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Mallinckrodt buying Questcor for about $5.6B (Update)

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Mallinckrodt is buying California-based Questcor Pharmaceuticals Inc. for a combination of stock and cash valued at about $5.6 billion that will help to further diversify the Irish company's business.

Mallinckrodt makes a range of specialty pharmaceuticals. Questcor's primary product is H.P. Acthar Gel, which is used in the management of autoimmune and inflammatory conditions. It is approved in the U.S. for treating 19 indications.

"The increased cash flow and scale of operations of a combined Questcor/Mallinckrodt organization will provide an even stronger platform to support the expansion of Acthar into new therapeutic areas," Questcor President and CEO Don Bailey said in a statement.

Questcor stockholders will receive $30.00 per share in cash and 0.897 Mallinckrodt shares for each Questcor share they own, for a total consideration of approximately $86.10 per Questcor share. The $5.6 billion price of the deal includes Mallinckrodt's cost of buying unexpired stock options as well as the outstanding Questcor shares. Questcor is based in Anaheim, California.

That offer represents a 27 percent increase over Questcor's closing price on Friday. Questcor shares climbed $11.63, or 17.1 percent, to $79.50 in morning trading on Monday.

After the deal closes, Mallinckrodt PLC shareholders will own about

50.5 percent and former Questcor shareholders will own about 49.5 percent of the combined company's stock. Both companies' boards unanimously approved the transaction. It still needs approval of both companies' shareholders.

The combined company will be headed by Mallinckrodt President and CEO Mark Trudeau. Mallinckrodt's board will expand by three members to 12 directors. The three new members will include Bailey and two of Questcor's current, independent directors, Angus Russell and Virgil Thompson. Mallinckrodt Chairman Melvin Booth will remain in that position.

Once the transaction is complete, Questcor's commercial operations will function as a separate unit within Mallinckrodt's specialty pharmaceuticals segment and report directly to Trudeau. Mallinckrodt anticipates adding Questcor executives to its leadership team, with the appointments expected to be announced at a later date.

Mallinckrodt will continue to be domiciled in Ireland. Its principal executive office will remain in Dublin.

The deal is expected to immediately add to Mallinckrodt's fiscal 2014 adjusted earnings per share and significantly add to fiscal 2015 adjusted earnings per share.

The transaction is targeted to close in the third quarter. Mallinckrodt shares fell $2, or 3.2 percent, to $60.51 in morning trading.

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