

Roche, Genentech now one

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By David Morrill

SOUTH SAN FRANCISCO — Genentech is now just one company, Roche.

Late Wednesday night the two sides came to an agreement in which the Swiss pharmaceutical giant Roche will pay about \$47 billion to buy the 44 percent of Genentech that it didn't already own. Labeled "hostile" in weeks prior, the final agreement came with "friendly" attached to it.

Combined, the firm will now be the seventh-largest U.S. pharmaceutical company in terms of market share and would generate about \$17 billion in annual revenue with a payroll of around 17,500 employees in the U.S. pharmaceuticals business alone, according to Roche.

The move comes during a time of consolidation in the industry. Foster City-based Gilead acquired Palo Alto-based CV Therapeutics on Thursday for \$1.4 billion.

Roche vows that the combined force will be stronger, but many felt the end of something before acknowledgment of a new start.

"There certainly has to be a tip of the hat to the granddaddy of the industry," said Matt Gardner, president of biotech nonprofit BayBio. "It's the end of an era to the original biotech company."

Roche said its U.S. pharmaceutical operations will move from Nutley, N.J., to Genentech's site in South San Francisco, which will become the headquarters of the company's domestic drug operations and operate under the Genentech name.

"We have tremendous respect for our colleagues at Genentech and look forward to working with them to accelerate our search for solutions to unmet medical needs," said Franz Humer, chairman of the Roche Group in a statement.

The deal, which is a tender offer approved by Genentech's board, offers \$95 per share for those shares that remain. Shares of Genentech rose about 2 percent Thursday closing at \$93.92. A majority of shares besides Roche's still must be tendered for the deal to happen, with a deadline of March 25.

Roche said potential management changes are still under discussions, which leaves unanswered questions surrounding the future role of Arthur Levinson, Genentech chief executive.

In the weeks leading up to Wednesday's announcement, a struggle between the two sides had taken place. But this takeover is unlike most others, because the two have long been connected and have helped each other to do well over the years.

Roche currently commercializes Genentech products outside and three of Roche's top four selling products come from Genentech.

"We have had a highly successful partnership with Roche for more than 18 years, and we intend to pursue our shared goal of discovering medications for serious and life-threatening conditions," Levinson said.

In 1990, Roche saved Genentech from financial despair. Genentech didn't have the product revenue to support the size of the company, and Roche helped them that year by spending \$2.1 billion to acquire a majority stake.

In 2006, Joe McCracken, vice president of business development for Genentech, said "it was the most important relationship that it has ever had. Because if it were not for Roche's relationship, it is very likely that Genentech might have been acquired and would have not been the success it is today," he said.

Until now, Roche has isolated itself from management input. Executives and scientists at Genentech ran the company independently. Now Roche will call the shots.

Most Genentech employees were tight-lipped about the day's announcements, but some agreed to discuss their reaction if their names were kept confidential.

One Genentech employee described the mood as "cautiously optimistic" and hoped the Genentech culture wouldn't change.

Its headquarters is often compared to a college campus in both looks and feel. A few years ago, a concert in its parking lot featured the Foo Fighters, Eagles, and Bob Dylan,

One contract employee of Genentech took the news in stride.

"It's a normal day," he said. "I knew for a while that this was coming."