Japan drug giant Takeda tumbles as Shire recommends $64 bn offer

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Some analysts say a takeover bid of this magnitude could put too much pressure on the finances of Takeda, whose logo is seen here

Shares in Tokyo-listed Takeda tumbled Wednesday after it raised its offer for Irish pharmaceutical company Shire to £46 billion ($64 billion), which would represent the largest ever foreign takeover by a Japanese firm.

London-listed Shire said it was "willing to recommend the revised proposal to Shire shareholders subject to satisfactory resolution of the other terms of the possible offer".

The latest bid follows a string of lower offers rejected by Shire over the past month. It comes as Takeda looks to expand abroad in the face of an expected drop in drugs prices at home.

Analysts said the buyout would be a smart move by Takeda as it looks to diversify, and could pay off in the long-term.

However, the news sent Takeda shares plunging more than nine percent in Tokyo at one point Wednesday morning, with investors worried it would overextend the firm's finances.

At the close it was down 7.02 percent to 4,510 yen, while Shire opened in London trade up 2.80 percent at £40.40.

In its statement on Tuesday night, Shire set a new May 8 deadline for the conclusion of negotiations.

The offer is equivalent to £49 a share, Shire said, and represents a 60 percent premium to its closing price on March 27, before Takeda made its interest known.

Shire said that on completion of the deal, shareholders would own about 50 percent of the enlarged Takeda, while the new Takeda shares would be listed in Japan and the United States.

'Long-term benefits'

Shire on Friday had rejected Takeda's fourth offer in a month, worth £42.8 billion, saying it was too low.

Last week Botox maker Allergan said it was considering making a counter-offer for Shire, raising the prospect of a bidding war, but then confirmed it would not go ahead.

The buyout is the latest in a flurry of merger and acquisition activity in the pharmaceutical industry as traditional players see profits eroded by competition from generic medicines.

Japanese drugmakers in particular are facing pressure in the domestic market as the government tries to cut prices of many branded medicines and increase the focus on cheaper generics to curb health spending as the population ages rapidly.

Takeda, led by Frenchman Christophe Weber, has been actively looking overseas for acquisitions.

In 2011 it took over Swiss rival Nycomed for 9.6 billion euros ($13.6 billion at the time).

Masayuki Kubota, chief strategist at Rakuten Securities, said that notwithstanding the negative initial market reaction, the takeover would likely be good for Takeda.

"It would be the biggest-ever takeover by a Japanese company and it's natural for that to spawn worries" because a failed buyout could cause huge losses, he told AFP.

But he said Shire offered an attractive portfolio.

"They have a lot of treatments for rare diseases, where the barriers to entry for other companies are very high. Their profitability is high."

Kubota said Takeda was right to take advantage of its ample cash flow and Japan's low interest rates.

"It may look expensive short-term, but it will bring good benefits over the longer term."

Fumiyoshi Sakai, an analyst at Credit Suisse, agreed.

"It would also enhance its global reach," he told AFP, adding it would give Takeda access to "research and development in the field of digestive systems, mental illness and rare diseases where Takeda has wanted collaboration".

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