

Headline **Glaxo, Pfizer in venture**
Date **17. Apr 2009**
Media Title **Asian Wall Street Journal**
Section **Asian - Pacific News**
Circulation **80750**
Readership **282625**

Language **ENGLISH**
Page No **5**
Article Size **133** cm2
Frequency **Daily**
Color **Black/White**
AdValue **1444.33**



Glaxo, Pfizer in venture

Firms to combine HIV-drug units in bid for growth

BY JEANNE WHALEN
AND DANA CIMILLUCA

GlaxoSmithKline PLC and Pfizer Inc. are combining their HIV-drug businesses into a new company in a rare cooperative pact as the pharmaceutical rivals attempt to breathe life into a challenging product segment.

The deal shows the lengths to which drug companies are going in search of sales growth as many of their biggest products lose steam. Glaxo will initially get 85% of the joint venture and Pfizer 15%. The new company, which could be worth as much as £5 billion (\$7.5 billion), will hold 19% of the HIV market.

Glaxo, of Brentford, England, is one of the industry's biggest sellers

of HIV drugs, but its products are relatively old and not growing as much as the company would like. Glaxo also has relatively few new HIV drugs in development.

New York-based Pfizer has several HIV drugs in development but few on the market and a smaller sales force than Glaxo's. The companies hope that by pooling resources, they can cut costs and create a broader business with better potential for long-term growth.

The combined businesses had sales of £1.6 billion last year and operating profit of £870 million. Analysts typically value such businesses at two to three times sales, which would give the new company a value of roughly £4 billion to £5 billion.

The transaction is the latest sign of deal making in the pharmaceutical industry, which is trying to cope with a revenue decline from patented products, as well as difficulties developing new drugs. Pfizer is separately in the process of combin-

ing with Wyeth in a \$68 billion deal.

"I think you see an industry facing the reality of the challenges that exist," Glaxo Chief Executive Andrew Witty said during a conference call.

The HIV business has been a drag on Glaxo's sales growth. Glaxo had HIV sales of £1.5 billion last year, up 5% from 2007, while Glaxo's total sales grew 7% to £24.4 billion.

The deal allows Pfizer to increase its stake in the venture to as much as 30.5% if enough of its experimental HIV drugs make it to market. If Pfizer's experimental products don't reach the market, its share will drop to 9%, the companies said.

Glaxo veteran Dominique Limet will be CEO of the new venture. Glaxo said it expects annual pretax savings of as much as £60 million from the deal by 2011.

Goldman Sachs Group Inc. and UBS AG advised Glaxo; J.P. Morgan Chase & Co. advised Pfizer. Pfizer and Glaxo are the world's top two drug companies by sales, respectively.