

# Pfizer pulls plug on push to buy AstraZeneca (Update 2)

May 26 2014, by Alex Veiga

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In this May 4, 2014 photo, the Pfizer logo is displayed on the exterior of a former Pfizer factory in the Brooklyn borough of New York. Pfizer says it does not intend to make a takeover offer for British drugmaker AstraZeneca. The Monday, May 26, 2014 announcement comes a week after AstraZeneca's board rejected a proposed \$119 billion buyout offer from Pfizer, the world's second-biggest drugmaker by revenue. (AP Photo/Mark Lennihan, File)

Pfizer said Monday that it does not intend to make a takeover offer for British drugmaker AstraZeneca, pulling the plug for now on what would

have been the largest deal in the industry's history.

The announcement came a week after AstraZeneca's board rejected a \$119 billion buyout proposal from Pfizer, the world's second-biggest drugmaker by revenue.

The decision ends a bid that had raised concerns about the prospect of job cuts, facility closings and losing science leadership in the U.K. , where London-based AstraZeneca is the second-biggest drugmaker behind GlaxoSmithKline PLC.

Because Pfizer still needs to find new avenues to grow, some analysts think the halt means only a temporary lull.

Pfizer had until 5 p.m. local time in London on Monday to extend a firm offer for AstraZeneca or declare its intent not to do so. Under U.K. law, Pfizer now cannot make another offer for six months, although the company can do so as soon as 90 days if AstraZeneca invites another offer.

Pfizer, the maker of Lipitor and Viagra, has been courting No. 8 AstraZeneca since January, saying their businesses would be stronger together.

Last week, it raised its stock-and-cash offer for a third time this year, to \$93 per share. But AstraZeneca rejected the bid just hours later, saying it undervalued the company, which has promising new drugs in the pipeline.

On Monday, Pfizer Chairman and CEO Ian Read reiterated that Pfizer's last offer "was compelling and represented full value for AstraZeneca, based on the information that was available to us," he said.



This July 24, 2013 file photo shows the AstraZeneca logo on the company's building in Shanghai, China. Pfizer says it does not intend to make a takeover offer for British drugmaker AstraZeneca. The Monday, May 26, 2014 announcement comes a week after AstraZeneca's board rejected a proposed \$119 billion buyout offer from Pfizer, the world's second-biggest drugmaker by revenue. (AP Photo/Eugene Hoshiko, File)

Pfizer has said it would not mount a hostile takeover bid. The company had previously said that its proposed offer could not be increased unless AstraZeneca engaged in discussions and recommended the deal to its shareholders before Monday's deadline.

In a statement, AstraZeneca Chairman Leif Johansson acknowledged Pfizer's decision.

"We welcome the opportunity to continue building on the momentum we have already demonstrated as an independent company," Johansson said.

A Pfizer-AstraZeneca combination would have represented the richest acquisition ever among drugmakers and the third-biggest deal in any industry, according to figures from research firm Dealogic.

AstraZeneca repeatedly rejected Pfizer's offers, insisting they significantly undervalued the company and its portfolio of experimental drugs.

"For Pfizer, this now puts them in a position where they went out there to become the super pharmaceutical company in one fell swoop, and now that's not going to happen," said Steve Brozak, president of WBB Securities. "Now the question becomes, do they look for another target or rethink their strategy?"

Pfizer's decision is likely just a temporary strategic retreat, said Erik Gordon, a professor at University of Michigan's Ross School of Business.

That's because Pfizer still needs to strengthen its new product pipeline and also minimize the high U.S. taxes it pays on overseas income—two goals an AstraZeneca acquisition could help fulfill.

Gordon expects that Pfizer's next move will be to push the institutional investors who own large blocks of AstraZeneca shares to help persuade the company's board to open up deal talks with Pfizer after 90 days and share more details on its slate of potential new drugs that could justify a higher offer.

"I'd be surprised if AstraZeneca doesn't hear from Pfizer again," he said.

Pfizer slipped from the world's largest drugmaker to No. 2 last year, behind Novartis AG, mainly because Lipitor got generic competition at the end of 2011, wiping out several billion dollars in annual sales.

Pfizer also has sold off a couple parts of its business and reorganized as part of preparations to possibly break off another part of the company, something analysts have been urging it to do.

Still, it's developed a track record for flexing marketing muscle and pulling off mega mergers, which together have repeatedly propelled it to the top.

Since 2000, it's done three acquisitions that vaulted the company to No. 1 in revenue. It paid \$111.8 billion for Warner-Lambert Co. in 2000 to get the rights to Lipitor, then \$59.8 billion for Pharmacia Corp. in 2003 and \$68 billion for Wyeth in 2009, according to Dealogic.

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