

# Actavis to buy Forest Labs in \$25 billion deal (Update 3)

February 18 2014, by Linda A. Johnson

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The Commack, N.Y., branch of Forest Laboratories, a Manhattan-based pharmaceutical company, is seen in this Aug. 4, 2004, file photo. Actavis PLC plans to buy Forest Laboratories Inc. in an approximately \$25 billion cash-and-stock combination that will create a drugmaker with a product portfolio that includes drugs like the Alzheimer's disease treatment Namenda. (AP Photo/Newsday, Jim Pepler, File)

Irish drugmaker Actavis PLC plans to buy Forest Laboratories Inc. for about \$25 billion, catapulting little-known Actavis into the world's No.

15 drug company, with an unusual one-stop-shopping model giving it an edge: more face time with doctors.

U.S. physicians, increasingly crunched for time, keep reducing how many drugmaker sales reps they see. Forest gives Actavis not just a broader product line, but also its big U.S. sales force, which now can promote a half-dozen Forest and Actavis products at each doctor visit. That likely will result in more time and more options to present to primary care doctors, compared to rival brand-name drugmakers whose sales reps promote one or two drugs.

"They have just figured out a way to maximize use of time" with doctors, WBB Securities analyst Steve Brozak said Tuesday. "There's no way big Pharma can compete with this."

Actavis, based in Dublin, calls itself a specialty pharmaceutical company, but it sells several hundred generic, brand-name and nonprescription medicines generally prescribed by family doctors, from birth control pills to infection drugs. Its specialty drugs include osteoporosis treatment Actonel, other drugs for women's health, and dermatology and urology medicines. And it's partnering with biotech giant Amgen Inc. to develop five biosimilars—like generic versions of ultra-expensive biologic drugs made in living cells.

Still, Actavis needed a bigger U.S. presence and more brand-name drugs to keep growing. New York-based Forest brings all that, including branded drugs Namenda for Alzheimer's disease, Saphris for schizophrenia, Linzess for chronic constipation and antidepressant Viibryd.

Actavis said it will pay \$26.04 in cash and a third of an Actavis share for each Forest share. The total, per-share price of \$89.48 is about 25 percent more than Forest's \$71.39 closing price Friday.

Paul Bisaro, chairman and CEO of Actavis, said the combination will now have six drugs awaiting approval by the U.S. Food and Drug Administration and 10 others in late-stage patient testing, including three biologic drugs.



This photo provided by Actavis shows the company's logo. Actavis PLC plans to buy Forest Laboratories Inc. in an approximately \$25 billion cash-and-stock combination that will create a drugmaker with a product portfolio that includes drugs like the Alzheimer's disease treatment Namenda. (AP Photo/Actavis, File)

"It pushes us up the food chain a little bit," Bisaro said of the deal. "We don't have an objective of size. What we have is an objective of growth for our shareholders."

The cash-and-stock deal, expected to close by mid-year, will give Actavis about \$15 billion in combined revenue, compared with \$4.66 billion in the first nine months of 2013. The company reports 2013 results Thursday.

On Tuesday afternoon, U.S.-traded shares of Actavis were up 6.6 percent at \$204.55. Forest shares were up nearly 29 percent at \$91.97. Both are near 52-week highs.

The move caps an impressive run for Actavis. Back in 2006, it was a little Icelandic company with barely \$700 million in annual revenue and big trouble with U.S. regulators. Two Actavis factories in Totowa, New Jersey, and one in Little Falls, New Jersey, repeatedly failed FDA inspections from that year through 2008, when the company recalled a heart drug because tablets were much too thick. Actavis, also accused of selling older, never-approved drugs, shut down the three New Jersey plants the following year.

Today's Actavis bears little resemblance. After Actavis made a bunch of smaller acquisitions, late in 2012 Bisaro engineered its \$5.6 billion merger with his company at the time, generic drugmaker Watson Pharmaceuticals. The combined company kept the Actavis name—better known outside the U.S. —then bought Ireland-based Warner Chilcott last May for \$8.5 billion and incorporated there, likely to reduce its tax bill. Its U.S. administrative headquarters are in Parsippany, New Jersey.

The deal helps Forest, squeezed by generic competition to major drugs such as anxiety and depression drug Lexapro. Despite launching several new drugs, including Viibryd, Forest took an annual loss in fiscal 2012. And it's reportedly faced pressure from billionaire investor Carl Icahn, its second-largest shareholder.

Forest CEO Brent Saunders, who took over last fall, a few weeks ago completed a \$2.9 billion purchase of Aptalis, which makes gastrointestinal and cystic fibrosis treatments. And Saunders launched plans to cut about 500 jobs and trim \$500 million in costs.

Actavis said it expects within three years to see \$1 billion in "operating

and tax synergies" from the Forest deal.

Bisaro will remain chairman and CEO of Actavis, while Saunders and some other Forest board members will join the Actavis board.

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