

# Shire: AbbVie should proceed with \$55B acquisition

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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)

The 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 could receive if things don't work out.

Shire's U.S.-traded shares shed about a quarter of their value before markets opened Wednesday

and a day after AbbVie Inc. disclosed that it was reconsidering a deal it had fought for weeks to put together.

Shire said Wednesday that its board believes AbbVie should follow through with its plan to acquire Shire and reincorporate on the British island of Jersey, where Shire is incorporated.

AbbVie announced Tuesday that it was having second thoughts after the U.S. government created new limitations on the tax benefits of incorporating overseas. The North Chicago, Illinois-based drugmaker said in a statement that it had not called off the deal, but its board needs to weigh "the fundamental financial benefits of the transaction" in light of new tax regulations announced by the U.S. Treasury in September.

The regulations aim to limit a practice known as an inversion in which a U.S. company reincorporates overseas or combines with a foreign company. These deals can help lower a company's U.S. tax bill. Numerous U.S. companies, many focused on health care, have announced inversions in recent months.

AbbVie's board will meet to consider either withdrawing or modifying its recommendation that shareholders approve the acquisition.

Shire said Wednesday that it could receive a fee of about \$1.64 billion from AbbVie if the U.S. drugmaker's board changes its recommendation and shareholders do not approve the deal.

The new Treasury regulations clearly caught AbbVie by surprise, Credit Suisse analyst Dr. Vamil Divan said in a research note. The analyst added that AbbVie's second thoughts raise questions about the credibility of company executives in part because they had touted many merits to the combination with Shire beyond the inversion's tax breaks.

Shire had rejected several unsolicited bids from AbbVie before the companies finally reached a deal in July.

The Treasury Department's new rules have had a mixed impact on potential inversions so far. Raleigh, North Carolina-based Salix Pharmaceuticals Ltd. has said it will scrap its merger with the subsidiary of an Italian drugmaker. But Minneapolis-based Medtronic Inc. said it would modify its purchase of Ireland-based competitor Covidien Plc. and continue with that deal.

U.S.-traded shares of Shire PLC fell \$63.61 to \$180.96 more than an hour before the market open Wednesday. AbbVie dropped 4 percent, or \$2.13, to \$52.

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