

Fresenius Buys Akorn for USD 4.3 Billion in U.S. Expansion

By Bloomberg News

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In just 10 months at the head of Germany's Fresenius SE, Chief Executive Officer Stephan Sturm has now inked the health-care provider's two biggest-ever deals.

Fresenius Kabi will buy the Illinois-based generic drugmaker Akorn Inc., Akorn for \$34 a share, plus the assumption of roughly \$450 million of debt, for a deal valued at USD 4.3 billion, the companies said Monday.

With the acquisition of Akorn Inc., announced late Monday, Fresenius will get a stronger foothold in the U.S., with access to a network of retail pharmacies and outpatient clinics as well as the hospitals where it has traditionally marketed its products. Akorn will complement Fresenius's Kabi medicines unit, which specializes in intravenous drugs.

Fresenius, Europe's biggest publicly traded health-care provider, also made a smaller purchase Monday to gain Merck KGaA's portfolio of biosimilars, which are copycat versions of complex biotechnology drugs. It agreed to pay Merck EUR 170 million (USD 184.7 million), plus licensing fees and as much as EUR 500 million in milestones.

With the two transactions, Sturm is further expanding the global reach of its Bad Homburg-based group, bolstering the medicines unit that's key to profit growth -- and making a long-term bet on biosimilars. The CEO had already agreed to spend more than USD 6.4 billion on the Spanish hospital group IDC Salud Holding SLU, known as Quironsalud, last year in the company's largest acquisition.

The Akorn and biosimilar deals make even more sense together than individually, Sturm said Monday.

"Akorn brings us additional U.S. market access to small- and mid-sized clinics and retail pharmacies," he said. "And that access will be important for our biosimilars."

Akorn Shares

Akorn's shares had jumped 30 percent since April 6, the day before Bloomberg News reported that Fresenius was considering a deal. They were little changed at USD 32.80 following the announcement Monday, after the U.S. markets closed. Fresenius shares also showed little movement in the after-hours market.

Akorn's biggest shareholder, John Kapoor, who owns a quarter of the stock, has agreed to support the deal, Fresenius said. Integrating the businesses will save about USD 100 million each year, the companies predicted.

The payoff for biosimilars may take longer. Fresenius said it expects to invest as much as EUR 1.4 billion in patient trials and other development costs for biosimilars before the unit breaks even in 2022. The first sales are targeted for the end of 2019, with revenue expected to reach high triple-digit millions of euros by 2023.