



*Better Health,  
Brighter Future*

# Proposed Acquisition of Shire plc by Takeda



May 8, 2018 | Osaka, Japan

- *Creates a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan -*
- *Better positions Takeda to deliver highly-innovative medicines and transformative care globally -*
- *Accelerates strategic transformation toward Vision 2025 -*

## Transaction Highlights

- Brings together complementary positions in gastroenterology (GI) and neuroscience; provides leading positions in rare diseases and plasma-derived therapies to complement strength in oncology and focused efforts in vaccines
- Creates a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, with an attractive geographic footprint and provides the scale to drive future development
- Creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on breakthrough innovation
- Enhances Takeda's cash flow profile, with management confident of delivering substantial annual cost synergies and generating attractive returns for shareholders
- Takeda's transformation positions the combined group to successfully integrate Shire and maximize value from the combination

Takeda Pharmaceutical Company Limited (TSE: 4502) ("Takeda") and Shire plc (LON: SHP) ("Shire") today announced that they have reached agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire. Under the terms of the acquisition, each Shire shareholder will be entitled to receive \$30.33 in cash for each Shire share and either 0.839 new Takeda shares or 1.678 Takeda ADSs. The transaction has been approved by both companies' boards of directors, and is expected to close in the first half of calendar year 2019. Upon the closing of the transaction, Takeda shareholders will own approximately 50 percent of the combined group.

With leading market positions in prioritized therapeutic areas, an attractive geographic footprint, greater scale and efficiencies, and an even more productive R&D engine, the combined group will be better positioned to deliver highly-innovative medicines and transformative care providing better health and a brighter future for patients around the world.

"Since its inception, Takeda has transformed into an agile, R&D-driven global pharmaceutical company that is well-positioned to deliver innovative and transformative care to patients around the world," said Christophe Weber, president and chief executive officer of Takeda. "Shire's highly complementary product portfolio and pipeline, as well as experienced employees, will accelerate our transformation for a stronger Takeda. Together, we will be a leader in providing targeted treatments in gastroenterology, neuroscience, oncology, rare diseases and plasma-derived therapies. We are looking

forward to the benefits this combination will bring to patients worldwide, the opportunities it will bring for our employees and the returns it will deliver for our shareholders.”

Susan Kilsby, chairman of Shire, said, “Over the last 30 years, Shire has become the global leader in treating rare diseases, delivering innovative products that transform patients’ lives. With this combination, Shire helps create an even stronger biopharmaceutical company, with a robust R&D pipeline and expanded global footprint. We are proud of what Shire has become and are grateful to all Shire employees for their contributions. We firmly believe that this combination recognizes the strong growth potential of our leading products and innovative pipeline and is in the best interests of our shareholders, our patients and the communities we serve.”

Flemming Ornskov, chief executive officer of Shire, said, “I would like to thank the entire Shire team for all that we have accomplished over the last five years to transform Shire into a leading rare disease biotech company and a tenacious champion for patients in need. I am confident that this relentless focus will enable us to continue delivering against our priorities throughout this process. With a truly innovative portfolio and pipeline, I believe that the combination of the two companies is in the best interests of shareholders and offers an opportunity to improve the lives of even more patients globally with rare and highly specialized conditions.”

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## **Highly Compelling Strategic and Financial Rationale**

**Brings together complementary positions in GI and neuroscience; provides leading positions in rare diseases and plasma-derived therapies to complement strength in oncology and focused efforts in vaccines**

The acquisition of Shire will accelerate Takeda’s transformation by bringing together Takeda and Shire’s complementary positions in GI and neuroscience. It will also provide the combined group with leading positions in rare diseases and plasma-derived therapies to complement strength in oncology and focused efforts in vaccines. Takeda will continue to focus on the acceleration of its oncology business, following its recent acquisition of ARIAD Pharmaceuticals. In addition, Takeda’s vaccine business will continue to address the world’s most pressing public health needs.

**Creates a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, with an attractive geographic footprint and provides the scale to drive future development**

The acquisition will build on Takeda’s long Japanese heritage and values-based culture to create a global biopharmaceutical leader, driven by innovative and world-class R&D. The combined group will have an attractive geographic footprint, with significantly increased exposure in the United States (U.S.), an important and growing market. In addition, Shire’s portfolio will benefit from Takeda’s strong international presence in emerging markets and Japan. The integrated company will continue to be headquartered in Japan, expand its R&D presence in the Boston area and have major regional locations in Japan, Singapore, Switzerland and the U.S. Together, the combined group will have leading

positions in two of the largest drug markets globally: the U.S. and Japan. The acquisition is expected to result in Takeda being the only pharmaceutical company listed on both the Tokyo Stock Exchange in Japan, where it will continue to have its primary listing, and the NYSE in the U.S., enabling it to access two of the world's largest capital markets.

### **Creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on breakthrough innovation**

Takeda and Shire have highly complementary pipelines. Shire has strong expertise in rare diseases, an attractive modality-diverse mid- and late-stage pipeline, enriched with large-molecule programs, as well as cutting-edge technologies in gene therapy and recombinant proteins. Combining this with Takeda's early development and research-oriented R&D program will result in a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on breakthrough innovation. The combined group will build on existing partnerships, including Takeda's more than 180 active partnerships with academia, biotechnology companies and startups, to further enrich the pipeline.

### **Enhances Takeda's cash flow profile, with management committed to delivering substantial annual cost synergies and generating attractive returns for shareholders**

The acquisition of Shire will provide compelling financial benefits for the combined group. It will be significantly accretive to underlying earnings per share from the first full fiscal year following completion, and will produce strong combined cash flows. The transaction is also expected to result in attractive returns for shareholders, with the return on invested capital (ROIC) expected to exceed Takeda's cost of capital within the first full fiscal year following completion. The substantial cash flow generation expected to result from the acquisition will enable the combined group to de-lever quickly following completion. Takeda intends to maintain its investment grade credit rating, with a target net debt to EBITDA ratio of 2.0x or less in the medium term.

Takeda is confident that the acquisition will create an opportunity to recognize significant recurring cost synergies, with potential for additional revenue synergies from the combination of Shire and Takeda's combined infrastructure, market presence and development capabilities. Takeda expects recurring pre-tax cost synergies for the combined group to reach a run-rate of at least \$1.4 billion per annum by the end of the third fiscal year following completion of the acquisition.

The acquisition will accelerate Takeda's strategic transformation toward Vision 2025, and strong combined cash flows will enable continued investment in R&D. Takeda's well-established dividend policy will remain a key component of future shareholder returns.

## **Execution**

Takeda's experienced management team has a proven track record of executing complex business integrations and large-scale transformations, and is well-positioned to successfully integrate Shire and maximize the value of the combination. The integration will be supported by the companies' highly complementary organizational structures in geographic areas, including hubs in the Boston area, Switzerland and Singapore, as well as similar therapeutic area focus and complementary approaches to R&D. Takeda is dedicated to carrying out integration efforts in a manner consistent with the company's core values of integrity, fairness, honesty and perseverance, building on the expertise of employees of both companies.

## Transaction Terms

Under the terms of the acquisition, Shire shareholders will be entitled to receive, for each Shire share, \$30.33 in cash and either 0.839 new Takeda shares or 1.678 Takeda ADSs.

The acquisition terms imply an equivalent value of:

- £48.17 per Shire share based on the closing price of ¥4,535 per Takeda share on May 2, 2018, and the exchange rates of £:¥ of 1:147.61 and £:\$ of 1:1.3546 on May 4, 2018 (being the latest practicable date prior to this announcement); and
- £49.01 per Shire share based on the closing price of ¥4,923 per Takeda Share and the exchange rates of £:¥ of 1:151.51 and £:\$ of 1:1.3945 on April 23, 2018 (being the day prior to the announcement that the Shire board would, in principle, be willing to recommend the consideration).

The equivalent value of £49.01 per Shire share values the entire issued and to be issued ordinary share capital of Shire at approximately £46 billion.

Immediately following completion of the transaction, Takeda shareholders will hold approximately 50 percent of the combined group.

The transaction has been approved by the boards of both companies, and is subject to the approval of Shire and Takeda shareholders and certain customary closing conditions, including regulatory approvals.

The acquisition is expected to close in the first half of calendar year 2019. Upon completion, the new Takeda shares will be listed on the Tokyo Stock Exchange, and local Japanese stock exchanges. In addition, Takeda will apply for its ADSs (each representing 0.5 Takeda shares) to be listed on the NYSE effective on or shortly after the effective date.

## Financing

Takeda has entered into a bridge facility agreement of \$30.85 billion with, among others, J.P. Morgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., part of the proceeds of which will be used to fund the cash consideration payable to Shire shareholders in connection with the acquisition. It is currently contemplated that, prior to completion, the commitments under the bridge facility agreement will be reduced or refinanced with a combination of long-term debt, hybrid capital and available cash resources.

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## **Conference Call Webcast Information**

Takeda will host a transaction conference call at 4.15pm – 5pm JST / 8.15am – 9am BST / 3.15am – 4am EST on May 8, 2018 to discuss the transaction.

Investors and analysts can dial in to the conference call using the numbers below:

Standard International Access: +44 (0) 20 3003 2666; Japan Toll Free: 006633132499; UK Toll Free: 0808 109 0700; USA Toll Free: 1 866 966 5335; Tokyo Toll Free: +81 (0) 3 5050 5366; and Passcode: 161017

A presentation for the call will be available at:

**<https://www.takeda.com/investors/reports/quarterly-announcements/quarterly-announcements-2018/>**

Takeda will host an additional audio webcast at 10.00 p.m. JST / 2.00 p.m. BST / 9.00 a.m. ET on May 8, 2018 with Japanese translation, to discuss the transaction. The webcast can be accessed at the following link:

**<https://www.takeda.com/jp/investors/reports/quarterly-announcements/quarterly-announcements-2018/>**

Replays of the conference calls will be available within 24 hours.

For more information, the full Rule 2.7 announcement setting out full details of the offer to Shire shareholders is available at: **<https://www.takeda.com/investors/offer-for-shire/>**

## **About Takeda Pharmaceutical Company**

Takeda Pharmaceutical Company Limited (**TSE: 4502**) is a global, research and development-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. Takeda focuses its R&D efforts on oncology, gastroenterology and neuroscience therapeutic areas plus vaccines. Takeda conducts R&D both internally and with partners to stay at the leading edge of innovation. Innovative products, especially in oncology and gastroenterology, as well as Takeda's presence in emerging markets, are currently fueling the growth of Takeda. Approximately 30,000 Takeda employees are committed to improving