

# Elan moves to deter takeover bid

4 March 2013, by Shawn Pogatchnik

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(AP)—Irish drug maker Elan Corp. announced Monday it will pay shareholders a recurring special dividend linked to the sales of the multiple sclerosis treatment Tysabri.

Analysts said the offer, contingent on Elan's pending sale of its Tysabri rights to partner Biogen Idec Inc., was designed to deter shareholders from considering a [takeover bid](#) by Royal Pharma.

Elan said it planned to pay shareholders 20 percent of its Tysabri [royalties](#) received from Biogen twice annually beginning in the fourth quarter this year.

"This dividend structure gives shareholders the right to enjoy unlimited participation in the upside from the Tysabri sales increase which we anticipate for the future," Elan said in a statement.

Elan and Biogen jointly developed Tysabri and have split earnings since the drug's troubled [launch](#) in the U.S. market in 2004. They soon withdrew Tysabri from sale after three MS sufferers using the drug contracted PML, a rare brain-inflammation disease that is often fatal.

But since its return to sale in 2006 under restricted conditions Tysabri has gradually gained market traction because, despite its PML risks, it is considered most effective at reducing the frequency and severity of sudden [immobilization](#) or partial paralysis experienced by [MS patients](#). The neurological disease MS has no cure.

Last month Elan agreed to sell its interest in Tysabri to Biogen, based in Weston, Massachusetts, for \$3.25 billion in cash and recurring [royalty payments](#).

Royal Pharma launched a \$6.5 billion bid for Elan on Feb. 25 that values the Dublin-based company at approximately \$11 a share. Royal Pharma argued that Elan's shareholders should sell because the company already was too heavily reliant on Tysabri sales, but Elan's directors

rejected the bid as cynically timed to exploit uncertainty among some Elan shareholders.

Elan's shares have risen 27 percent since the Tysabri sale plans were announced Feb. 6. They rose a further 1 percent on Monday to €8.71 (\$11.33) on the Irish Stock Exchange.

The royalty agreement means Biogen will pay Elan 12 percent of its revenue from Tysabri sales this year and 18 percent in future years. Should Tysabri sales break the \$2 billion annual barrier, as is expected, Elan will receive 25 percent of the proceeds from sales over that threshold. Tysabri's sales totaled \$1.6 billion in 2012.

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APA citation: Elan moves to deter takeover bid (2013, March 4) retrieved 8 May 2021 from <https://medicalxpress.com/news/2013-03-elan-deter-takeover.html>

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