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Roche to buy US biotech firm InterMune for $8.3 billion

25 August 2014 | News | By BioSpectrum Bureau

Roche buys InterMune for USD 8.3 billion

Roche officially announced that it has entered into a definitive merger agreement to fully acquire InterMune at a price of US$ 74.00 per share in an all-cash transaction.

This corresponds to a total transaction value of US$ 8.3 billion on a fully diluted basis.

This offer represents a premium of 38% to InterMune's closing price on 22 August 2014 and a premium of 63% to InterMune's unaffected closing price on August 12, 2014. The merger agreement has been approved by the boards of InterMune and Roche.

Under the terms of the merger agreement, Roche will commence a tender offer no later than 29 August 2014, to acquire all outstanding shares of InterMune common stock, and InterMune will file a recommendation statement containing the unanimous recommendation of the InterMune board that InterMune's shareholders tender their shares to Roche.

The transaction is expected to be neutral to core earnings per share in 2015 and accretive from 2016 onwards.

The deal is the culmination of a bidding war for InterMune, with Sanofi, GlaxoSmithKline and Actelion.

The acquisition of InterMune, a Brisbane, California-based biotechnology company focused on the research, development and commercialization of innovative therapies in pulmonology and fibrotic diseases, will allow Roche to broaden and strengthen its respiratory portfolio globally.

InterMune's lead medicine pirfenidone is approved for idiopathic pulmonary fibrosis (IPF) in the EU and Canada and under regulatory review in the United States.

IPF is a progressive, irreversible and ultimately fatal disease characterized by progressive loss of lung function due to fibrosis, or scarring, in the lungs. Roche markets Pulmozyme and Xolair in the US and has other novel therapeutic medicines

targeting respiratory diseases in clinical development.

Commenting on the transaction, Mr Severin Schwan, CEO, Roche, said, "We are very pleased that we reached this agreement with InterMune. Our offer provides significant value to InterMune's shareholders and this acquisition will complement Roche's strengths in pulmonary therapy. We look forward to welcoming InterMune employees into the Roche Group and to making a difference for patients with idiopathic pulmonary fibrosis, a devastating disease."

Roche plans a smooth transition of InterMune employees and operations into the Roche organization, ensuring readiness for an expected launch of pirfenidone in the US in 2014.

Commenting on the transaction, InterMune's chairman, CEO and president, Mr Dan Welch, said, "This merger recognizes the significant value created by our team's commitment, hard work and execution for more than a decade to develop and commercialize treatment options for IPF patients and their families. Roche shares our passion and commitment to the IPF community and to ensuring that pirfenidone is available as quickly as possible to patients in the United States, pending FDA approval. Roche's global resources and scale will not only facilitate and accelerate our ability to deliver pirfenidone to more patients around the world, but also to realize our joint vision to bring additional innovative therapies to patients with respiratory diseases."

Pirfenidone has been marketed by InterMune in the EU and Canada as Esbriet since regulatory approval in 2011 and 2012 respectively. After previous regulatory review in the USA in 2010, the Food and Drug Administration (FDA) recommended an additional Phase 3 clinical trial to support the efficacy of pirfenidone. The results of this study, the ASCEND trial, were part of the new drug application (NDA) resubmission that InterMune made in May 2014.

On 17 July 2014 pirfenidone received breakthrough therapy designation from the FDA. This designation is reserved for drugs that are intended to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. The target action date, also known as the PDUFA date, for the pirfenidone NDA is November 23, 2014.

In addition to pirfenidone, InterMune has research programmes exploring new targets and pathways that may ultimately lead to improved treatment options for people with IPF, and other fibrotic diseases.

Citi is acting as financial advisor to Roche and Davis Polk & Wardwell LLP is acting as legal counsel to Roche. Centerview Partners and Goldman Sachs are acting as financial advisors to InterMune and Cravath, Swaine & Moore LLP is acting as legal counsel to InterMune.