

Takeover target Shire promises strong growth

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Takeover target Shire on Monday highlighted its potential as a standalone drugmaker, offering investors a rosy projection of its earnings potential that it believes is not reflected in the acquisition proposal made by U.S.-based rival AbbVie.

Chief Executive Flemming Ornskov told analysts that Shire PLC should remain independent, and that it expects to more than double its 2013 annual product sales to \$10 billion by 2020.

The company, which is known for its rare disease drugs, has rejected an unsolicited 27 billion-pound (\$46.2 billion) offer from AbbVie Inc., arguing it fundamentally undervalues the company. It also expressed concern that AbbVie was interested in the move for tax reasons.

Shire has so far rejected three overtures.

The offer comes at a time of wheeling and dealing in the pharmaceutical industry, as drugmakers look to grow or eliminate noncore assets while focusing on strengths.

Alex Arfaei, a pharmaceutical analyst for BMO Nesbitt Burns Inc., said acquiring Shire would "meaningfully improve" AbbVie's business.

"Overall, we were encouraged by the tone of the Shire call, and believe that a friendly offer could be possible," Arfaei wrote. "We believe that AbbVie does have room to meaningfully sweeten its offer."

He estimated that AbbVie could increase the cash component of its offer from 20.44 pounds per share to 34 pounds, which would value Shire at just under 60 pounds per share, or \$60 billion.

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