

Pfizer considers ways to lure AstraZeneca

London-based firm says offer too low

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Pfizer is back in the megamerger game. The US drugmaker proposed buying AstraZeneca for about \$98.7 billion in what would rank as the industry's biggest-ever takeover, surpassing Pfizer's \$64 billion purchase of Wyeth in 2009. AstraZeneca spurned the offer as too low, and Pfizer said it's considering its options.

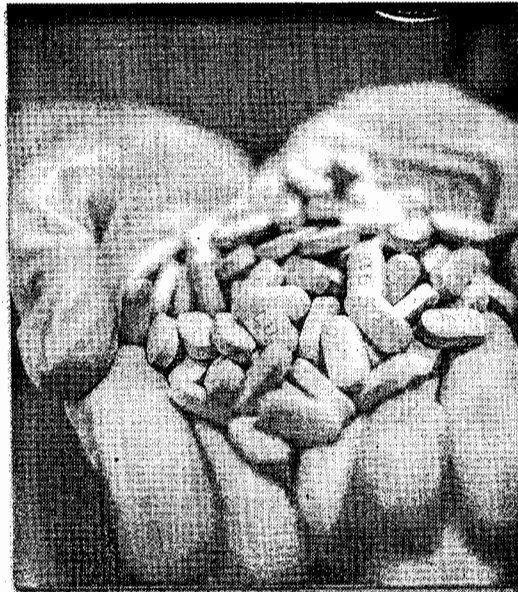
If AstraZeneca eventually agrees, a deal would create a company incorporated in the UK, for tax purposes and run from New York. London-based AstraZeneca's operations would be sewn into Pfizer's three new business units.

Pfizer offered £46.61 a share in cash and stock for AstraZeneca in January, and AstraZeneca declined to pursue negotiations, Pfizer said in a statement on Monday. The proposal is about 14 per cent above the April 25 close for AstraZeneca. The stock on Monday climbed above that price, gaining the most in more than two decades.

For now, Pfizer is still trying to draw AstraZeneca into talks.

"We tried to get a mutual announcement to say we were in preliminary discussions," Pfizer chief executive officer Ian Read said on a conference call today. "AstraZeneca rebuffed that, which is why we were forced to make the announcement."

If Pfizer is able to consummate the deal, it would be among the biggest ever



BUSINESS PLAN: The drug major contacted AstraZeneca on April 26, seeking to renew discussions in order to develop a proposal

US company to leave the country's border. Read said that while he hadn't discussed that with the US government, he was confident it could get done.

Pfizer wants to reach an agreement that AstraZeneca's board can endorse and is considering its options.

"Clearly the reason Pfizer has gone public is to try to force a deal," said Mark Clark, an analyst at Deutsche Bank in London. "The price that AstraZeneca is willing to talk about is nowhere near 46 or they wouldn't have been summarily dismissed."

Pfizer's January proposal "very significantly undervalued" AstraZeneca, the

UK company said in a statement. AstraZeneca also was concerned that Pfizer wanted to pay 70 per cent of the price in shares, AstraZeneca said. The company concluded that, absent a specific and attractive proposal, it was not appropriate to engage in discussions with Pfizer.

Another key component of the deal is moving Pfizer outside the US for tax purposes. A deal would allow Pfizer to use some \$70 billion of cash it has built up overseas that would be subject to taxes if brought back to the US and, because the combined company would be incorporated in the UK, would lead to a lower tax rate.

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