

AbbVie sours on \$55B Shire deal after tax changes

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This Friday, July 18, 2014, file photo, shows AbbVie's signature drug Humira, in Houston. Drugmaker Shire wants AbbVie to stick with its roughly \$55 billion acquisition bid, and it is reminding its U.S. counterpart of the hefty breakup fee it will receive if things don't work out. (AP Photo/David J. Phillip, File)

AbbVie's board is telling shareholders to vote against its own \$55 billion takeover bid for the Irish drugmaker Shire after the U.S. made reincorporating overseas a less lucrative tax maneuver.

The company, based in North Chicago, Illinois, said late Wednesday that changes led by the U.S. Treasury Department introduced an "unacceptable level of uncertainty" and eliminated some of the financial benefits.

If Abbvie does walk away, it would be the biggest deal yet that has collapsed after a public backlash against the moves, known as tax inversions, and changes in U.S. tax policy.

Walgreen in August decided it would not structure its deal to buy the rest of the U.K.'s Alliance Boots as a tax inversion, and earlier this month, Salix Pharmaceuticals scrapped its merger with a subsidiary of an Italian drugmaker.

The new regulations pushed by the Obama administration aim to limit inversions, in which a U.S. company buys or merges with a company in a country with lower corporate tax rates, and then reincorporates there.

U.S. companies typically keep their physical corporate headquarters where they are, in the U.S.

Numerous companies, many in health care, had announced their intention to pursue inversions in recent months.

Shire has insisted AbbVie Inc. go ahead with the takeover and reincorporate on the British island of Jersey, where Shire is incorporated. Since Abbvie said it was reconsidering such a maneuver earlier this week, Shire's stock has plummeted more than 24 percent.

Abbvie has not budged from its stance.

"The agreed upon valuation is no longer supported as a result of the changes to the tax rules and we did not believe it was in the best interests of our stockholders to proceed," said AbbVie's chairman and CEO Richard Gonzalez.

Shire said Thursday that its board is considering the most recent development and will make a further announcement in due course.

AbbVie faces a breakup fee of around \$1.6 billion if it walks away from the deal.

AbbVie's stock rose 35 cents to \$54.98 in morning trading. Shire's rose \$2.95 to \$173.44 after losing about a quarter of their value on Wednesday.

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