COMPANIES

GSK to Buy IDRx for $1.15 Billion as Mergers and Acquisitions Pick Up Steam in 2025

IDRx is a clinical-stage company that develops intelligently designed precision therapies for treating gastrointestinal stromal tumors.

The logo of the British multinational pharmaceutical company GlaxoSmithKline on top of its headquarters in London on Feb. 2, 2022. Justin Tallis/AFP via Getty Images

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Business Analysis

The year 2025 may turn out to be a good one for mergers and acquisitions (M&A). Two weeks into the new year, merger activity is picking up steam.

After the surprise announcement of the mergers between JCPenney and Sparc Group and between Constellation and Calpine last week, GSK and IDRx followed suit on Jan. 13, adding cheer to otherwise gloomy financial markets.

The British drugmaker will pay $1.15 billion for privately held biopharmaceutical firm IDRx, according to a company statement issued on Jan. 13. IDRx is a clinical-stage company that develops intelligently designed precision therapies for treating gastrointestinal stromal tumors (GISTs). The acquisition includes IDRX-42, a highly selective KIT tyrosine kinase inhibitor (TKI) designed to treat GISTs.

IDRX-42 treatments aim to address the limitations of current cancer treatments by using highly potent and selective targeted medicines to contain key tumor escape mechanisms and extend the response to therapy.

If completed, the merger will boost GSK's capabilities of identifying potentially best-in-class molecules with targeted mechanisms of action and speed up the development of cancer treatment drugs.

"We are excited by the early data from IDRX-42 and its unique ability to target all clinically relevant KIT mutations present in GIST, a major gap in the current standard of care," said Tony Wood, chief scientific officer of GSK. "We look forward to accelerating its development in 2025 to redefine treatment."

Tim Clackson, CEO of IDRx, said in the same statement: "We are looking forward to working with GSK to advance IDRX-42 for patients with GIST, given there have been no major advances to the standard of care for almost 20 years."

"Combining our experience to date with GSK's expertise in GI cancers, global clinical development capability, and strong commercial presence in oncology will help to accelerate the development of this novel medicine for patients."

However, developing new drugs takes quite some time, which could explain Wall Street's slightly adverse reaction to the acquisition. Following the news of the IDRx acquisition, GSK's shares dropped by 1.18 percent on Jan. 13.

Wall Street's reaction could also reflect the hefty premium GSK paid.

"IDRx's valuation was $430 million just last August, so GSK's $1.15 billion offer to buy Blackstone-backed IDRx reflects the deal premium placed on companies that focus on specialized treatment of rare cancers even though they are still under development," Joseph Raetzer, a corporate lawyer and business consultant, told The Epoch Times via email.

"It also reflects the global demand for biopharma deals given that GSK is a British company acquiring U.S.-based IDRx. IDRx's customer base for GIST mutation treatment is roughly 5,000 patients in the U.S., but there are approximately 50,000 new cases globally each year. GSK sees a larger market for IDRx's cancer treatment, which it hopes to monetize."

Raetzer said he thinks GSK made a smart deal to hedge its exposure by making $150 million of the purchase price contingent on successful regulatory approval.

"IDRx's drug is still in development, although the FDA has granted fast-track designation," he said, referring to the Food and Drug Administration.

"The deal continues GSK's efforts to acquire assets that expand its cancer treatment portfolio and, if regulatory approval is obtained and IDRx proves out, could signal more potential deals in the biopharma space. However, IDRx is a singular play focused solely on GIST treatment, so I anticipate more acquisitions by GSK soon."

M&A attorney Alex Lubyansky sees the acquisition making sense for GSK, mainly as IDRX-42 addresses a significant gap in treating GIST, a rare cancer with few effective options. In addition, he said he thinks the price—$1.15 billion—is right.

"It's a reasonable sum for a drug that could redefine treatment in this space, and GSK's global clinical resources will accelerate its development," Lubyansky said. "Beyond patient benefit, this move enhances GSK's oncology portfolio, positioning them to capture a larger share of the growing gastrointestinal cancer market, which is increasingly relevant given rising incidence rates."

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