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Abbott and St. Jude Medical has announced a definitive agreement for Abbott to acquire St. Jude Medical, creating a premier medical device leader with top positions in high-growth cardiovascular markets, including atrial fibrillation, structural heart and heart failure as well as a leading position in the high-growth neuromodulation market.

Under the agreement, St. Jude Medical shareholders will receive \$46.75 in cash and 0.8708 shares of Abbott common stock, representing total consideration of approximately \$85 per share. At an Abbott stock price of \$43.93, this represents a total transaction equity value of \$25 billion. The combined company will have an industry-leading pipeline expected to deliver a steady stream of new medical device products across cardiovascular, diabetes, vision and neuromodulation patient care.

St. Jude Medical's strong positions in heart failure devices, atrial fibrillation and cardiac rhythm management complement Abbott's leading positions in coronary intervention and transcatheter mitral repair. Together, the company will compete in nearly every area of the cardiovascular market and hold the No. 1 or 2 positions across large and high-growth cardiovascular device markets.

This best-in-class combined portfolio will have the depth, breadth and innovation to help patients restore their health, reduce costs for payors and deliver greater value to customers.

"Bringing together these two great companies will create a premier medical device business and immediately advance Abbott's strategic and competitive position," said Mr Miles D. White, chairman and chief executive officer, Abbott. "The combined business will have a powerful pipeline ready to deliver next-generation medical technologies and offer improved efficiencies for health care systems around the world."

"This announcement is an exciting next chapter for St. Jude Medical, bringing together two industry leaders with a shared passion for innovation, culture and patients," said Mr Michael T. Rousseau, St. Jude Medical president and chief executive officer. "Our combined scale will expand the global reach, competitiveness and impact of our medical device innovation for physicians and hospitals. This transaction provides our shareholders with immediate value and the opportunity to participate in the significant upside potential of the combined organization. I'd like to thank our 18,000 employees whose hard work and commitment help us deliver leading medical technologies to patients around the world."

The acquisition of St. Jude Medical is expected to be accretive to Abbott's adjusted earnings per share in the first full year after closing and increasing thereafter, with approximately 21 cents of accretion in 2017 and 29 cents in 2018.

The combination is anticipated to result in annual pre-tax synergies of \$500 million by 2020, including both sales and operational benefits. One-time deal-related costs and integration costs will be provided at a future date.

St. Jude Medical's net debt of approximately \$5.7 billion will be assumed or refinanced by Abbott. Abbott intends to fund the cash portion of this transaction with medium- and long-term debt.

The transaction, which has been approved by the boards of directors of St. Jude Medical and Abbott, is subject to the approval of St. Jude Medical shareholders and the satisfaction of customary closing conditions, including specified regulatory approvals. The transaction is expected to close in the fourth quarter of 2016.