

Examine the stock
returns for both pfizer
and astrazeneca
during the bid
process ...

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Stock Returns for both Pfizer and AstraZeneca Introduction Pfizer is an American global pharmaceutical firm headquartered in New York City, and with its research headquarters based in Groton, Connecticut in America. It is among the world's biggest pharmaceutical corporations by revenues figured at approximately \$ 51. 584 billion shillings by 2013. AstraZeneca, on the other hand, is a global pharmaceutical company with headquarters in London, in the United Kingdom. It operates in more than 100 countries internationally with a rating as the seventh largest pharmaceutical firm in terms of sales. AstraZeneca's revenues value as at 2013 was approximately \$ 25, 711 million shillings (Battersby & Grimes 2014, p. 7. 36). Comparing by the revenues, Pfizer is a larger company than AstraZeneca both the companies being products of the merger.

Nature of Pfizer and AstraZeneca bid process

Pfizer made four approaches earlier in 2014 terminating the bids in a full and final offer of 55 sterling pounds per share valuing AstraZeneca at 69 billion pounds (Battersby & Grimes 2014, p. 7. 37). The current debt to equity ratio at Pfizer is at 0. 49, a low and a below average industrial average. The low figure is an indication of good management of debt levels within the firm.

Pfizer had a quick ratio of 2. 03 demonstrating their capability to cover and settle short time liquidity needs.

The gross profit of Pfizer during the bidding process span was a high figure of 85. 18 percent with its net profit margin accounted at 22. 92 percent. The net operating cash flow had a slight increase to \$4, 087 million, a figure equivalent to 6. 71 percent comparable to the same quarter one year ago (US. Pharmaceuticals & Healthcare Report 2014, P. 15).

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Possible Reasons for Changes in Prices on Key dates

Risk and Uncertainty of the takeover

AstraZeneca rejected Pfizer's final offer on grounds that the takeover may pose a risk to its pharmaceutical operations. In addition, the fear of the uncertainty that could arise led to the collapse of the bid process. It became hard for AstraZeneca to evaluate Pfizer's final bid given the uncertainty over the total amount that Pfizer could trim off its tax bill by venturing in Britain.

Undervaluation

Pfizer offered a final bid of 69.4 billion sterling pounds, an equivalent amount to \$ 117 billion terming the figures full and final. Lack of a proven parameter for evaluating a company with a growing and attractive growth prospects led to changes in prices on the final day. Pfizer failed to factor in AstraZeneca's future prospects in terms of sales and market base.

Political Instability

The concerns on whether Pfizer would eliminate jobs after the merger and diminish Britain's standing in life sciences indicate the political influence on the deal. The role of every country is to secure job opportunities and to strengthen local companies globally. Britain politicians cited Pfizer's decision in 2011 to shut a facility in Sandwich, England after a merger. The shutting contributed to the loss of more than 1500 jobs that were available raising the unemployment rates to a greater percentage (Great Britain 2013, p. 50). In addition, the political risks that Pfizer could use the merger to move its tax domicile to the United Kingdom. The fear of tax inversion by an external corporation led to the changes in price on the final day.

Bibliography

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