

Will Pfizer return to bid for AstraZeneca?

REUTERS

London, August 21

Shares in drugmaker AstraZeneca have climbed more than seven per cent this week, fuelled by speculation of renewed takeover interest from Pfizer, following an abortive \$118-billion takeover attempt in May.

But while British takeover rules mean deal talks could be back on the cards as early as August 26, following the ending of the first of a two-stage cooling-off period, many investors and analysts see the year-end as a more likely time for any return.

"I'm not expecting anything next week," said Dan Mahony, a fund manager at Polar Capital, who increased his stake in AstraZeneca last year. "I know the stock is rallying on anticipation but I suspect if anything is going to happen it is more likely to happen in November or December."

Pfizer Chief Executive Ian Read has made clear he is still

considering big deals to revive his firm's pipeline and cut its tax bill - something buying AstraZeneca would allow it to do via a so-called inversion that would shift its tax base to Britain.

However, Read has little leverage right now. Pfizer cannot take the initiative and launch a public bid until November 26 - six months from when it walked away after AstraZeneca rejected its last offer - though AstraZeneca can invite it back from August 26.

British rules also allow Pfizer to make a single offer via a private phone call to AstraZeneca. But this single offer option is rarely used in takeover situations as the bidder has no way to take things further if the target simply says "no".

As a result, Pfizer would need to make a knockout offer at a big premium to its last bid of £55 a share, which many analysts view as unlikely given Read's reluctance to close the gap in May to the £58.85 AstraZeneca indicated it wanted.

M2 A