI and ALTH, respectively, with financial advice on this deal.

(continued on page 16)

Deal Summaries—Technology — Biotechnology

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Inflammation collaboration Thousand Oaks, California	NASDAQ: AMGN	**AstraZeneca plc** London, England	NYSE: AZN	4/2/2012	$50,000,000

In Brief: In a transaction that is worth $50.0 million, Amgen is entering into an agreement with AstraZeneca to jointly develop and commercialize five monoclonal antibodies from Amgen's inflammation portfolio.

Allos Therapeutics, Inc. Westminster, Colorado	NASDAQ: ALTH	**Spectrum Pharmaceuticals, Inc.** Henderson, Nevada	NASDAQ: SPPI	4/5/2012	$108,000,000

In Brief: Spectrum Pharmaceuticals is paying approximately $108.0 million, or 1.5x revenue, to buy Allos Therapeutics, a biopharmaceutical company that develops and commercializes anti-cancer therapeutics.

Alvos Therapeutics, Inc. Wellesley, Massachusetts	Private	**Arrowhead Research Corporation** Pasadena, California	NASDAQ: ARWR	4/11/2012	$25,000,000

In Brief: Arrowhead Research Corp. is paying about $25.0 million to acquire Alvos Therapeutics, a company that has licensed a large platform of proprietary human-derived homing peptides from MD Anderson Cancer Center.

Vintafolide cancer drug agreement West Lafayette, Indiana	Private	**Merck & Co., Inc.** Whitehouse Station, New Jersey	NYSE: MRK	4/16/2012	$1,000,000,000

In Brief: In a transaction valued at as much as $1.0 billion, Endocyte is entering into an agreement with Merck & Co. to develop and commercialize *vintafolide* (*EC145*), an investigational drug for the treatment of platinum-resistant ovarian cancer.

This drug candidate is currently in phase 3 trials for ovarian cancer and a phase 2 trial for non-small cell lung cancer; MRK plans to further evaluate the drug for the treatment of other cancers.

Respiratory alliance S. San Francisco, California	Private	**GlaxoSmithKline plc** Middlesex, England	NYSE: GSK	4/17/2012	$1,164,000,000

In Brief: In a transaction worth as much as $1.164 billion, Five Prime Therapeutics is entering into a strategic alliance with GlaxoSmithKline to use Five Prime's platforms in up to six programs to identify agents and mechanisms relevant to refractory asthma and COPD.

Pacritinib Singapore	Private	**Cell Therapeutics, Inc.** Seattle, Washington	NASDAQ: CTIC	4/19/2012	$30,000,000

In Brief: S*BIP Pte Ltd is selling the worldwide rights for *Pacritinib* to Cell Therapeutics for $30.0 million. The drug candidate, which has been in phase 1 and 2 trials, has orphan drug status in both the United States and Europe for myelofibrosis.

Ardea Biosciences, Inc. San Diego, California	NASDAQ: RDEA	**AstraZeneca plc** London, England	NYSE: AZN	4/23/2012	$1,260,000,000

In Brief: AstraZeneca is paying $32.00 per share, for a total of $1.26 billion, to buy Ardea Biosciences, a biotechnology firm that focuses on the discovery and development of small-molecule therapeutics for the treatment of gout and cancer.

Biota Holdings Limited Melbourne, Australia	ASX: BTA	**Nabi Pharmaceuticals** Rockville, Maryland	NASDAQ: NABI	4/23/2012	$225,100,000

In Brief: In a reverse merger valued at about $225.1 million, Biota Holdings Limited is combining forces with Nabi Pharmaceuticals. Current Biota and Nabi shareholders will own 74% and 26% interests, respectively, of the combined company on closing.

Deal Summaries—Technology — Medical Devices

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
DePuy Orthopaedics' trauma unit New Brunswick, New Jersey	NYSE: JNJ	**Biomet, Inc.** Warsaw, Indiana	Private	4/4/2012	$280,000,000

In Brief: As a condition of its recently closed purchase of Synthes GmbH, Johnson & Johnson is selling the worldwide trauma unit of its DePuy Orthopaedics subsidiary to Biomet for $280.0 million.

Deal Summaries—Technology — Medical Devices *(cont.)*

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Oridion Systems Ltd. Jerusalem, Israel	SIX: ORIDN	**Covidien Plc** Dublin, Ireland	NYSE: COV	4/5/2012	$346,000,000

In Brief: Covidien is paying $346.0 million, or 5.4x revenue, for Oridion Systems, which manufactures devices for patient breathing safety.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Quill intellectual property Vancouver	PK: ANPI	**Johnson & Johnson, Inc.** New Brunswick, New Jersey	NYSE: JNJ	4/5/2012	$62,000,000

In Brief: Angiotech Pharmaceuticals is selling its Quill intellectual property assets relating to wound closure and care to Johnson & Johnson's Ethicon unit for as much as $62.0 million.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Discovery Labware Billerica, Massachusetts	NYSE: BDX	**Corning, Inc.** Corning, New York	NYSE: GLW	4/10/2012	$730,000,000

In Brief: BD is selling Discovery Labware, a subsidiary that produces materials and instruments for the life sciences industry, to Corning for a price of $730.0 million in cash, or 3.1x revenue.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Cope Allman Jaycare Portsmouth, England	Private	**Nolato AB** Torekov, Sweden	STO: NOLAB	4/11/2012	$26,600,000

In Brief: Nolato is paying $26.6 million for Cope Allman Jaycare, an English company engaged in the packaging of pharmaceuticals in plastics.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Breg sports medicine unit Carlsbad, California	NASDAQ: OFIX	**Water Street Healthcare Partners** Chicago, Illinois	Private	4/24/2012	$157,500,000

In Brief: To pay down its debt, Orthofix International NV has decided to sell Breg, Inc., its sports medicine business, to Water Street Healthcare Partners, a private equity firm, for a price of $157.5 million in cash.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Blooding processing unit Port Washington, New York	NYSE: PLL	**Haemonetics Corporation** Braintree, Massachusetts	NYSE: HAE	4/29/2012	$551,000,000

In Brief: Haemonetics is paying $551.0 million, or 2.6x revenue, to acquire certain blood processing assets of Pall Corporation.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Hemerus Medical, LLC St. Paul, Minnesota	Private	**Haemonetics Corporation** Braintree, Massachusetts	NYSE: HAE	4/29/2012	$27,000,000

In Brief: Haemonetics is paying up to $27.0 million to acquire Hemerus Medical, a company that develops innovative technologies for the collection of whole blood, as well as the processing and storage of blood components.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Gen-Probe, Inc. San Diego, California	NASDAQ: GPRO	**Hologic, Inc.** Bedford, Massachusetts	NASDAQ: HOLX	4/30/2012	$3,720,000,000

In Brief: Hologic is paying a total of $3.72 billion, or 6.5x revenue, to acquire Gen-Probe, a corporation that develops, manufactures and markets molecular diagnostic products and services to diagnose human diseases and screen human blood.

Deal Summaries—Technology — Pharmaceuticals

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Rights to Bystolic New Brunswick, New Jersey	NYSE: JNJ	**Forest Laboratories, Inc.** New York, New York	NYSE: FRX	4/2/2012	$357,000,000

In Brief: Janssen Pharmaceutica, a Johnson & Johnson company, is selling the intellectual property rights for *Bystolic*, a hypertension drug, to Forest Laboratories for $357.0 million in cash.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
KAI Pharma, Inc. S. San Francisco, California	Private	**Amgen, Inc.** Thousand Oaks, California	NASDAQ: AMGN	4/10/2012	$315,000,000

In Brief: Amgen is paying $315.0 million to acquire KAI Pharma, a company that has a drug portfolio which includes a pain drug as well as treatments for cardiovascular disease and metabolic bone disease.

Deal Summaries—Technology Pharmaceuticals (*cont.*)

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
URL Pharma Philadelphia, Pennsylvania	Private	**Takeda Pharmaceutical Co. Ltd.** Osaka, Japan	T: 4502	4/11/2012	$800,000,000

In Brief: Takeda Pharmaceutical Co. is paying $800.0 million upfront and undisclosed earnout payments to acquire URL Pharma, a company that manufactures *Colcrys*, a treatment for gout flare ups. The price to revenue multiple is 1.3x.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Mexican generic drug portfolio Mexico City, Mexico	Private	**Valeant Pharmaceuticals** Montreal, Quebec	NYSE: VRX	4/16/2012	$71,000,000

In Brief: Atlantis Pharma is selling its portfolio of generic drugs, to Valeant Pharmaceuticals for $71.0 million, or 2.7x revenue.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Rights to VLY-686 Indianapolis, Indiana	NYSE: LLY	**Vanda Pharmaceuticals, Inc.** Rockville, Maryland	NASDAQ: VNDA	4/16/2012	$100,000,000

In Brief: Eli Lilly & Co. is selling the worldwide rights for *VLY-686* to Vanda Pharmaceuticals for as much as $100.0 million. This drug candidate shows the potential for treating several indications, including alcohol dependence.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
OTC drug portfolio England	NYSE: GSK	**Aspen Group** Durban, South Africa	J: APHN	4/20/2012	$263,000,000

In Brief: GlaxoSmithKline is selling a portfolio of international over-the-counter drugs to the Aspen Group for approximately $263.0 million, or 2.7x revenue. This covers drugs sold in such territories as South Africa, Australia and Brazil.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Actavis Group Zug, Switzerland	Private	**Watson Pharmaceuticals, Inc.** Parsippany, New Jersey	NYSE: WPI	4/24/2012	$6,000,000,000

In Brief: Watson Pharmaceuticals is buying Actavis Group, a generic pharma company, for $6.0 billion, or 2.4x revenue. On closing this deal, Watson will become the third largest generic pharmaceutical company in the world.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Mustafa Nevzat Pharmaceuticals Istanbul, Turkey	Private	**Amgen, Inc.** Thousand Oaks, California	NASDAQ: AMGN	4/25/2012	$700,000,000

In Brief: Amgen is paying about $700.0 million, or 3.5x revenue, to acquire a 95.6% interest in Mustafa Nevzat Pharmaceuticals, a family-owned pharmaceutical company that serves the Turkish and export markets.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
EUSA Pharma, Inc. Langhorne, Pennsylvania	Private	**Jazz Pharmaceuticals plc** Dublin, Ireland	NASDAQ: JAZZ	4/26/2012	$700,000,000

In Brief: Jazz Pharmaceuticals is paying as much as $700.0 million, or 3.2x projected 2013 revenue, to buy EUSA Pharma, a specialty pharma that is focused on oncology, oncology supportive care and critical care products.

Additional Transactions—Technology

Sector	Target	Acquirer	Date
E-HEALTH	Doctor Solutions, Inc.	Asterino and Associates, Inc.	4/3/2012
	GlobalNet Solutions, Inc.	MTBC	4/3/2012
	COMPUDATA	AdvantEdge Healthcare Solutions	4/6/2012
	Matrix Management Solutions	Quality Systems, Inc.	4/25/2012
MEDICAL DEVICES	SkyScan	Bruker Corp.	4/2/2012
	SeqWright, Inc.	GE HealthCare	4/4/2012
	CodeRyte, Inc.	3M Company	4/10/2012
	XenneX, Inc.	BioTime, Inc.	4/20/2012
	DNA consumable portfolio	IntegenX, Inc.	4/23/2012
PHARMACEUTICALS	Molecular imaging development portfolio	Piramal Healthcare Ltd.	4/16/2012
	Rights to generic Dexilant	Par Pharmaceutical Companies, Inc.	4/19/2012

Transaction Updates—Technology

Sector	Target	Acquirer	Announced	Update
MEDICAL DEVICES	**Illumina, Inc.** San Diego, California	**Roche Holding AG** Basel, Switzerland	1/17/2102	4/20/2012

Recent Developments: Roche is calling off its $51.00 per share hostile bid for Illumina, first announced on January 17, 2012. Backed by the four largest shareholders, Illumina's board resisted the $6.7 billion offer.

Sector	Target	Acquirer	Announced	Update
MEDICAL DEVICES	**Synthes GmbH** Solothurn, Switzerland	**Johnson & Johnson, Inc.** New Brunswick, New Jersey	4/24/2011	4/19/2012

Recent Developments: European antitrust authorities approved this $21.3 billion transaction on April 19, 2012.

(continued from page 12)

Cell Therapeutics (NASDAQ: CTIC) is acquiring the worldwide rights to *pacritinib*, a highly selective JAK2 inhibitor that has shown promise in phase 1 and 2 trials for the treatment of myelofibrosis; this drug candidate has orphan drug status in the U.S. and Europe for myelofibrosis. The seller is **S*BIP Pte Ltd**, based in Singapore. Under terms of the deal, CTIC will make an upfront payment of $15.0 million in cash and issue $15.0 million in unregistered shares convertible into common CTIC shares, for a minimum price of $30.0 million. It has also agreed to make undisclosed regulatory and sales milestone payments. Royalties on net sales of the product are also contemplated in the fine print. This expands the buyer's drug development pipeline, particularly for blood-related cancers. JAK2 dysregulation is associated with a broad range of illnesses, including cancers and autoimmune diseases. Unlike other, nonselective inhibitors of the JAK2 pathway, *pacritinib* does not show suppression of red blood cell and platelet formation, and may therefore offer a competitive advantage over other compounds.

Arrowhead Research Corp. (NASDAQ: ARWR), which identifies, develops and commercializes nanotechnology-related products and applications, is acquiring **Alvos Therapeutics** (not to be confused with Allos Therapeutics above). Based in Massachusetts and formerly known as **Mercator Therapeutics**, Alvos has licensed a large platform of proprietary human-derived homing peptides from **MD Anderson Cancer Center**. The technology is designed to bind and enter tumor cells and their supporting vasculature. Under terms of the deal, ARWR is issuing 315,467 shares of restricted ARWR common stock, and paying up to an additional $23.5 million in stock, based on achieving certain clinical and regulatory milestones. The value of the deal is about $25.0 million. This acquisition thus gives ARWR a technology that can be used in combination with its siRNA platforms to delivery therapeutic agents to tumors. This should allow ARWR to generate more targeted anti-cancer drugs.

E-Health

Quality Systems (NASDAQ: QSII), a California company that develops and markets health care information systems, recently announced acquiring **Matrix Management Solutions**, a value-added reseller for *NextGen Healthcare*, a QSII product. It provides revenue cycle management services and health care IT solutions, among others, to its clients nationwide. This acquisition increases the resources at QSII's disposal to promote its *NextGen Healthcare* brand and to service its products. With the addition of Matrix Management's client base, QSII also expects to increase its footprint among hospital-based physicians. The deal closed effective April 16, 2012. No price has been disclosed yet.

AdvantEdge Healthcare Solutions (AHS) is acquiring **COMPUDATA** for an undisclosed price. Based in New Jersey, AHS provides medical billing services, practice management and accounts receivable management services for specialty physicians and outpatient surgery centers. Headquarterd in Ravenna, Ohio, the target is a medical billing company focused on specialty and primary care physician practices. This acquisition enlarges the buyer's footprint in the physician practice space. It also bolsters AdvantEdge's existing operations in Ohio and Pennsylvania.

Medical Devices

In the largest Medical Device deal for April, **Hologic** (NASDAQ: HOLX), a company focused on diagnostic and medical imaging systems, is acquiring **Gen-Probe** (NASDAQ: GPRO) for $3.72 billion. Based in San Diego, GPRO develops, manufactures and markets molecular diagnostic products and services to diagnose human diseases and screen human blood. On a trailing 12-month basis, it generated revenue of $576.0 million, EBITDA of $185.0 million and net income of $50.0 million. Under terms of the deal, HOLX is offering $82.75 per share in cash, which offers GPRO shareholders a 20% premium to the stock's prior-day price. This combination, valued at 6.5x revenue, creates a leading diagnostic franchise focused on women's health; it also increases cross-selling opportunities. Goldman Sachs and **Perella Weinberg Partners** provided financial advice to HOLX on this deal; **Morgan Stanley** provided GPRO with similar advice.

Corning (NYSE: GLW), the glass and ceramics manufacturer, is buying **Discovery Labware** from **BD** (NYSE: BDX) for $730.0 million in cash. Discovery Labware produces materials and instruments for the life sciences industry, and generates annual revenue of about $235.0 million. This acquisition, valued at 3.1x revenue, expands GLW's life sciences unit, raising its revenue from that business by about 40%. It also expands the company's global footprint in life sciences. Excluded from the deal is BDX's advanced bioprocessing platform.

Haemonetics Corp. (NYSE: HAE), which designs, manufactures and markets automated systems for the collection, processing and surgical salvage of blood, announced two deals this month. In the larger of the two, it is buying the blood processing unit of **Pall Corp.** (NYSE: PLL) for up to $551.0 million. The target business includes PLL's blood collection, filtration and processing product assets for use in transfusion. For the year ended July 31, 2011, this unit generated revenue of $210.0 million and EBITDA of $68,875,000. Under terms of the deal, HAE will pay $536.0 million in cash on closing, and pay $15.0 million contingent on certain conditions reached by 2016. As part of the transaction, HAE will acquire PLL's manufacturing facilities in Corvina, California; Tijuana, Mexico; Ascoli, Italy; and a portion of its assets in Fajardo, Puerto Rico. This deal broadens HAE's product offerings in the area of blood processing. **JP Morgan Securities** and **Citibank** are joint lead arrangers and joint bookrunners for the new term loans to finance this deal.

In its second transaction of the month, Haemonetics is acquiring **Hemerus Medical, LLC**, a company based in St. Paul, Minnesota that develops innovative technologies for the collection of whole blood, as well as the processing and storage of blood components. Hemerus has completed phase 3 clinical trials and submitted an NDA to the FDA for its *SOLX* whole blood collection system. It is believed that this proprietary system can significantly extend the shelf life of red blood cells. Under terms of the deal, valued at $27.0 million, the consideration is to be paid in several stages, each of which is contingent on successful regulatory approvals. Royalties on future sales of *SOLX*-related products are also stipulated in the agreement.

Covidien plc (NYSE: COV) continues its acquisition spree in Israel with the $346.0 million purchase of **Oridion Systems Ltd.** (SIX: ORIDN). Based in Jerusalem, Oridion manufactures devices for patient breathing safety. Its devices monitor carbon dioxide in a patient's breath for critical care or post-anesthesia care. COV is offering to pay $23.00 per share in cash, which offers ORIDN shareholders a 75% premium to the stock's prior-day price. This deal, valued at 5.4x revenue, expands the buyer's portfolio of devices that monitor patients' respiratory function. **Barclays plc** and J.P. Morgan Securities provided COV and Oridion, respectively, with financial advice on this deal. In March, COV paid $300.0 million to buy **superDimension**, an Israeli company with a proprietary technology for minimally invasive surgery.

To satisfy European antitrust concerns over its $21.3 billion acquisition of **Synthes GmbH**, which closed on April 19, Johnson & Johnson is selling the worldwide trauma unit of its *DePuy Orthopaedics* subsidiary to **Biomet, Inc.** for approximately $280.0 million. This deal includes the purchase of *DePuy's* internal and external fixation products used in treating bone fractures. Synthes's trauma unit is considered the strength of the company, and trauma products are less vulnerable to weakness in the economy. With that in mind, the *DePuy* business was selected for sale. However, JNJ was also a buyer this month. Its *Ethicon* subsidiary is acquiring the *Quill* intellectual property relating to wound closure and care from **Angiotech Pharmaceuticals** (PK: ANPI) for $62.0 million. JNJ will make an initial payment of $20.0 million, plus a contingent payment of up to $42.0 million based on the transfer of certain know-how and achievement of certain product development and launch milestones.

Water Street Healthcare Partners, a Chicago-based private equity firm, is buying **Breg, Inc.**, the sports medicine business of **Orthofix International, NV** (NASDAQ: OFIX). Breg provides a portfolio of bracing and cold therapy products to treat a variety of sports medicine-related conditions. Water Street is paying $157.5 million in cash. The seller expects to use the net proceeds to pay down debt. OFIX originally acquired the business in 2003 for $150.0 million in cash and stock, then valued at 2.6x revenue. JP Morgan Securities provided OFIX's board with a fairness opinion on this transaction.

Pharmaceuticals

Continuing with the month's gout mini-theme, **Takeda Pharmaceutical Co.** (T: 4502) is acquiring **URL Pharma**, which manufactures *Colcrys*, a treatment for gout flare-ups. Out of URL's nearly $600.0 million in annual revenue, *Colcrys* generated $430.0 million. Takeda is paying $800.0 million in an upfront payment and will make undisclosed future earnout payments beginning in 2015. This acquisition, valued at 1.3x revenue, complements Takeda's existing gout treatment *Uloric*, which lowers uric acid levels in the blood. URL Pharma is to be managed by **Takeda Pharmaceuticals U.S.A.** Goldman Sachs and JP Morgan Securities provided Takeda and URL, respectively, with financial advice on this deal.

Jazz Pharmaceuticals plc (NASDAQ: JAZZ), a specialty pharma focused on neurology and psychiatry, is acquiring privately held **EUSA Pharma**, a trans-Atlantic specialty pharma focused on oncology, oncology supportive care and critical care products. EUSA's major shareholders include **Essex Woodlands**, **3i**, **Advent Venture Partners**, **SV Life Sciences**, **TVM Capital**, **Neomed** and **NovaQuest**. Under terms of the deal, JAZZ will pay $650.0 million in cash upfront, and up to $50.0 million in milestone payments based on reaching certain sales targets. At the full price of $700.0 million, the deal is valued at 3.2x revenue and 8.75x EBITDA. This transaction follows JAZZ's merger with **Azur Pharma** and relocation to Ireland. The deal expands the buyer's portfolio of specialty pharma products and enlarges the company's global footprint. It is to be financed with a combination of cash on hand and a $500.0 million term loan from Barclays Bank PLC. Barclays and Morgan Stanley provided JAZZ and EUSA, respectively, with financial advice.

Biotech giant Amgen made two acquisitions in the pharmaceutical space in April. In the larger of the two, it is paying $700.0 million in cash for a 95.6% interest in **Mustafa Nevzat Pharmaceuticals**, a pharmaceutical company serving the Turkish market. For 2011, the Istanbul-based company generated revenue of approximately $200.0 million. This acquisition, valued at 3.5x revenue, significantly expands the buyer's presence in Turkey; Amgen entered this market in 2010 and currently sells two drugs there. Mustafa Nevzat is the leading supplier of drugs to the hospital sector and a major supplier of injectables in Turkey. It also has an export business. This deal expands its product portfolio and will offer a channel through which to eventually market AMGN's robust pipeline of clinical candidates. In its second deal and closer to home, Amgen is acquiring **KAI Pharma**, a South San Francisco-based company with a drug portfolio including a pain drug and treatments for cardiovascular disease and metabolic bone disease. The consideration is $315.0 million in cash. This deal expands AMGN's drug pipeline. KAI's lead drug, *KAI-4169*, is an intravenous therapy for patients with chronic kidney disease; it is in phase 2 trials.

Out And About. April's biggest deal in the pharmaceutical industry didn't actually take place in the pharmaceutical industry. **Nestle SA** (VX: NESN) announced a deal to buy Pfizer's infant nutrition business for $11.85 billion, or about 4.9x 2012 projected revenue.

With their government promoting austerity measures, some mid-size German pharmas are seeing some results of those measures in the Eurozone. **Merck KGaA** (DE: MRCG) announced it would be abstaining from major deals until 2013 to focus on cost cuts and job reductions. Also, **Stada Arzneimittel** (DE: STAGn), after having trouble with its Serbian operations, found itself being downgraded by JPMorgan Chase from overweight to neutral. Both cases suggest indirectly that austerity is actually hampering revenue growth, with domestic consumers spending less on their drugs. Ordinarily, such companies might be takeover targets for global pharma companies; Mylan, for example, might want to enlarge its generic operations in Central and Eastern Europe with an acquisition of Stada. However, uncertainty over growth in the region will act as a disincentive to prospective buyers.

Activist-investor Carl Icahn has sued **Amylin Pharmaceuticals** (NASDAQ: AMLN), maker of diabetes drugs, to block the use of a bylaw which would prevent him from launching a proxy battle that could lead to the sale of the company. With an 8.9% stake, Mr. Icahn is the company's third largest shareholder. He is taking AMLN to task for failing to reveal that the company had rejected a $3.5 billion takeover bid from **Bristol-Myers Squibb** (NYSE: BMY). AMLN is now reaching out to potential buyers, having engaged the tag team of Goldman Sachs and Credit Suisse to help them evaluate offers.

Warner Chilcott (NASDAQ: WCRX) is evaluating offers from strategic and financial buyers. The very busy Goldman Sachs is assisting them to determine interest in buying the company. There were media reports across the pond that a German buyer, say a **Bayer HealthCare** (DE: BAYG), would pay $32.00 per share at a time when WCRX's price was about $17.29. So far no offer, much less one at an 85% premium, has materialized. ❑