Sanofi-Aventis Buys Genzyme For $20.1B

Manufacturing.net

PARIS (AP) -- French drug maker Sanofi-Aventis SA has agreed to buy Genzyme Corp. in a sweetened all-cash $20.1 billion deal that ends months of corporate haggling and positions Sanofi at the forefront of the market in lucrative drugs for rare genetic disorders.

Sanofi-Aventis, the world's fourth-largest drug maker, overcame Genzyme's reluctance to a takeover by raising its previous offer and agreeing to make additional cash payments contingent on the success of several drugs.

The announcement comes after nearly nine months of back-and-forth between the two companies, with Sanofi-Aventis finally deciding Genzyme's portfolio of rare disease treatments was worth stumping up an extra five dollars a share to its original $69 per share offer.

The boards of both companies unanimously approved the deal, which is expected to close early in the second quarter, Sanofi-Aventis said in a statement.

Sanofi-Aventis chief Chris Viehbacher launched a hostile takeover bid for Cambridge, Massachusetts-based Genzyme last October, only to meet stiff resistance from Genzyme's founder and CEO Henri Termeer. The two sides have since softened their positions, with Genzyme opening its books to share confidential data with Sanofi-Aventis earlier this month, signaling a deal was near.

The agreement "will create a meaningful new growth platform for Sanofi-Aventis while expanding our footprint in biotechnology," Viehbacher said in a statement.

Sanofi-Aventis shares rose on the announcement, and in mid-afternoon trading Paris time were up 3.5 percent at euro51.56. In U.S. premarket trading, Genzyme stock rose $1.22 to $75.52.

Termeer will step down as chairman and CEO of Genzyme following completion of the deal, but will keep a consulting role as co-chairman with Viehbacher of an integration steering committee.

Genzyme would give Sanofi a new platform for growing its biotech business, let it expand into the growingÃ, -- and lucrativeÃ, -- market for drugs for rare diseases, increase its U.S. presence and give it more experimental drugs in mid- and late-stage testing. Those include three for high cholesterol, a huge global market. And Genzyme has said it is close to resolving manufacturing problems that have limited sales of two key drugs for genetic disorders.

Genzyme's drugs for rare genetic disorders are in a hot niche for big pharmaceutical companies trying to diversify beyond blockbuster pills that get slammed by cheaper generic rivals after a decade or so. Genzyme won U.S. approval last May for a new drug for Pompe disease, an often fatal disorder in which limb and respiratory muscles steadily weaken. Its experimental drug for multiple sclerosis is getting an expedited U.S. review.

Genzyme's best-seller Cerezyme treats Gaucher disease, an enzyme disorder that can result in liver and neurological problems. Its second-best seller, Fabrazyme, treats an inherited disorder known as Fabry disease, which is caused by the buildup of a particular type of fat in the body's cells.

The deal gives Genzyme shareholders one "contingent value right" for each share owned. These CVRs give holders the right to cash payments based on Genzyme meeting certain goals, including raising production levels for Cerezyme and Fabrazyme, getting final FDA approval for multiple sclerosis treatment Lemtrada, and higher sales targets.

Genzyme says it expects three new product approvals by the end of 2013. Those are Lemtrada, a new Gaucher's disease treatment called eliglustat, and mipomersen, which is a treatment familial hypercholesterolemia, a genetic disorder that causes high cholesterol levels.

Genzyme also reported its fourth-quarter results Wednesday. The company said its profit climbed to $471.9 million, or $1.76 per share, from $23.2 million, or 9 cents per share a year ago. Excluding items like divestiture and acquisition costs and stock based compensation expenses, its profit rose to 82 cents per share from 29 cents per share. Its revenue climbed 23 percent, to $1.15 billion from $938.3 million.

Analysts expected a profit of 85 cents per share and $1.16 billion in revenue, according to FactSet. Analyst estimates generally exclude one-time items.

The company said sales of treatments for genetic disorders rose 45 percent to $505.6 million as it rebuilt its supplies of Cerezyme and Fabrazyme, and began selling its Pompe disease treatment Lumizyme in the U.S.

SOURCE [1]

Links:
[1] http://www.manufacturing.net//News/2011/02/Mergers-Acquisitions-Sanofi-Aventis-Buys-Genzyme-For-20-1B/