

Israeli investors profit from \$11.9b Kite acquisition



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Pontifax fund and Israeli institutional investors will profit from the US personalized cancer drug company's huge sale. Part of the technology was developed at the Weizmann Institute.

Pharmaceutical company Gilead Sciences Inc. has announced that it will acquire US

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company value of \$11.9 billion. This is one of the biggest ever acquisitions of a company whose products have not yet been approved for marketing. The company value for the acquisition reflects a 29% premium on the market price.

Kite Pharma has developed a new method for genetically engineering immune system cells, so that they will make a focused attack on the malignant tumor. The company was founded in the US by Israeli-American Professor Arie Belldegrun, who already has two exits to his credit. He is also a former director at **Teva Pharmaceutical Industries Ltd.** (NYSE: **TEVA**; TASE: **TEVA**) (whose current value is not much more than the value at which Kite Pharma, a company with no products approved for marketing yet, is being acquired).

A significant part of the technology on which the product is based was developed by Professor Zelig Eshhar of the **Weizmann Institute of Science**.

The main Israeli beneficiary of the acquisition is the Pontifax fund, which invested \$3.8 million in Kite Pharma at an early stage, but which distributed Kite Pharma shares worth \$120 million to its investors. Among the investors in Pontifax that received shares in Kite Pharma are **Menorah Mivtachim Holdings Ltd.** (TASE: **MORA**) (which also bought shares on the market, and whose stake in the company is now worth over \$100 million), **The Phoenix Holdings Ltd.** (TASE: **PHOE1;PHOE5**), **Altshuler Shaham Ltd.**, **Meitav Dash Investments Ltd.** (TASE:**MTDS**), **Harel Insurance Investments and Financial Services Ltd.** (TASE: **HARL**), and Mori Arkin.

Kite Pharma is waiting for marketing approval of its first product, following a successful trial on 100 patients on a very abbreviated track for innovative cancer products. The product was initially designed for treatment of blood cancer, but it is now hoped that its use can later be expanded to treatment of other types of cancer. Gilead is making a big gamble, first of all that the US Food and Drug Administration (FDA) will fulfill its commitment to approve the product, even though the development plan it devised, together with the company, was very short and limited. The second gamble involves the process of treatment using the drug - personalized genetic engineering of each patient's cells - a grafting process with no precedent in the pharmaceutical industry.

Speaking about the talks to sell Kite, Prof. Arie Belldegrun told "Globes." "We handled like in the IDF 669 unit. Nobody knew anything. Nobody heard anything. We held meetings in places where nobody would see us. And before we announced it only five employees knew about it."

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