

Battle between Novo Nordisk and Pfizer has only one winner



Big gains

Share prices rebased in \$ terms



Source: LSEG

Somewhere, the late T Boone Pickens must be smiling. The 1980s corporate raider delivered some of history's most creative and aggressive hostile takeover attempts.

The bidding war over Metsera, a maker of obesity drugs, feels like a throwback to his swashbuckling era.

How hot an asset is Metsera? The highest cash bid currently on offer – from Novo Nordisk – is \$62.20 per share, equivalent to \$10bn after potential performance-linked payouts are included.

That's for a company whose most mature asset has yet to be tested in phase 3 trials and was trading at \$13 per share earlier this year.

Moreover, Novo's swoop derailed a cash deal that Metsera had agreed with drugmaking giant Pfizer for \$47.50 per share that was to close this month. Since then, each bidder has raised its offer once more.

The twist is that, for both Novo's first offer and its improved version, the cash payment is not for immediate control of the company's common shares, unlike Pfizer's straightforward buyout. Rather, Novo is purchasing non-voting preferred stock in return for cash that would go straight to Metsera shareholders.

After getting regulatory and

antitrust approvals, the Danish group would complete the formal takeover, with future cash payouts based on drug-development milestones.

Predictably, this fight has spilled into the courts. Pfizer claims that the preferred stock gambit can't be deemed a "superior" offer. It alleges that this is a ruse to avoid antitrust proceedings, in which it believes Novo, as one of the two major players in obesity, will not prevail.

So far, the Delaware court in question has decided that a bidding war is beneficial for Metsera shareholders, so is minded to stay on the sidelines while the wheeling and dealing proceeds.

It's less beneficial for the hot-headed bidders. Novo's shares are down two-thirds from their 2024 high as it lost its first-mover advantage to Eli Lilly.

Offering an epic price for Metsera through a complex mechanism has not inspired much confidence with its own shareholders.

Pfizer, meanwhile, has struggled to develop its own obesity treatment.

Raising its own bid to \$60 doesn't suggest masses of confidence in its legal arguments. The best place to be in life sciences right now is neither incumbent nor challenger: it is to hold a promising treatment complemented by clever lawyers.