

Bberg

Glaxo Offers \$15 Billion for Pfizer Consumer Unit (Update5)  
2006-06-07 16:53 (New York)

(Adds comment from Pfizer investor in fourth paragraph. Adds closing share prices in seventh paragraph.)

By Shannon Pettypiece and Julia Werdigier

June 7 (Bloomberg) -- GlaxoSmithKline Plc, the maker of Aquafresh toothpaste, offered more than \$15 billion for Pfizer Inc.'s consumer unit, one of at least three bids received by the U.S. company, people familiar with the negotiations said.

Johnson & Johnson and the U.K.'s Reckitt Benckiser Plc are also willing to pay more than \$14 billion, the New York Times said today. New York-based Pfizer plans to begin final talks by June 23 with the top bidders, said the people, who declined to be identified before a deal is announced.

Glaxo Chief Executive Officer Jean-Pierre Garnier would add \$3.9 billion in sales from brands such as Listerine mouthwash and Rolaid tablets. London-based Glaxo, the world's second-largest drugmaker after Pfizer, missed chances to buy non-prescription drug units of Roche Holding AG and Boots Group Plc.

"I wouldn't be surprised here to see Pfizer accept one of those bids," said Jeffrey Malcom, who manages about 500,000 Pfizer shares at Horan Capital Management in Towson, Maryland. "They said they wanted to get that asset out the door at \$10 billion after tax, and at the \$14 to \$15 billion range it is certainly a generous price, and it looks like they may accept."

Pfizer will decide whether to sell the unit or spin it off to shareholders in the third quarter, CEO Hank McKinnell told CNBC in an interview today. Pfizer will use the proceeds for its more profitable drug business.

"Over the next weeks and months we will be working with the highest bidders to try to decide by the end of the third quarter," McKinnell said. While Pfizer has gotten "numerous, very strong bids," he said, spinning off the unit is still "a very strong option."

#### Share Reaction

Pfizer shares increased 7 cents, or less than a percent, to \$23.91 at the close of New York Stock Exchange composite trading. Glaxo's American depositary receipts, each representing two ordinary shares, rose 51 cents, or less than a percent, to \$56 at the close of New York Stock Exchange composite trading.

The shares of Pfizer have fallen 15 percent in the last 12 months, compared with an 8.8 percent rise in Glaxo shares in the period. The Dow Jones Industrial Average has gained 6.7 percent.

Pfizer is the maker of the world's best-selling drug, the cholesterol-lowering Lipitor. The U.S. company concluded a second round of bidding yesterday and will assess the offers and advise suitors whether it wants to move into final negotiations, two people familiar with the deal process said.

Jeff Leebaw, a spokesman for New Brunswick, New Jersey-based Johnson & Johnson; Glaxo spokeswoman Gwenan Evans; and Reckitt spokesman Tom Corran declined to comment on interest in the unit. Pfizer's Paul Fitzhenry declined to comment on the bidding process.

#### More Expensive

At \$15 billion, Glaxo would be paying just less than four times the unit's sales, more than previous similar purchases.

Bberg

Reckitt bid 1.93 billion pounds (\$3.6 billion), or about three times sales, to win Boots's over-the-counter unit last year, while Bayer paid 3.6 billion Swiss francs (\$2.95 billion), or about 2.5 times revenue, when it bought Roche's consumer business in January 2005.

A spinoff is being given equal weight to a potential sale, one person familiar with the talks said. Pfizer told analysts at an April 19 meeting that any bid would have to cover capital gains tax on the disposal.

McKinnell has said the unit should be valued at around \$10 billion after taxes. In February, when Pfizer first said it might sell the unit, analysts estimated the division might draw bids between \$10 billion and \$14 billion.

#### P&G, Colgate

Procter & Gamble's Chief Financial Officer Clayton Daley on May 10 said the U.S. company wouldn't make any major acquisitions for a few years until it finished integrating Gillette Co., acquired in October 2005 for \$57 billion.

Terry Loftus, a spokesman for Cincinnati-based P&G, the maker of Crest toothpaste and Scope mouthwash, declined to comment, citing a company policy against responding to market speculation.

If the Pfizer unit goes as high as \$15 billion, then Colgate-Palmolive isn't likely to stay in the bidding, wrote Amy Low Chasen, equity analyst for Goldman, Sachs & Co., in a report to investors today after news of the Pfizer bids became public.

A \$15 billion price "may be outside of Colgate-Palmolive's comfort zone," Chasen wrote.

Colgate management is "most interested in acquiring Listerine and wouldn't want to pay such a high price for the OTC business, which is clearly outside its core," she wrote.

Chasen added that Colgate could try to buy Listerine after the Pfizer unit is sold to another buyer. However, if GlaxoSmithKline "emerges as the final buyer, it may want to keep Listerine" and add it to its oral care business, Chasen wrote.

--with reporting by Etain Lavelle in London, Robert Reed in Chicago, Howard Liberman in New York and Janice Kirke in New York. Editor: Gale (cje/mfe/rls)

Story illustration: To see stories about mergers and acquisitions in the consumer field, see {TNI MNA CONS<GO>} or to see analysis of mergers and acquisitions, use {MA <GO>}

To see a chart of Pfizer's earnings by quarter, see {PFE US <Equity> CH2 Q <GO>}

See {HTOP<GO>} for today's top health-care stories.

To contact the reporters on this story:  
Shannon Pettypiece in Washington at (1) (202) 624-1987 or spettypiece@bloomberg.net;  
Julia Werdigier in London at 44 20 7073 3569 or jwerdigier@bloomberg.net.

To contact the editors responsible for this story:  
Christopher Elser in London at (44) (20) 7673 2284 or celser@bloomberg.net;  
Robert Simison at (1) (202) 624-1812 or rsimison@bloomberg.net.

[TAGINFO]

PFE US <Equity> CN  
GSK LN <Equity> CN

Bberg

WYE US <Equity> CN  
RB/ LN <Equity> CN  
JNJ US <Equity> CN  
CL US <Equity> CN  
BOOTS LN <Equity> CN

NI CONS  
NI RTD  
NI UK  
NI NY  
NI PA  
NI DE  
NI HEA  
NI US  
NI DRG  
NI MNA  
NI GEN  
NI OH

#<610787.1588400.2006-06-07T09:10:00.25>#  
-0- Jun/07/2006 20:53 GMT