

AstraZeneca rejects sweetened Pfizer takeover bid (Update)

May 2 2014, by Danica Kirka



An exterior view of the Two Kingdom Street building which houses the headquarters of AstraZeneca, in the Paddington area of London, Friday, May 2, 2014. The board of pharmaceutical company AstraZeneca on Friday rejected drug maker Pfizer's sweetened takeover offer. Pfizer earlier in the day said it is offering 50 pounds (\$84) a share in cash and stock, a 7.3 increase on a previous bid. The offer values AstraZeneca at \$106 billion. (AP Photo/Matt Dunham)

Pharmaceutical giant Pfizer said Friday that it hasn't given up on a deal after British drugmaker AstraZeneca flatly rejected its latest takeover

bid, worth \$106 billion.

Pfizer Inc., the world's second-biggest drugmaker by revenue, made a third unsuccessful attempt for its London-based rival Friday with an offer of 50 pounds (\$84) per share in cash and stock—a 7.3 increase from its last bid. AstraZeneca Plc, the No. 8 drugmaker, called that inadequate and said the potentially lucrative "pipeline" of new drugs it is developing would be disrupted by a takeover.

Pfizer said in a statement to The Associated Press that it is disappointed and that a "friendly, negotiated transaction" would be best for shareholders of both companies. Pfizer said it is considering its options.

Proposed deals to swap assets or acquire other companies are roiling the pharmaceutical industry. Many companies are narrowing their product and research focus to their areas of expertise to save money. They are cutting costs as cheaper generic competition slashes sales of off-patent medicines that had been top earners. Pfizer's revenue has dropped sharply amid generic competition to multiple drugs, particularly its cholesterol blockbuster, Lipitor, which once brought in \$13 billion a year.

Pfizer's bid for AstraZeneca would give it access to promising assets, particularly in immuno-oncology, new types of cancer drugs that work by boosting the immune system. Analysts say the deal also gives Pfizer tax advantages. They estimate Pfizer has earned and held \$30 billion to \$70 billion in cash overseas, on which it would have to pay taxes at relatively high U.S. rates should it be brought back.

"Once the cash is offshore, the potential tax cost of repatriating it to the U.S. makes it much more attractive to find other homes for it—such as making foreign acquisitions," said tax specialist Heather Self of the law firm Pinsent Masons.

The deal would be the biggest-ever foreign takeover of a British business, and quickly became political in Britain. Critics fear the takeover could mean big job cuts and potential loss of stature in the country's science sector.

Pfizer sent a letter to Prime Minister David Cameron, promising to keep the company's corporate and tax residence in England. It said that the "golden triangle of Oxford, Cambridge and London"—where a significant portion of British scientific research is based—would represent a vital component of the deal.

Cameron responded that while the government regards the potential takeover bid as a matter for the respective boards, the government was "determined to secure great British science, research and manufacturing jobs in the life sciences sector."

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