

Deals

AstraZeneca Approaches Gilead About Potential Merger

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- ▶ U.K. drugmaker contacted Gilead last month; no formal talks
 - ▶ Deal with \$96 billion U.S. firm would be record in health care
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[AstraZeneca Plc](#) has made a preliminary approach to rival drugmaker [Gilead Sciences Inc.](#) about a potential merger, according to people familiar with the matter, in what would be the biggest health-care deal on record.

The U.K.-based firm informally contacted Gilead last month to gauge its interest in a possible tie-up, the people said, asking not to be identified because the details are private. AstraZeneca didn't specify terms for any transaction, they said. While Gilead has discussed the idea with advisers, no decisions have been made on how to proceed and the companies aren't in formal talks, the people added.

AstraZeneca, valued at \$140 billion, is the U.K.'s biggest drugmaker by market capitalization and has developed treatments for conditions from cancer to cardiovascular disease. Gilead, worth \$96 billion at Friday's close, is the creator of a drug that's received U.S. approval for use with coronavirus patients.

Gilead is not currently interested in selling to or merging with another big pharmaceutical company, preferring instead to focus its deal strategy on partnerships and smaller acquisitions, the people said. A representative for Gilead declined to comment. A spokesman for AstraZeneca said the company doesn't comment on "rumors or speculation."

Coronavirus Treatment

The overtures show how the pharmaceutical industry landscape could shift at a time when drugmakers are racing to find effective treatments for Covid-19. If a deal goes ahead, it would surpass Bristol-Myers Squibb Co.'s \$74 billion takeover of Celgene Corp. last year as the biggest-ever health-care acquisition, according to data compiled by Bloomberg. It would also rank among the 10 biggest M&A transactions of all time.

Shares of AstraZeneca have risen about 41% over the past 12 months, making it the best performer on a Bloomberg Intelligence index of major Western pharmaceutical companies. Shares of Gilead gained about 19% over the period.

The 10 Largest Health-Care and Pharma Deals

Source: Bloomberg Deal values include debt

Gilead has attracted investor interest as its antiviral drug for Covid-19, remdesivir, worked its way through clinical trials in recent months. The stock is still more than a third lower than its 2015 highs. The Foster City, California-based company has seen a steady decline in sales in its hepatitis C franchise and is trying to reinvigorate its drug-development pipeline.

Remdesivir, which has an emergency use authorization from the U.S. Food and Drug Administration, has been shown in some early studies to shorten hospital stays for people with Covid-19. SVB Leerink recently forecast that sales of the drug may reach \$7.7 billion in 2022.

Tamiflu Developer

Gilead has been dispensing early rounds of the drug for free, leading some investors to question how the company plans to make money from it in the future. Chief Executive Officer Daniel O'Day has said the company may spend \$1 billion on the treatment this year alone.

AstraZeneca is helping to manufacture a Covid vaccine developed at the University of Oxford. The U.S. has pledged as much as \$1.2 billion to support the efforts as part of Operation Warp Speed, a push to secure vaccines for America. The shot is expected to enter final-stage clinical trials in June.

Gilead was founded in 1987 by Michael Riordan, a doctor with a Harvard MBA who aimed to discover treatments for viral infections after a bout with

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dengue fever acquired in southeast Asia. The company's best-known successes include Tamiflu, the influenza treatment it helped develop.

The company also makes Truvada, a medicine that can help prevent HIV, as well as drugs for liver disease and inflammation. Gilead employs about 12,000 people, according to its [website](#).

AstraZeneca is no stranger to large-scale, politically sensitive M&A. In 2014 it [fended off](#) a \$117 billion approach from [Pfizer Inc.](#), a deal that attracted attention from U.S. lawmakers as it would have allowed New York-based Pfizer to lower its tax bill by redomiciling in the U.K.

Deal Slump

Health-care dealmaking has been a rare bright spot as the global pandemic and resulting lockdowns have doused the market for mergers and acquisitions. Global M&A volumes are down about 45% this year, according to data compiled by Bloomberg, and announced deals have been falling apart at a steady pace.

Excluding minority investments, [dealmaking](#) in April and May barely topped \$100 billion in total, the data show, the lowest two-month period in at least 22 years.

AstraZeneca CEO Pascal Soriot, a former executive at oncology specialist [Roche Holding AG](#), has transformed the company since taking the helm nearly eight years ago. At the time, it was struggling with an aging stable of drugs and a shortage of innovation.

He's championed the development of Lynparza, which was initially approved for ovarian cancer but has also proved useful for treating other forms of the disease. AstraZeneca has since overtaken U.K. rival [GlaxoSmithKline Plc](#) in market value.

Last year, AstraZeneca sealed its biggest transaction in more than a decade, agreeing to pay as much as \$6.9 billion to buy into a promising [breast cancer treatment](#) developed by Japanese drugmaker [Daiichi Sankyo Co.](#) The U.K. company [reached](#) a deal this month with [Accent Therapeutics Inc.](#) to potentially spend more than \$1.1 billion collaborating on novel oncology therapies.

AstraZeneca shares have also been boosted by [positive data](#) from trials of its blockbuster lung cancer drug Tagrisso.

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– *With assistance by Manuel Baigorri, Nabila Ahmed, John Lauerman, Michael Boyle, Thomas Mulier, Eric Pfanner, and Riley Griffin*

(Updates with Gilead declining to comment in fourth paragraph)

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