



DEALS | Wed Jun 22, 2011 | 11:16am EDT

Dentsply buys Astra Tech for \$1.8 billion



A worker leaves the AstraZeneca research facility in Loughborough, March 2, 2010. REUTERS/Darren Staples

By Ben Hirschler | LONDON

U.S. company Dentsply International secured a bigger bite of the global dental market by buying AstraZeneca's dental implants and medical devices unit for \$1.8 billion.

Dentsply, which beat off bids from rival medical technology groups and private equity firms, said on Wednesday the purchase of Astra Tech would increase its revenue by about 25 percent and boost its earnings immediately. Shares in the company rose 2.8 percent.

Swedish-based Astra Tech, which had revenue last year of \$535 million, is the world's third-largest dental implants maker after Straumann and Nobel Biocare. It has a separate medical devices arm focused on urology and surgery.

Acquiring Astra Tech will strengthen Dentsply's leading position in the global dental market.

"It gets them into a fast-growing area where they haven't really had the kind of presence they've had in some of their other lines of business," said Les Funtleyder, a portfolio manager with Miller Tabak.

For AstraZeneca, the disposal reinforces its role as a "pure play" pharmaceuticals company at a time when many rivals are diversifying.

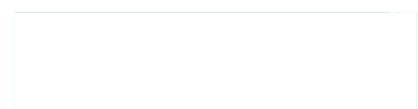
AstraZeneca Chief Executive David Brennan said the auction process, run by JPMorgan, had attracted "a high degree of interest." The price, however, was somewhat short of the \$2 billion some analysts had been expecting.

The deal, expected to close in the second half, will not hit AstraZeneca's core earnings in 2011 but will provide extra resources for the British drugmaker to improve returns -- a high priority for Brennan as the company heads into a wave of patent expirations on

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AstraZeneca earlier this year announced a doubling of its 2011 share buyback program to \$4 billion. Shares in the company rose 1 percent on Wednesday.

PROFIT BOOST

York, Pennsylvania-based Dentsply said it expects the deal will boost adjusted earnings per share by 12 cents to 17 cents in the first full year and by 30 cents to 40 cents by the third year, including the benefits of sales and operational synergies.

Bret Wise, Dentsply chairman and chief executive, said Astra Tech would more than double his company's position in dental implants, while urology and surgery provided additional growth opportunities.

Given the increasingly competitive nature of the global medical devices industry, Seymour Pierce analyst Mike Mitchell said it made sense for AstraZeneca to dispose of Astra Tech, though it will be more reliant on risky new drug development.

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"Inevitably, however, AstraZeneca's reliance on its pharmaceutical/share buyback model is even more emphatic, and today's news does nothing to dispel our misgivings on the former," he said, reiterating a "reduce" recommendation on the [stock](#) .

Like other parts of the medical device sector, the dental implant market has been hurt by lower consumer spending but is starting to grow again as the economy recovers.

"If the economy starts to pick up over the next few years, dentistry is one of the first things that will improve," Miller Tabak's Funtleyder said.

Swiss groups Nobel Biocare and Straumann had both been eyeing the Astra Tech business but pulled out of the auction process before tabling binding bids, Reuters reported earlier this month.

Despite the loss of those two potential trade buyers, Dentsply's acquisition underlined corporate bidders' resurgent appetite to use cash to make acquisitions and outbid private equity firms for strategic assets.

(Additional reporting by Lewis Krauskopf in New York, Editing by David Holmes, Dan Lalor and John Wallace)

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