

Drug deal awaits Botox dose

New York, Oct. 29 (Reuters): Pharmaceutical giant Pfizer Inc has held early talks with Botox-maker Allergan Plc to discuss what could be the biggest takeover deal this year, the *Wall Street Journal* and the *Financial Times* reported.

Shares of Allergan jumped 11 per cent in pre-market trade to \$320 on the reports.

The healthcare sector has seen an unprecedented wave of deals since early 2014, from large drug makers buying up smaller rivals to consolidation among makers of generic medicines and tie-ups between insurers.

A bid for Allergan, which has a market value of \$113 billion, would be Pfizer's second recent attempt to acquire a big rival, following its unsuccessful courtship last year of Anglo-Swedish phar-

maceuticals group AstraZeneca Plc.

Combining Allergan and Pfizer, which is worth \$219 billion, would create the world's largest healthcare group with a market value of around \$330 billion, ahead of Johnson & Johnson at \$278 billion.

A Pfizer spokesman said it "does not comment on market rumour and speculation".

Allergan, however, confirmed on Thursday that it was in preliminary discussions to sell itself to Pfizer.

Allergan went on to caution in a statement that the negotiations with Pfizer were early and could fall apart.

Listing benefits

During its courtship of AstraZeneca, the potential for lowering Pfizer's tax bill by switching its headquarters

PFIZER, ALLERGAN IN TALKS

	Pfizer	Allergan
Revenue	\$50bn	\$7.2bn
Employees	78,000	30,000
Headquarters	New York	Dublin, NJ



Lyrica, Prevnar
 Celebrex, Lipitor
 Viagra



Botox, Linczess
 Juvederm
 Zenpep, Teflaro



from the United States to the United Kingdom was touted by chief executive officer Ian Read as a key reason for the proposed deal.

A takeover of Allergan could offer similar advantages given that the Botox-maker is

based in lower-tax Dublin. A US attempt to crack down on such tax avoidance deals led to the collapse of AbbVie Inc's bid to buy Shire Plc, but it is unclear whether those rule changes would preclude potential tax advantages from a

Pfizer-Allergan deal.

"When you're the size of Pfizer, an acquisition like this may be the only choice you have in order to be able to move the needle for sequential growth ... So the question now becomes, if not this, what, and if not now, when?" said WBB Securities' analyst Stephen Brozak.

Pfizer, the largest US drug maker, has also been suggested as a possible acquirer of GlaxoSmithKline Plc and Shire, and shares in these two companies fell 1.5 and 1.8 per cent on Thursday morning in London.

Revenue boost

Allergan will give Pfizer, whose revenues are expected to slide 3.3 per cent this year, a boost in top-line growth.

The Botox-maker's revenue is seen increasing 39

per cent this year, according to Thomson Reuters estimates.

Bernstein analyst Tim Anderson said Allergan was a good fit and Pfizer might feel now was the right time to do a deal, given a recent market correction that has made Allergan look cheap.

Allergan became the third-largest generic drug maker in the US after combining with Actavis in March. Its chief executive, Brent Saunders, has been eager to do deals, having first orchestrated the sale of Forest Laboratories Inc, where he was initially CEO, to Actavis, then using the latter to seal the \$66-billion purchase of Allergan.

Following the Actavis tie-up, Allergan sold its generic drugs business to Israel's Teva Pharmaceutical in July for \$40.5 billion in cash and stock.

M&A