

Roche assignment essay

[Business](#), [Industries](#)



1) Why is Roche seeking to buy the 44% of Genentech it does not own? From Roche's point of view, what are the advantages of owning 100% of Genentech? What are the risks? Roche is looking at this acquisition as a source of internal growth; the advantages are for research reasons, cutting cost creating a synergy by eliminating duplication of efforts and having easily access to Genentech's free cash flow optimizing tax issues.

Some analyst are concern that Genentech would lose its independence for pursuing its own projects, allocate enough amount of money to Research and Development, and its key Scientifics and top management might leave the company. 2) As a majority shareholder of Genentech, what responsibilities does Roche have to the minority shareholders? Obtain approval of a majority of the minority of Genentech shareholders voted at the meeting concerning the merger, if not satisfied Roche should pay the fair value for Genentech stock determinate by independent investment banks Also Roche could not share in Genentech's intellectual property if it didn't own 100% shares; the merger would facilitate product development and research between the two companies. 3) As of June 2008, what is the value of the synergies Roche anticipates from a merger with Genentech? Assess the value of synergies per share of Genentech. Please use a 9% WACC in your analysis I consider only the synergies from the merger, and divided by the outstanding Genentech shares, in the article was mentioned that some (cost reductions) efficiencies could be achieve by Roche by itself after the analysis) Based on DCF valuation techniques, what range of values is reasonable for Genentech as a stand-alone company in June 2008? Please exclude synergies from your valuation and use a 9% WACC. You can assume that at the end of June 2008,

Genentech held approximately USD 9 billion in cash, which included investments and securities that were not needed in its daily operations (Note: Exhibit 10 is a good starting point for this analysis). 84-85)What does the analysis of comparable companies (Exhibits 12, 13 and 14) indicate about the Genentech's value within the range established in Question 4? The price earnings ratio is higher for Genentech when we compare it against the mean for the core comparables, it could be due to the expected revenues and growing from new drugs that the company could potentially launch, it also has the higher enterprise value with 84, 570, the problem with the valuation is that is expected higher sales growth , and if its not occurring for some reasons the the value could decrease significantly.

) How has the financial crisis affected Genentech's value? What changes in valuation assumptions occurred between June 2008 and January 2009? When the economy entered in recession and the crises affected the whole economy, the stock price of both companies dropped with their industry, the more severe problem was for Roche that needed to ask for a loan to pay for the merger, and interest rates were too expensive. However the market recovers quite soon and this helps to Roche to negotiate better conditions.) How did Genentech's board and management respond to Roche's offer of USD 89 per share? The 89 USD offer was rejected as too low by the company's board.

They suggested that 112 would be a fair value . 8) What should Franz Humer do? Specifically, should he launch a tender offer for Genentech's shares? What are the risks of this move? What price should he offer? Should he be

prepared to go higher? How much new financing will Roche need to complete the tender offer? They can launch a tender offer bypassing the management board which are reluctant to analysis together the valuation, especially before the release of the study about one important cancer drug that if positive could boost the company's share higher, he should offer between 92 to 95, and try to get the deal done in short time, otherwise top key management and researchers could start leaving the company. The company is worth around 90 billions, and they will have to buy the 44 % should be around 40 billions.