

NEWS RELEASE

REGENTATLANTIC CAPITAL, LLC
1200 Mount Kemble Avenue
Morristown, NJ 07960
www.regentatlantic.com

Contact: Lauren Goldfarb

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REGENTATLANTIC'S STEINER SAYS "NO SAFE HARBORS FOR PHARMA FOLK"

MORRISTOWN, New Jersey (March 13) – With the closure of the Roche/Genentech deal, Michael Steiner, leader of RegentAtlantic Capital's Pharmaceutical Executive Services Group, said on Thursday that "there are no safe harbors anymore for career professionals in the pharmaceutical industry." Steiner, a wealth manager at the Morristown, NJ firm, commented about the nearly two-decade long engagement between the two pharmaceutical firms and pronounced "at last they are headed to the altar, and clearly Roche employees in New Jersey will feel the impact."

Roche announced yesterday that the remainder of Genentech that Roche did not already own was to become property of Roche for nearly \$47 billion. This announcement comes just three days after Merck announced that they would be welcoming Schering into their family and less than two months after Pfizer announced that it was acquiring Wyeth. Steiner observed that "when we researched the number of pharmaceutical mergers for our white paper on this industry, we identified some 51 large companies that had merged into some 10 organizations." Commenting about what's ahead, Steiner suggested that "Bristol Meyers Squibb may be the next big company we read about and that 51 figure is increasing and will continue to do so."

As with most mergers and acquisitions, the Roche/Genentech deal comes with a fair amount of disruption for the people working at either of the companies, Steiner explained. "Here it's the acquirer who may face disruption because Roche will be relocating its pharma commercial operations from Nutley, New Jersey to the hills of San Francisco."

This merger is yet another potential blow to the economy of the state of New Jersey as it marks the third large pharma merger or acquisition with New Jersey-based headquarters. While the outcome of what will happen to Wyeth's Madison headquarters and Schering-Plough's

Kenilworth headquarters has not yet been announced, it's clear that there is a fair amount of duplication. "Pfizer is in close proximity to Wyeth and Merck is even closer to Schering-Plough," said Steiner.

This is clearly a difficult time to be in pharma and it's not all due to the poor economic environment. The mergers and acquisition trend is one that has been expected for some time, and with stock prices of many companies being affected by the economy, many large companies who have built up large war chests of cash are using it to make investments in other companies, explained Steiner. "This trend will likely only accelerate in the coming months and years as more and more drugs lose patent protection to generic competition and their top-line revenues erode," Steiner said. One way of containing costs is through merger and acquisition. "As we've seen in the three big pharma announcements this year, all of them are expected to generate substantial cost savings by minimizing duplications that would otherwise be present in two separate entities," Steiner stated.

According to the Roche press release, "*Roche expects the combination to generate annual pre-tax cost synergies of approximately US\$750 to \$850 million. Synergies will be largely driven by reducing complexity and eliminating duplicative functions and processes in areas like late stage development, manufacturing, corporate administration and support functions.*"

Steiner said, "in other words, there will be layoffs, despite what was said. The number of layoffs is uncertain, but if the Pfizer and Merck deals are any indication, there could potentially be as many as 2,500 in the U.S." He added, "when we researched the future of pharma two years ago in our white paper, "The Continuing Evolution of the Pharmaceutical Industry: Career Challenges and Opportunities", two executives told us said that 'an entire generation' of upper-middle and senior-level executives would be displaced." The number quoted then was that "as many as 50,000 individuals would be impacted," Steiner said.

Steiner concluded saying that "in this economic time in our country – and the world – executives and career employees have to be proactive in preparing for a very different future," he said.

"Don't wait to react. Start now with identifying your skills and strengths. Start networking with colleagues you've worked with over your career. Determine how to stand out among the many in your field and then package yourself for those unique skills and expertise you have," he said.

"All too often, people don't realize that, after a career in a narrow field, they really have

developed knowledge and expertise not often found in one person. Parlay that. Toot your own horn!” Steiner said.

Steiner is a wealth manager at RegentAtlantic Capital, a fee-only wealth management firm in Morristown, NJ. The firm has more than \$1.2 billion of assets under management. Some 10% of the firm’s clients either work now or did work in the pharmaceutical sector.

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