

# Johnson & Johnson says to buy pharma group Actelion for \$30 bn (Update)

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US pharmaceuticals giant Johnson & Johnson on Thursday announced it was buying Europe's biggest bio-pharmaceutical firm Actelion for \$30 billion (27.9 billion euros) in a deal that creates a new spin-off company.

The world's biggest producer of healthcare goods will acquire all the outstanding shares of Switzerland-based Actelion for \$280 per share, the two companies said in a joint statement.

With the deal, which has been approved by the boards of both companies and is expected to be finalised by the middle of the year, Actelion will receive a 46-percent premium on its average share price over the past 60 days and a 23-percent premium on its closing price on Wednesday.

The price was also above analyst expectations, with Jefferies Equity Research for instance having anticipated Actelion would go for around 250 Swiss francs (\$250, 233 euros) per share.

Investors appeared pleased with the deal, sending Actelion's share price surging 20.5 percent in afternoon trading to 273.90 Swiss francs apiece, as the Swiss stock exchange's main SMI index was up just 0.59 percent.

"We believe this transaction offers compelling value" to shareholders in both companies, Alex Gorsky, Johnson & Johnson chairman and chief executive said in the statement.

"The transaction structure will provide Johnson & Johnson flexibility to accelerate investment in its industry-leading, innovative pipeline to drive additional growth," he said.

The US company said the deal should over the long term increase its revenue growth rate by at least one percent and its earnings growth rate by as much as two percent over what analysts currently anticipate.

## **R&D spin-off**

The transaction will also create a new Swiss-listed firm focusing on the research and development of new drugs, the statement said.

The new R&D company being spun off will "allow us to continue with our successful culture of innovation," said Actelion founder and chief executive Jean-Paul Clozel.

Clozel, a French cardiologist who will head the new company, said it would be "enormously exciting to continue to develop new and differentiated products, in multiple therapeutic areas, to improve the lives of patients."

Johnson & Johnson has agreed to inject 1.0 billion Swiss francs (\$1.0 billion, 935 million euros) into the new R&D entity, in exchange for 16 percent of the company, and with the option of expanding its ownership by an additional 16 percent.

Actelion, founded in 1996, and has made a name for itself developing and commercialising drugs for rare and underserved diseases, and is the world leader in medicines treating pulmonary arterial hypertension—a chronic, life-threatening disorder characterised by abnormally high blood pressure in the arteries between the heart and lungs.

The company has long been considered an attractive target for acquisition, but Clozel has always fiercely defended its independence.

As early as 2010, Johnson & Johnson's name was mentioned among possible suitors.

And last November the US company confirmed it had initiated contact with Actelion.

However, it subsequently said it had been unable to nail down a deal that would be acceptable to its shareholders, allowing market speculation to turn to Sanofi as the most likely buyer.

Analysts meanwhile said Thursday they did not expect any other companies to come forward and challenge Thursday's deal.

In light of the amount Johnson & Johnson is dishing out, "we do not envisage any counterbids or competition concerns," Jefferies Equity Research said in a research note.

Zurich Cantonal Bank analyst Sibylle Bischofberger agreed, saying no other suitors were likely to come forward and challenge "the already high price."

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