

Smith & Nephew to buy ArthroCare in \$1.5B deal

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British medical technology company Smith & Nephew plans to buy U.S. medical device maker ArthroCare in a \$1.5 billion deal that it says will strengthen its sports medicine business.

Smith & Nephew said Monday it will pay \$48.25 in cash for each share of ArthroCare Corp., which is based in Austin, Texas.

That's a premium of about 6 percent to its closing price of \$45.38 on Friday.

Smith & Nephew PLC said ArthroCare's expertise in shoulder joint repair will complement its strength in knee repair. CEO Olivier Bohuon said in a statement that the broader product portfolio and the combined sales force will help generate "significant additional revenue."

ArthroCare has 35.4 million shares outstanding, counting options and restricted stock, according to Smith & Nephew spokesman Charles Reynolds. Smith & Nephew values the deal at \$1.7 billion counting ArthroCare's cash. It expects the acquisition to close by the middle of the year.

ArthroCare makes surgical devices, instruments and implants and employs about 1,800 people.

Its stock jumped 6.8 percent, or \$3.08, to \$48.36 on Monday, less than an hour before markets opened

The stock had already climbed 13 percent so far this year, as of Friday's close. Much of that gain came after the company announced on Jan. 7 that it will pay a \$30 million fine to resolve an investigation by the U.S. Department of Justice into alleged securities fraud by its former management.

The Justice Department also is charging the company with one count of conspiracy to commit securities fraud and wire fraud, but it has entered into a two-year deferred prosecution agreement with ArthroCare. If the company meets requirements set by the Justice Department, it won't bring charges against the company.

ArthroCare has said that deal will end the Justice Department's investigation, which was first made public in December 2008.

U.S.-traded shares of Smith & Nephew closed at \$72.24 on Friday.

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