Pfizer chasing AstraZeneca in potential $100 billion-plus deal

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By Ben Hirschler

LONDON (Reuters) - U.S. drugmaker Pfizer wants to buy AstraZeneca in a deal that could value its smaller British rival at more than $100 billion, creating a new giant on the global pharmaceuticals scene.

Pfizer confirmed on Monday it made a bid approach to AstraZeneca in January and said it had contacted its British rival again on April 26 seeking discussions about a takeover. AstraZeneca shares jumped 15 percent in early trade.

The takeover, if it happens, would be one of the largest ever pharmaceuticals deals. The renewed approach comes amid a wave of mergers and acquisitions in the sector.

In a statement to the London stock market, Pfizer said AstraZeneca had declined to engage in discussions on both occasions and the U.S. group said it was now considering its options.

Pfizer's original proposal, made to the board of AstraZeneca on January 5, included a combination of cash and shares and would have valued AstraZeneca's shares at 46.61 pounds ($76.62) each - a premium of around 30 percent at the time.

Pfizer said it was now considering a possible transaction in which AstraZeneca shareholders would again receive a significant premium for their shares.

Shares in the British group closed at 40.80 pounds on Friday, valuing it at 51.5 billion pounds ($86.6 billion), against the indicated Pfizer bid level in January of 58.8 billion.

Given that Pfizer is likely to have to offer more this time, due to a run-up in AstraZeneca shares since January, the final value of any deal could be considerably above $100 billion.

An AstraZeneca spokeswoman said the company had no immediate comment on the Pfizer statement, adding that the company would be considering its response.

Buying AstraZeneca would give Pfizer a number of promising - though still risky - experimental cancer medicines known as immunotherapies that boost the body's immune system to fight tumors and could also generate significant cost savings.

Acquiring a foreign company also makes sense for Pfizer because it has tens of billions of dollars accumulated through foreign subsidiaries, which if repatriated to the United States would be heavily taxed.

Pfizer has a long track record of making major acquisitions, with the $68 billion purchase of Wyeth in 2009 its last major deal, after earlier acquisitions of Pharmacia and Warner Lambert.

The drugmaker has more recently been divesting certain operations and mega-mergers have fallen out of fashion in the pharmaceuticals industry following skepticism about how well some of them have worked.

But Chief Executive Officer Ian Read said he was ready to consider large deals that made sense, adding that buying AstraZeneca would "maintain the flexibility for the potential future separation of our businesses".

The transaction would complement both Pfizer's innovative drug businesses and also its established products business - comprising older and off-patent medicines - which many analysts expect to be eventually spun off.

"We believe that a transaction would further strengthen our ability to generate strong and consistent cash flow, targeted for both investment in our business and return to shareholders, while at the same time offering an efficient operating structure and the anticipated realization of attractive synergies," Read said.

($1 = 0.5948 British Pounds)

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