

## Drugmaker Elan plans to explore sale of company (Update)

June 14 2013, by Tom Murphy

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Shares of Elan Corp PLC jumped Friday after the Irish drugmaker said it will explore a possible sale of the company while its board continues to fend off a hostile takeover bid from Royalty Pharma.

The Dublin-based company said it is proceeding with a formal sale process, and Royalty can participate if it wants. But Elan also wants its shareholders to steer clear of Royalty's latest bid.

Royalty is a privately held New York company that buys drug royalty interests. It has made several bids this year to buy Elan, which recently sold its stake in the blockbuster multiple sclerosis treatment Tysabri.

Last week Royalty offered to pay \$13 per share for each Elan share plus up to \$2.50 per share in payments based on performance milestones. That totaled about \$7.76 billion not counting the milestone payments.

Elan's board rejected that bid and has said it received interest from other parties it didn't name. Elan said Friday it is exploring a sale "in light of the expressions of interest received to date."

Elan has said that it had hired Citigroup to coordinate discussions of whether those proposals fully value the company.

But Royalty warned investors Friday that there is no assurance that the sale process will be "fair and realistic."

The sale announcement from Elan comes as the drugmaker wades through a deep transition. In April, it sold its interest in the multiple sclerosis treatment Tysabri to former development partner Biogen Idec Inc. That deal was worth \$3.25 billion in cash and recurring royalty payments.

Elan also is attempting to diversify its business through a string of acquisitions. They include purchasing a share of the royalties for four respiratory drugs from Theravance Inc., as well as acquiring AOP Orphan, an Austrian developer of treatment for rare diseases or diseases for which there are few treatments.

They also include a \$200 million share buyback, and the sale of an experimental drug to Speranza Therapeutics.

Company shareholders are voting on whether to approve these deals, and Royalty said its offer may hinge on their decision.

An Irish Takeover Panel requires Royalty to withdraw the offer if shareholders approve these deals. Takeover rules then may prevent Royalty from making another unsolicited offer for a year. Royalty is challenging that requirement in court.

It said Friday that a significant number of the drugmaker's U.S.-traded shares have been voted against the Theravance and AOP deals as of Thursday, but a narrow majority has voted for the repurchase, and a narrow majority voted against the Speranza deal.

"If shareholders want to have the option to choose between Royalty Pharma's offer or a sale process, they should vote against all four of Elan's proposals, especially the (buyback)," a Royalty spokesman said in an email.

Royalty initially offered to buy Elan in February for \$11 per share.

U.S.-traded shares of Elan soared 8 percent, or \$1.01, to \$13.62 in afternoon trading, while the Standard & Poor's 500 index slipped less than 1 percent. Elan shares have traded between \$9.37 and \$14.80 over the past year.

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