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Actavis Offers $2.5 Billion for Pliva, Topping Barr

By Alex Kuli

Aug. 31 (Bloomberg) -- Actavis Group hf, an Icelandic generic-drug maker, increased its bid for Croatia's Pliva d.d. to $2.5 billion, trumping an offer from Barr Pharmaceuticals Inc.

Actavis, based in Reykjavik, is offering Pliva investors 795 kuna per share in cash, up from a proposal of 723 kuna a share, Barr's latest offer of 743 kuna, values Pliva at $2.3 billion. None of the bids include a 12 kuna dividend that Pliva shareholders approved Aug. 29.

The winner of Pliva will become the world's third-biggest generic-drug maker, behind Israel's Teva Pharmaceutical Industries Ltd. and Switzerland's Novartis AG, and be able to take advantage of growing demand for copycat versions of brand- name drugs in Russia. Pliva has U.S. approval to sell generic versions of Pfizer Inc.'s Zithromax antibiotic and Bristol-Myers Squibb Co.'s Coumadin clot medicine.

``It's Barr's to lose,'' said Ken Cacciatore, who analyzes Barr at Cowen and Co. in New York. ``Barr has the financial flexibility to outbid Actavis.''

Pliva shares jumped 5.6 percent to a record close of 824 kuna in Zagreb. The price suggests that shareholders expect Barr to raise its bid, said Hrvoje Stojic, an analyst at Hypo Alpe- Adria Bank in Zagreb. Pliva's global depositary receipts rose $1.30, or 4.7 percent, at $28.90 in London, Pliva's main exchange. They've more than doubled this year.

Barr Evaluation

Woodcliff Lake, New Jersey-based Barr said it is evaluating the Actavis offer and will respond no later than Sept. 8. Since its public offer began Aug. 18, Barr has managed to buy 3,962 Pliva shares, much less than 1 percent of the shares outstanding, according to the Croatian Central Depositary Agency's Web site.

``It's hard to justify a higher price for this asset,'' Actavis spokesman Halldor Kristmannsson said in a telephone interview. `We believe this is a full and fair price.''

Pliva's supervisory board formally endorsed Barr's bid on June 27. Pliva spokeswoman Marija Mandic said the company will issue an opinion on Actavis's offer within 10 days, as required by Croatian takeover law.

Actavis's offer is conditional upon the company getting 50 percent plus one share of the company, the Croatian regulatory board's statement said. Actavis already amassed a 20.8 percent stake through share purchases and call-option agreements.

Local Representatives

Actavis's new offer represents an 82 percent premium to the Pliva's average price in the three months before the Icelandic company made its first takeover offer of $1.6 billion March 17.

Actavis has added representatives in Zagreb to help persuade Pliva's owners to sell shares, said Ljubo Jurcic, an independent member of Parliament who served as Economy Minister from 2002 to 2004.

``Actavis shows itself as a company which is prepared to make an acquisition,'' Jurcic said in an Aug. 29 interview. ``Up until this point, I haven't seen that Barr has the people who can do it.''

The Actavis offer values the company at 2006 enterprise value of 15.4 times Pliva's earnings before interest, taxes, depreciation and amortization, Stojic said. France's Sanofi- Aventis SA paid 15.3 times EBITDA for its 24.9 percent stake in Prague's Zentiva NV in March. Switzerland's Novartis paid 11.7 times EBITDA for Slovenia's Lek d.d. in 2002.

``We now see that there are more synergies than we expected in the beginning,'' Kristmannsson said.

60-Day Race

Actavis can begin buying shares once it publishes its bid in Croatian media, which it must do within seven days. Shareholders then have 30 days to accept the offer. Either Actavis or Barr can increase its bid price, though each time they do, the acceptance period is extended by seven days, to a maximum of 60 days in total, according to documents furnished by Actavis.

Barr first offered 743 kuna for Pliva on June 30. Since then, about 2.1 million shares, or 12 percent of Pliva, have traded hands at prices above Barr's bid.

``The market clearly has been speculating for a higher bid by Actavis,'' said Christopher Kummer, Director of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna.

Barr secured $2.5 billion in loan guarantees to support its acquisition of Pliva July 21, according to a filing with the U.S. Federal Trade Commission. In addition, Barr may spend up to $700 million of its own cash, according to President Paul Bisaro.

Actavis's offer is backed by UBS, JPMorgan, Landsbanki and HSBC banks, Kristmannsson said. In July, Actavis also secured investor approval to issue 300 million new shares to support the acquisition, he said.

``Financing has never been a problem throughout the process,'' Kristmannsson said. Actavis may list shares in Croatia and doesn't plan to sell any of Pliva's operations.

Ulf Ingemarsson, whose Simplicity Norden fund owns 2.8 million shares in Actavis, said he has confidence in Actavis management's decision to acquire Pliva. He declined to say what the company's maximum bid should be.

Last Updated: August 31, 2006 12:02 EDT