German Merck to buy St. Louis-based Sigma-Aldrich

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German drug company Merck says it has agreed to buy St. Louis-based chemical firm Sigma-Aldrich Corp. for $17 billion in a deal Merck says will strengthen its business in chemicals and laboratory equipment.

Darmstadt-based Merck KGaA said Monday it is paying $140 per share in cash for all of Sigma-Aldrich's shares—a premium of 37 percent over Friday's closing price of $102.37.

Sigma-Aldrich has over 9,000 employees in 40 countries and supplies chemicals and laboratory equipment to government and commercial facilities. It said its board of directors has unanimously approved the deal, which is expected to close next year, subject to regulators' approval.

Merck CEO Karl-Ludwig Kley said the company had a "clear commitment" to St. Louis as a business location, given Sigma-Aldrich's decades-long presence there and the company's role as a leader in civic society—a role Kley said would continue. He said it was too early in the integration process to answer a question about possible job losses at any of the company's facilities.

Sigma-Aldrich CEO Rakesh Sachdev said the deal was a "very positive outcome" for shareholders due to the price premium and for employees, "who will benefit from enhanced opportunities as part of a larger, more global organization."

Merck said it would expand the reach of its EMD Millipore chemical and equipment division, based in Billerica, Massachusetts. "In one of the world's key industries two companies that fit perfectly together have found each other to present a much broader product offering to our global customers" in research facilities and drug manufacturing, Kley said.

On a conference call with reporters, Kley praised Sigma-Aldrich's "world-champion" e-commerce platform through which some 70 percent of its products are sold. He said the acquisition was a chance to expand the company's operations in the life sciences sector, where product margins are around 25 percent measured according to earnings before financial items such as interest, taxes, depreciation and amortization, or EBITDA

Merck said the combination would enable it to save 260 million euros ($340 million dollars) a year in costs within three years after closing the deal, raising the combined business' EBITDA margins from 30 percent to 33 percent. Chief Financial Officer Marcus Kuhnert said the savings would come in part from combining manufacturing capacity and streamlining administration. The company said, however, that it would maintain a "significant presence" in both Billerica and St. Louis.

Merck shares shot up on the announcement, at one point trading more than 9 percent higher but easing to trade up 5.7 percent at 73.52 euros by mid-afternoon in Europe.

The company said it already had financing for the deal and would pay using a combination of cash, bank loans and bonds.

Merck KGaA is not affiliated with U.S. drug maker Merck & Co.