

Baxalta rejects Shire's \$30 bn hostile bid (Update)

August 4 2015

Dublin-based pharmaceutical group Shire said Tuesday it had bid \$30 billion (27 billion euros) for Baxalta to form a global biotech company, an offer soundly rejected by the US firm.

The industry is going through a period of consolidation and last week Israeli pharmaceutical giant Teva said it was buying the generic drug business of Allergan for \$40.5 billion.

"We believe the proposed combination of Shire and Baxalta would be strategically and financially attractive for both of our companies, accelerating our respective growth ambitions and creating the leading global biotech company in rare diseases," Shire's chief executive Flemming Ornskov said in a statement.

Shire said it made the unsolicited offer to Baxalta on July 10 at \$45.23 per Baxalta share, up 36 percent over Baxalta's price on August 3.

Shire said a tie-up would generate \$20 billion in product sales by 2020. Shire and Baxalta each had revenues of about \$6 billion in 2014.

Ornskov said it was Shire's "strong preference to immediately enter into a negotiated transaction to explore the full potential of the proposed combination and finalize the terms of an agreement".

However, Baxalta said Tuesday that it rejected the Shire bid because it "significantly undervalues" Baxalta and its potential.

"Our board strongly believes that Baxalta's independent global infrastructure and world-class manufacturing operations will provide an excellent platform to grow value for our shareholders," Baxalta chief executive Ludwig Hantson said in a letter to Ornskov released shortly before 2000 GMT.

"We are just in the initial stages of implementing our growth strategy as a standalone company and our stock has not yet achieved a price level that appropriately reflects the company's value and prospects. A transaction at the exchange ratio you proposed significantly understates Baxalta's true value."

Baxalta was spun off from Baxter International on July 1 with a focus on bleeding disorders, immunology and oncology.

Last October, US pharmaceutical firm AbbVie pulled the plug on a proposed \$54 billion takeover of Shire—handing the latter a \$1.6 billion breakup fee.

AbbVie had said the transaction became untenable owing to the "unacceptable level of risk" following new US Department of Treasury rules intended to discourage deals in which US companies merge with foreign competitors to shift their headquarters to countries with a lower tax rate.

Baxalta jumped 11.9 percent to \$37.10, while US-traded Shire shares fell 5.4 percent to \$253.60.

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