



March 25–31

### Drug Manufacturers & Big Pharmaceuticals

#### Merck & Co. Inc (MRK)

- Merck drug Janumet, a 2-in-1 medicine designed to treat diabetes, received FDA approval on Saturday. Janumet combines a proprietary Merck drug Januvia, which was approved in October 2006, with an older diabetes drug metformin. Merck created the 2-in-1 treatment for patients who already take the two drugs separately hoping that the combination of the two treatments would be a more efficacious way for diabetics to control their blood sugar. The combination drug, like Januvia, is a new class of diabetes treatments called DPP-4 inhibitors that enhances the body's ability to regulate blood sugar.

#### Sanofi–Aventis (SNY)

- Sanofi–Aventis will pair up with Oxford BioMedica in the company's development of a cancer vaccine, paying as much as \$680 million for the partnership. The vaccine is currently in stage III trials as a treatment for renal cancer and is aimed at solid tumors. Sanofi and Oxford will share the costs of the current clinical trials; in the future Sanofi will underwrite additional trials. The two companies will work together to market the vaccine in the US and Europe after it obtains regulatory approval. The stocks of both companies dropped after the announcement was made. Sanofi dropped 19 cents to \$42.93 while Oxford BioMedica fell \$2.50 to \$49.50.

### Biotechnology

#### BioCryst Pharmaceuticals Inc. (BCRX)

- BioCryst Pharmaceuticals stopped intravenous treatment of patients with leukemia during Phase IV clinical trials because of a possible contamination in some of the drug Fodosine. The foreign particles did not affect the drug's potency, BioCryst reported. Following the announcement, the stock was downgraded from "outperform" to "market perform;" the analyst also lowered the target price from \$16 to \$9, citing that trials of Fodosine have revealed it to be less effective than already available drugs. BioCryst plans to continue with the remaining clinical trials. Shortly after the announcement the stock dropped 16.3% to \$8.02 shortly after hitting a one-year low of \$7.80.

### Generic Drug Producers

#### Mylan Laboratories Inc. (MYL)

- Mylan Laboratories will have exclusive rights to sell a generic version of Pfizer's Novarsc from March 23 until at least April 13 after a court invalidated a Pfizer patent that would extend Pfizer's right to exclusively sell the drug until September 25. The company is currently seeking a temporary restraining order for Pfizer's drug, believing that because of the ruling it is entitled

to 180 days of exclusive rights to sell the generic version of the drug on the market. After the court ruling was announced, a Merrill Lynch analyst upgraded Mylan stock from “sell” to “neutral”. The stock rose \$1.28 that day to \$21.50 on Tuesday.

## **Hospitals**

### **HealthSouth (THC)**

- HealthSouth announced that it has reached an agreement in which it will sell its surgery division to Texas Pacific Group (TPG) for \$920 million in cash. With the sale of the division, HealthSouth hopes to focus on its core hospital business and on better serving its patient base as it currently recovers from an accounting scandal. With the sale, HealthSouth will keep a small stake in the surgical unit so that it could profit from improved performance under its new owners.

### **Tenet Healthcare Corporation (THC)**

- A company subsidiary of Tenet Healthcare completed the sale of Graduate Hospital, a 190-bed hospital, to the University of Pennsylvania. Tenet Healthcare plans to use the \$16.5 million in pre-tax profits for general corporate purposes. With the sale of Graduate Hospital, Tenet Healthcare has sold eight of the 13 properties it had announced for sale. From the sale of its hospitals, Tenet has obtained pre-tax proceeds estimated to be \$252.5 million. Two other hospitals in the Philadelphia area, in addition to two in Los Angeles and one in New Orleans remain for sale although Tenet has announced that it is currently entering into negotiations with potential buyers.

## **Medical Appliances & Equipment**

### **Biomet (BMET)**

- On Friday Biomet announced that it had discovered problems with its stock options dating from 1996-2006. An investigation into the company’s stock options noted that members of senior management were aware of the backdating problems. The company will have to update its financial statements to account for the approximately \$50 million in expenses associated with the backdating options that should have been disclosed to investors. Chief Financial Officer Gregory Hartman and director and executive vice president Daniel Hann both resigned shortly after the news was announced. otin is designed for patients with

## **Medical Instruments & Suppliers**

### **Baxter International Inc (BAX)**

- On Friday the Food and Drug Administration approved Baxter’s drug Ceprotin, a new anti-coagulant for treating patients afflicted with a rare clotting disorder. Ceprotin is designed for patients with severe inherited Protein C deficiency that leads them prone to the formation and growth of blood clots that could result in blindness, brain damage and death. The FDA granted Ceprotin orphan drug status that provides financial incentives to encourage the development of a drug to treat a disease that affects less than 200,000 people in the United States.

## **Sources Cited**

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