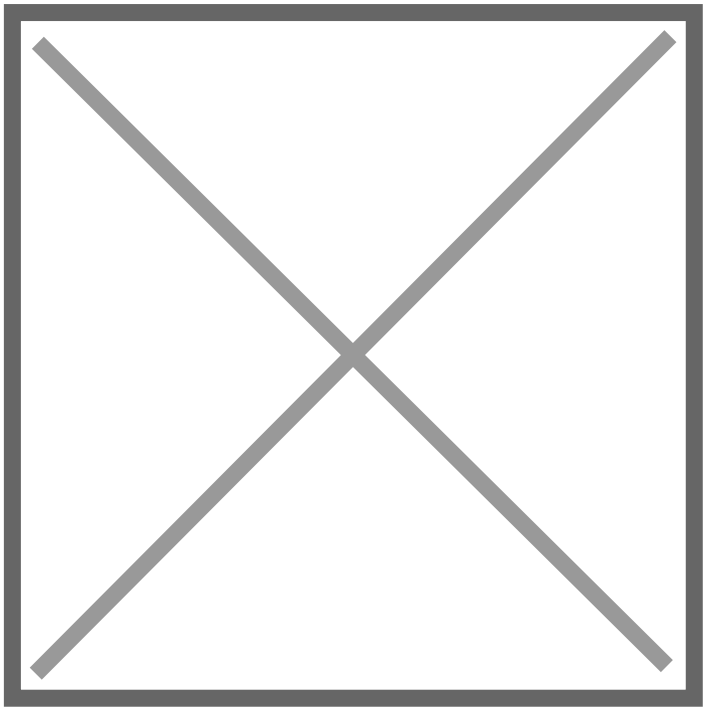
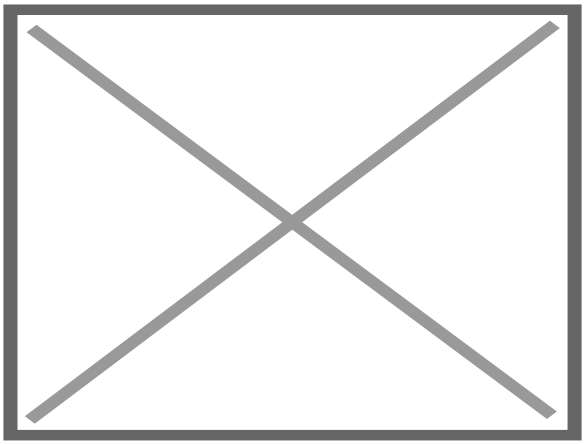


Merck-Millipore merger-A $2.9 bn biosupplier giant takes shape

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Acquisitions are common in the life-science tools sector as large companies seek to fill gaps in their productportfolios and broaden geographical reach by buying-out smaller peers. Recent deals such as industrial conglomerate Danaher Corp. agreeing to buy MDS Inc's analytical-technologies business, along with Life Technologies Corp's mass spectrometry business and Agilent Technologies acquiring Varian Inc, are cases in point. However, Merck KGaA, the global pharmaceutical and chemical company's $7.2 billion agreement to acquire Millipore Corp., the US supplier of equipment to biotechnology companies, has surprised many. The diversification strategy employed is different. This acquisition adds to Merck's portfolio a highgrowth business that is not vulnerable to patent expiry as the company's pharma business.

The Deal

As per the deal, Merck will acquire all outstanding shares of common stock of Millipore, for $107 per share in cash, or a total transaction value of $7.2 bn, including debt. The acquisition will be funded through available cash and a term loan. The transaction is approved by the boards of directors of both companies. Together, Millipore and Merck will create a $2.9 billion world-class partner for the life sciences sector, achieving significant scale in high-margin specialty products with an attractive growth profile. Thermo Fisher Scientific, the biosupplier giant had also showed interest in buying Millipore. But Merck's $7.2 billion agreement to purchase Millipore topped the rival bidder's offer of about $6 billion.

Diversification Plans

Industry experts see this acquisition as an important step in the transformation of Merck. Mr Sujay Shetty, associate director, PricewaterhouseCoopers, says, Ã¢â?¬Å?The acquisition is a highly complementary, strategic deal, which will reduce Merck's reliance on pharmaceuticals and will enable Merck to straddle the chemical and pharmaceutical industries by offering equipment and technologies to help its customers in drug discovery research and processing.Ã¢â?¬? In addition, the transaction will lead to a more balanced business profile for the group. Currently, the chemicals business sector generates around 25 percent of Merck's total revenues. Following the transaction, the chemicals business will contribute 35 percent of the total group revenues of $12.02 billion (Ã¢â??Â¬8.9 bn), driven by its strong liquid crystals business and the new world-class life sciences business.

Ã¢â?¬Å?This transaction is very attractive to shareholders, customers and employees of both companies,Ã¢â?¬? says Dr Karl-Ludwig Kley, chairman of the executive board of Merck. Ã¢â?¬Å?This is a combination with an excellent strategic fit, which will allow us to cover the entire value chain for our pharma and biopharma customers, and offering integrated solutions beyond chemicals,Ã¢â?¬? he adds.

Millipore has a strong position in the attractive bioresearch and bioproduction segments, offering a comprehensive range of products, technologies and services for pharma and biotech companies, as well as for academia, to improve laboratory productivity and to develop and optimize manufacturing processes. In 2009, Millipore generated sales of $1.7 billion, with around 6,000 employees in more than 30 countries.

Martin Madaus, chairman, president and CEO of Millipore, says, Ã¢â?¬Å?Over the past five years, we have transformed Millipore into a life sciences leader by driving innovation, entering new markets, and generating exceptional operational performance. The deal, which is the outcome of a thorough strategic review process, is a validation of the tremendous value of the Millipore brand and a testament to the value this transformation has created for all of our stakeholders.We are excited to join a high-quality company like Merck as we will gain greater scale and scope in the life sciences industry. This is a very positive outcome for our employees and customers as we continue to build on our strategy for growth, while maintaining our headquarters in Billerica.Ã¢â?¬?

Together, Millipore and Merck will have a significant presence in high-growth segments and an enhanced geographic presence. Combining the research and development capabilities of both companies will create a powerful innovation platform to develop cuttingedge technologies that are tailored even more closely to the needs of customers.

Dr Kley adds, Ã¢â?¬Å?By combining Millipore's bioscience and bioprocess knowledge with our own expertise in serving pharma customers, we can unlock the values in our chemicals business and transform it into a strong growth driver for Merck. Through this acquisition, we will expand the overall product offering of the Merck Group, using the well-recognized Millipore brand in addition to our own brand.Ã¢â?¬?

While the Merck-Millipore deal is unlikely to spark a wave of acquisitions immediately, the fact that Merck was willing to pay a high price for Millipore resets the valuations for many other biosupplier companies including its competitor company, Pall Corporation.

Crux of the deal

- Merck will acquire all outstanding Millipore shares for $107 per share in cash, creating a world-class partner for the life science sector.
- Agreed transaction is valued at approximately $7.2 billion.
- Combination will create a $2.9 billion partner for the life sciences sector and transform Merck Chemicals
- Combined business will have significant scale in high-growth bioresearch and bioproduction segments

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