

BASF's Pronova takeover threatened by shareholder opposition

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BASF's planned takeover of Norway-based pharmaceutical company Pronova BioPharma may face opposition from shareholders who maintain the price offered for the business is too low, an investor said on Monday.

The offer of Norwegian kroner (Nkr) 12.50 (€1.70, \$2.23) per share for the omega-3 fatty acids manufacturer, made on 21 November last year, offers a premium far below the market average for pharmaceutical company takeovers, according to Rolf Solgard, chief portfolio manager of Danish financial services company Nykredit Asset Management.

"I think a fair standalone price is much higher than what you had in the share price before the bid. A bid premium of 4% compared to the share price the day before the bid and an EBITDA multiple of 5.7x is far below what we have seen for acquisitions in the sector.

"We are hearing a lot of shareholders have the same opinion as ourselves," he added.

Solgard, told ICIS that that the offer price does not adequately reflect Pronova's growth potential, which is being driven by entry to new markets and a current capacity utilisation level estimated at 55-60%.

"[Pronova] has started to enter the consumer space, and we'll see a lot of activity there going forward. Within their traditional pharma business, they just got acceptance from Japan, so we will see them entering that market in the next few months, so I do see a lot of ways that they can use the excess capacity they have," he said.

A condition of Germany-based BASF's current takeover offer is that the company needs to receive acceptance from holders of over 90% of Pronova's total share capital.

BASF estimated on 19 December last year that it had received acceptances from shareholders representing 67.2% of Pronova's share capital, but has extended the offer period for the bid to 18 January. This represents the maximum extension of the offer period, according to documents published in December.

Nykredit owns over 1% of Pronova, according to Solgard. Norway-based investor ODIN Fund Management, which owns around 4.7% of the company, is also reported to be sceptical of the current offer price.

BASF's current offer is worth Nkr4.85bn including the assumption of all net financial liabilities. According to the company, Pronova's board of directors and management team "unanimously support BASF's offer and recommend its acceptance".

A BASF spokesperson contacted on Monday ruled out any increases on the current offer value.

"We maintain the price," the spokesperson said.

Source ICIS News