

Morgan Lewis Helps Perrigo Fetch Pet Care Co. For \$285M

By **Jeff Overley**

Law360, New York (September 13, 2012, 6:33 PM ET) -- Michigan drugmaker Perrigo Co. on Thursday said it's snapping up Nebraska-based Sergeant's Pet Care Products Inc. from Dallas private equity firm Sowell & Co. for \$285 million, an all-cash deal that sends the company's sizable over-the-counter medicine presence into a furry new realm.

After various tax savings over the next 15 years are thrown in, the transaction should cost about \$235 million, something Perrigo cast as a good value given revenues at Sergeant that this year are estimated at \$140 million.

In addition, it adds several new species to Perrigo's customer base, turning the company overnight into a player in a market for pet care products that Perrigo values at \$8 billion.

Joseph C. Papa, Perrigo's chief executive, said the purchase lets his company "penetrate the pet care category by offering numerous flea and tick, health and well-being, and consumable products to pet owners at affordable prices."

"This is a first step in executing on our strategy to expand our consumer health care portfolio into pet care, an adjacency of interest to our retail customers," Papa added.

Perrigo is best known for its extensive line of prescription ointments and creams used to treat various skin ailments. It also describes itself as the world's biggest manufacturer of OTC medicines sold under retail store brands, with acne gels, allergy tablets and decongestant pills constituting major parts of its portfolio.

The acquisition, which is expected to close in the final three months of this year, gives Perrigo a sizable footprint in the nation's pet stores, which carry more than 1,000 Sergeant products, including flea collars and shampoos for cats and dogs, numerous types of feed for everything from parakeets to gerbils, and a whole line of food flakes and medicines for fish.

Sergeant's approach of offering merchandise with the same active ingredients as products sold through veterinary channels, but at a lower cost, dovetails with Perrigo's "ORx Initiative," a line of generics sold at original prescription strength.

Perrigo officials contend that Sergeant's occupies a stable position in the market because of high barriers to entry related to regulatory approvals, intellectual property protections and sourcing of active ingredients.

In addition, Perrigo said future prospects look good because "consumers are treating their pets like members of the family and are spending a higher proportion of discretionary income on pet care and well-being."

The sale also represents yet another change of ownership for Sergeant's, which was sold in the 1960s to pharmaceutical company A.H. Robins and snagged by ConAgra Foods Inc. in the 1980s before being picked up in 2000 by Sowell, which remained the majority stakeholder up until the current deal.

Perrigo was advised on the deal by Robert Robison, Sheryl Orr, Juan Damian Guzman and Priscila McCalley of Morgan Lewis & Bockius LLP.

--Editing by Kat Laskowski.

All Content © 2003-2012, Portfolio Media, Inc.