



## Bristol-Myers Offers to Buy ImClone for \$4.3 Billion (Update3)

By Lisa Rapaport

July 31 (Bloomberg) -- **Bristol-Myers Squibb Co.** offered to buy the portion of ImClone Systems Inc. it doesn't already own for \$4.33 billion, or \$60 a share, seeking a return to prominence as a maker of cancer drugs.

ImClone shares rose the most in 13 years, eclipsing the bid and suggesting investors expect the purchase price to jump higher. Bristol-Myers, which already owns 16.6 percent of ImClone, delivered the offer to the biotechnology company's chairman, **Carl C. Icahn**, in a letter today, the company said in a U.S. regulatory filing. The deal offers a 29 percent premium over yesterday's closing **share** price.

Bristol-Myers, based in New York, was the world's biggest seller of cancer medicine before its drug Taxol faced competition from cheaper copies in 2001. That same year, the drugmaker joined with New York-based ImClone to market the colon-cancer drug Erbitux. Bristol's offer follows Roche Holding AG's \$43.7 billion bid on July 21 to buy all of Genentech Inc., as big drugmakers seek to boost profits and gain new products from biotechnology partners.

"We saw this before with Roche and Genentech, and it looks like we're starting to see more of these deals as companies look around and see their competitors are buying too," said **Les Funtleyder**, an analyst with Miller Tabak & Co. in New York, in a telephone interview. "I think Erbitux may have reached a point now where it's finally worth it to Bristol to make an offer."

Other Suitors?

ImClone rose 38 percent to \$64.23 at 9:52 a.m. New York time in Nasdaq Stock Market composite trading. Bristol shares fell 37 cents to \$21.14 in New York Stock Exchange composite trading.

"I think any one of the large-cap pharmaceutical companies could step up" with a competing offer "if they wanted to," said **Jeffrey Kraws**, chief executive officer of Crystal Research Associates, in an interview with Bloomberg television. "But it would have to be something done with Icahn's blessing. He's getting a pretty good price right now."

**Icahn** is the biggest ImClone shareholder after Bristol-Myers with a 13 percent stake as of March 31, according to Bloomberg data. The billionaire investor didn't immediately return telephone calls for comment.

Icahn is known for his activist style of investing. He's pushing Yahoo Inc. to remove chief executive officer **Jerry Yang** after the company decided July 21 to give Icahn representatives three seats on its board.

At What Price?

"This deal makes sense for Bristol, to give them more access to biologics manufacturing and to potential growth in oncology, one of the fastest-growing markets in the industry," said **Linda Bannister**, an analyst with Edward Jones in New York, in a phone interview. "The question is whether they can get the deal done and at what price, given Icahn's involvement."

Bristol-Myers has a goal of cutting \$2.5 billion in costs by 2012 as it prepares for generic competition to its bestselling drug, the blood-thinner Plavix. Its \$4.1 billion sale of its wound-products division,

ConvaTec, is expected to close by the end of September.

"For Bristol-Myers Squibb, the proposed acquisition of ImClone represents a strategically and financially sound add-on to our business, consolidating a relationship we have had for nearly seven years," said **James Cornelius**, Bristol's chief executive officer, in a statement today.

Cornelius said the acquisition would add to the company's financial performance by 2013, and "drive growth beyond 2013."

#### Man-Made Antibody

Erbix, which generated \$195.1 million in U.S. sales in 2007, is a man-made antibody, a substance naturally produced by the immune system in response to infection. It costs up to \$10,000 a month. The drug works by latching onto cancerous cells and blocking replication. It has been approved for colon cancer and head and neck tumors.

Bristol-Myers and ImClone have also been testing the drug against lung and other types of tumors to expand its use.

Cornelius, in the letter to Icahn making the offer, said he foresees no "regulatory or other impediment to closing."

"Our offer is not conditioned on financing or due diligence," the letter said. If the deal fails, Bristol-Myers "may sell a portion of or all its ImClone shares" or continue to hold them, Bristol-Myers said in its regulatory filing.

Besides Erbix, ImClone has five experimental drugs in development for cancer. Four target solid tumors, cancers in the breast, colon, prostate and ovaries, using the same mechanism of action as Erbix. It also is working on another type of cancer drug that suppresses tumor growth by blocking blood flow the malignancy needs to grow.

Three of the medicines are in the second of three stages of testing needed to win regulatory approval, while the other two are in initial human trials.

Morgan Stanley, Citigroup Inc., and Credit Suisse Group AG are advising Bristol-Myers, along with Cravath Swaine & Moore LLP.

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