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Section: Mergers & Acquisitions

AstraZeneca Outbids Actelion to Land ZS Pharma

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In a bid to offset declining revenues from its cardiovascular and metabolic diseases portfolio, AstraZeneca has agreed to acquire ZS Pharma in an all-cash transaction worth approximately US$2.7 B. The key driver of the deal is ZS Pharma's lead asset ZS-9, a potassium binder for the treatment of hyperkalaemia that is under US regulatory review. The acquisition gives AstraZeneca a potential blockbuster at a time when its cholesterol-lowering drug Crestor® (rosuvastatin) is facing near-term generic competition. The deal comes only 2 months after Actelion disclosed that it was in preliminary takeover discussions with ZS Pharma.

In need of new revenue drivers to boost the long-term prospects of its declining cardiovascular and metabolic diseases franchise, AstraZeneca has entered into a definitive agreement to acquire ZS Pharma in an all-cash deal worth approximately US$2.7 B (Deal no. 67729). The deal gives AstraZeneca full rights to ZS Pharma's lead asset ZS-9 (sodium zirconium cyclosilicate), a highly selective potassium binder that is awaiting a regulatory decision from the US FDA. Under the terms of the agreement, AstraZeneca will acquire all of the outstanding capital stock of ZS Pharma for US$90 per share, which represents a premium of approximately 42% over the company's closing share price prior to the announcement of the agreement. The deal, AstraZeneca's first company acquisition of 2015, comes only 2 months after reports surfaced that Switzerland-based Actelion had offered to buy ZS Pharma for US$2.5 B, news that prompted the US company's share price to jump by 28%.

ZS-9 is an insoluble, non-absorbed zirconium silicate that is designed to trap potassium ions throughout the gastrointestinal (GI) tract in order to lower and maintain control of serum potassium levels. It is being developed for the treatment of hyperkalaemia, a condition of elevated potassium in the bloodstream that is associated with increased mortality in chronic heart failure and chronic kidney disease (CKD). The day after the deal was announced, ZS Pharma presented interim results from ZS005, a long-term safety and efficacy Phase III trial of ZS-9 in patients with hyperkalaemia. The study met its primary efficacy endpoint with 87% to 92% of patients maintained at an average serum potassium of less than or equal to 5.1 mEq/L between month 3 and month 12. ZS-9 is under regulatory review by the FDA with a PDUFA goal date of 26 May 2016. A submission for marketing authorisation in Europe is also planned by the end of 2015.

AstraZeneca has been looking for new sources of revenue following the US patent expiry of its flagship product Nexium® (esomeprazole) in 2014. The company is also bracing itself for the loss of US market exclusivity for Crestor® (rosuvastatin) in mid-2016, putting 23.9% of its revenue at risk from generic competition (according to 2014 IMS Health audited sales). Cardiovascular and metabolic diseases represent a therapeutic area of focus for AstraZeneca and the acquisition of ZS-9 will help strengthen the company's pipeline in this area, which is somewhat lacking in late-stage assets and includes roxadustat, an inhibitor of hypoxia-inducible factor (HIF) prolyl hydroxylase that is currently in Phase III development for patients with anaemia associated with CKD and which is partnered with FibroGen (Deal no. 53779). Potential synergies exist between roxadustat and ZS-9, as both products would be prescribed by nephrologists. AstraZeneca's cardiometabolic disease pipeline also includes Phase I candidates for diabetic kidney disease, diabetes and acute coronary syndrome.

The uptake of ZS-9, however, will depend on whether the drug is able to demonstrate a differentiated safety profile relative to Relypsa's Veltassa™ (patiromer calcium), which became the first new treatment for hyperkalaemia in more than 50 years when it was approved by the FDA in October 2015. The product carries a boxed warning regarding its potential interaction with other orally administered drugs, however, and patients are advised not to take it within 6 hours of other medications. This warning label came as a surprise to Relypsa's investors, as no drug-drug interactions were identified in clinical trials. If ZS-9 is able to win US regulatory approval with a superior label and less onerous dosing instructions, it will likely have a competitive edge over Veltassa, which will be detailed by Sanofi's nephrology sales force in the US as well as by Relypsa's own sales representatives (Deal no. 65983). Although a head-to-head trial of the two drugs has not been carried out, ZS-9 is believed to have a marginally better clinical profile than Veltassa with a faster onset of action and fewer GI side effects. AstraZeneca believes that peak year sales of the drug will reach more than US$1 B, which will go some way to bridge the gap created by generic erosion of Nexium and Crestor. The company is targeting annual revenues of US$45 B by 2023.