Sanofi-Aventis launches Genzyme takeover battle

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(AP) -- France's Sanofi-Aventis on Monday launched an $18.5 billion hostile takeover attempt for Genzyme Corp., escalating the battle after management of the U.S. biotech company twice rejected its offer.

At $69 per share, the offer for Genzyme, based in Cambridge, Mass., is unchanged from the friendly bid that Paris-based Sanofi-Aventis made privately to management in July and publicly disclosed in August, only to be rejected.

Genzyme promptly urged shareholders to take no action, saying in a press release that its board would review the offer, "together with its independent financial and legal advisors, and will advise shareholders of its formal position" within 10 business days.

Chris Viehbacher, Sanofi's chief executive officer, told analysts and reporters during morning conference calls that he decided to go straight to shareholders because Genzyme management "refused to engage in constructive discussions" despite several attempts by his company.

The offer to Genzyme shareholders opens Monday and runs to Dec. 10. Viehbacher said he is "confident the offer will be successful."

Genzyme would give Sanofi a new platform for growing its biotech business, enable it to expand into the growing - and lucrative - market for drugs for rare diseases, increase its U.S. presence and give it more experimental drugs in mid- and late-stage testing.

The acquisition could "unlock value for both sets of shareholders, so I think it would be a real shame to walk away," Viehbacher said, "but again all options are on the table."

"Right now, the position of Genzyme is to (have us) put more money on the table, and given the absence of another bidder we're not" planning that, he said.

Genzyme has promising drugs in late development for high cholesterol, a huge global market, and it sells lucrative treatments for rare genetic disorders. But lingering problems with manufacturing have limited production and sales of those drugs.

After Genzyme dismissed the Sanofi's offer for the second time, Viehbacher quietly began courting Genzyme shareholders in September, speaking with owners of roughly half the shares during private meetings in New York.

Asked by analysts about the shareholders' response, Viehbacher said none of them told his team they wanted "to hang around and see what happens" with Genzyme's manufacturing issues.

"It ranged from, 'We want a whole lot more (money)' to 'Wow! You just made my bonus for the year,' " Viehbacher said.

"They're not about to sign up for anything the first time someone walks through the door," Viehbacher said, adding his team will continue to reach out to shareholders.

Sanofi-Aventis said it already has the financing in place for the $18.5 billion deal. While sizable, the hostile takeover attempt is dwarfed by

Roche Holding's 2009 takeover of Genentech for $47 billion and by the $63.2 billion 2004 deal in which Sanofi acquired Aventis.

In a letter sent Monday to Genzyme CEO Henri Termeer and released by Sanofi-Aventis, Viehbacher said Termeer's "refusal to engage with us in a constructive manner is denying your shareholders an opportunity to receive a substantial premium, to realize immediate liquidity, and to protect against the risks associated with Genzyme's business and operations."

He said Sanofi-Aventis' offer represented a "significant premium" of 38 percent over Genzyme's share price before speculation over a possible deal surfaced in July.

In August, Genzyme said the $69 per share offer undervalued the company and that Genzyme's board was "not prepared to engage" in negotiations with an "unrealistic" starting price.

Last week Termeer said that a fairer value for Genzyme shares would be closer to $80, its price before the 2008 financial crisis and the company's subsequent manufacturing problems.

"They have to recognize our value rather than be opportunistic," Termeer was quoted as saying in the Financial Times.

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 several years. Genzyme just received U.S. approval in late May for a new drug for Pompe disease, and its experimental biologic drug for multiple sclerosis is getting expedited review by the Food and Drug Administration.

Genzyme reported a sharp drop in second-quarter profit because of falling sales and charges partly linked to manufacturing problems. Sales of two key drugs - Cerezyme and Fabrazyme - plunged because of viral contamination at a Genzyme facility in Allston, Mass., causing the company to halt production and leading to inventory shortfalls.

Genzyme announced in May that it had agreed to pay a $175 million penalty to federal regulators, and is mapping out a plan for overhauling the plant. In the meantime, it has switched production to other plants.

Genzyme is to report third-quarter earnings on Oct. 20, while Sanofi reports on Oct. 28.

In New York trading, Sanofi-Aventis shares dropped 19 cents to $32.93, while Genzyme shares rose 40 cents to $71.28.