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Merck KGaA Shuns Financial Advisers on Serono Bid

By Julia Werdigier

Sept. 21 (Bloomberg) -- Merck KGaA, the German drugmaker, shunned investment banks for help on its 16.6 billion-Swiss franc (\$13.3 billion) takeover of Serono SA, after using advisers such as Deutsche Bank AG on a failed bid for another rival six months ago.

"We didn't hire anyone because we have intelligent, professional people in house and it reduces the chances of leaks," Merck spokeswoman Phyllis Carter said today by telephone.

Goldman Sachs Group Inc., Bear Stearns Cos. and Deutsche Bank advised Merck on its failed hostile bid for Schering AG earlier this year. Chief Financial Officer Michael Becker led a team at Merck that put together the Serono offer.

Merck, controlled by the Merck family, made an unsolicited cash offer of 14.6 billion euros (\$19 billion) for Schering, the world's largest maker of birth-control pills, in March. It lost out to Bayer AG, whose 16.3 billion euro-bid clinched the deal. The acquisition of Serono will give Darmstadt, Germany-based Merck the Swiss company's best-selling Rebif drug for multiple sclerosis.

Serono Chief Executive Officer Ernesto Bertarelli, who also sits on UBS AG's board, and his family agreed to sell their 64.5 percent stake in Geneva-based Serono for 1,100 francs. That's 20 percent higher than Serono's close of 915 francs yesterday. Goldman Sachs advised Serono on the deal, which was announced today.

"The larger companies now all have their own M&A department, so there are certain issues that can be dealt with in-house," said Christopher Kummer, professor at Vienna's Webster University and director of the Institute of Mergers, Acquisitions and Alliances. "The big question now is which issues they still need help with."

Drug Deals

Deutsche Bank is Merck's biggest lender followed by Goldman Sachs, data compiled by Bloomberg show. The Frankfurt-based bank's chief operating officer, Hermann-Josef Lamberti, stepped down from Schering's supervisory board when Deutsche Bank advised Merck on its attempt to buy the rival.

Morgan Stanley is the top adviser on announced takeovers involving a pharmaceutical company in Europe this year behind Citigroup Inc. and Credit Suisse Group, according to Bloomberg data. All three advised on Bayer's acquisition of Schering, the continent's biggest deal in the industry this year.

Other German companies that didn't use financial advisers for a takeover include Stada Arzneimittel AG. Germany's third-biggest maker of generic drugs agreed to buy Serbia's Hemofarm Konzern AD in July for 493.9 million euros without hiring an investment bank to advise on the deal. Hemofarm worked with ABN Amro Holding NV.

Acquisitions involving pharmaceutical companies in Europe have risen 46 percent to \$40.3 billion this year from the same period in 2005, data compiled by Bloomberg show. Merck's bid for Serono is the second-biggest announced deal among European drugmakers in 2006.

Merck will initially finance the Serono purchase with existing cash and a bridge loan. It will then refinance it with a syndicated loan, a bond and a capital increase of 2 billion euros to 2.5 billion euros, it said today. Carter declined to say which banks will help with the refinancing.

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