Takeda and Shire

Foreign advances

Japan’s biggest drugmaker is weighing a record purchase

WHEN it comes to foreign deals, Japanese drug companies are interested in buying the product, not the company, says Fumiyoshi Sakai of Credit Suisse, a bank. So the news that Takeda, Japan’s biggest pharmaceutical company, wants to buy Shire, a similar-sized Irish drugmaker that specialises in treatments for rare diseases, came as something of a surprise. At $85bn, the combined value of the two firms would be in the ranks of industry behemoths such as Bayer and GlaxoSmithKline.

In recent years Takeda and its domestic rivals, Astellas and Shionogi, have bought a handful of small foreign firms. Most were American biotechnology companies with one or two specialist products. But the need to expand abroad is becoming a matter of greater urgency for Japanese drugmakers.

Their main domestic client, the government-run health system, accounts for 40% of drug spending. As Japan’s ageing population puts ever more pressure on its budget, the health ministry is trying to cut back its outlays on drugs. It is promoting the use of generic drugs and pushing down prices, which it negotiates with the industry every two years.

A recent wave of mergers and acquisition in the global pharmaceutical industry has, however, left slim pickings for would-be dealmakers. Some analysts question whether acquiring Shire is the right move for Takeda, whose share price fell by 7.5% on March 28th, the day when the Japanese firm confirmed that it was considering a bid.

Shire’s portfolio of drugs for rare neurological disorders—which fetch high prices and in which the firm is a market leader in America—is a good buy, says Andy Smith of Edison, a research firm in London. But the firm’s drugs for haemophilia, acquired in 2016 through its purchase for $32bn of Baxalta, an American firm, are less appealing. Haemophilia drugs accounted for about 70% of Baxalta’s profits before the acquisition. Since then Bayer, Roche and Novo Nordisk have launched competing drugs. Analysts from Bernstein, an equity-research firm, reckon that Shire’s share of this market in America could fall from 49% in 2017 to 23% in 2025.

Shire’s pipeline is a clearer draw for Takeda. The Japanese firm has only two new drugs with blockbuster potential in late-stage clinical trials: a vaccine for dengue fever and a therapy for Crohn’s disease. Shire’s late-stage pipeline contains more than a dozen treatments for rare diseases.

Takeda’s big global ambitions might also be explained by its management. Foreign bosses are a rarity in Japan, but Takeda’s head, Christophe Weber, is French. Several members of his executive team are foreigners, too. At Takeda, says Mr Sakai, “the mindset is different.”