

DEALMAKER OF THE WEEK

CHARLES RUCK

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THE DEALMAKER

Charles Ruck, 47, a Latham & Watkins M&A partner who divides his time between the firm's Orange County, Calif., and New York offices.

THE CLIENT

Actavis, the Dublin-based generic drug maker.

THE DEAL

Actavis said Tuesday it has agreed to acquire Forest Laboratories, a New York-based specialty pharmaceuticals company, in a cash-and-stock transaction valued at \$25 billion.

THE DETAILS

Actavis has agreed to exchange \$26.04 in cash and 0.3306 of its shares for each Forest share, a purchase price that values the target at \$89.48 per share and represents a 31 percent premium over Forest's Feb. 14 closing price. Once the deal closes, Forest shareholders will own roughly 35 percent of the combined company. Closing is expected by mid-2014, pending the approval of regulators and the companies' shareholders.

Ruck and fellow Latham M&A partner R. Scott Shean led the firm's team advising Actavis, which also received antitrust advice from Skadden, Arps, Slate, Meagher & Flom. Wachtell, Lipton, Rosen & Katz advised Forest.

THE BIG PICTURE

As The Am Law Daily reported earlier this week, the Forest acquisition allows Actavis—whose primary products are generic versions of popular branded drugs—to expand its specialty pharmaceutical portfolio.



Forest makes a range of specialty drugs, including the well-known antidepressant Lexapro and Alzheimer's treatment Namenda. Actavis said Tuesday that the combined company is expected to generate roughly \$15 billion in annual revenues, with specialty drug sales representing about half that sum. (North American specialty drug sales currently account for about one-third of Actavis's revenue.)

The deal is also expected to generate about \$1 billion in annual savings for Actavis within three years of closing, about \$100 million of that in reduced taxes. The New York Times noted this week that those tax savings will mostly result from Forest's earnings being subject to Ireland's lower tax rates once it is folded into Actavis' operations.

In a so-called corporate inversion that allowed it to take advantage of lower overseas tax rates, Actavis—which had been based in Parsippany, N.J.—reincorporated itself in Ireland last year as part of its \$8.5 billion purchase of Dublin-based generic rival Warner Chilcott.

Actavis isn't the only generic drug maker looking to cross over into the specialty pharmaceutical realm, according to Bloomberg, which notes that companies such as Valeant Pharmaceuticals and Mylan are among those who could spark a surge in pharmaceutical M&A activity. Valeant, which Bloomberg says could make a competing offer for Forest before that deal closes, tried to buy Actavis for \$13 billion last year in deal that ultimately collapsed. Meanwhile, Reuters reported last month that Actavis, Mylan and Valeant are all in the running as potential bidders for Pfizer's generic drugs unit.

THE BACKSTORY

Ruck has been working with the company now known as Actavis since before it took that name. He first started advising Actavis predecessor Watson Pharmaceuticals roughly 15 years ago, when the company was still based in Corona, Calif. (The company was known as Watson when it moved to Parsippany in 2011.)

He and Shean have advised the company in its various forms on a string of acquisitions, including Watson's \$1.9 billion purchase of Andrx Corporation in 2006 and a \$1.75 billion deal for Arrow Group three years later that expanded the company's overseas reach. In 2012 the two attorneys led the way on Watson's \$5.6 billion purchase of Switzerland-based Actavis Group, which led to the name change. And last year, Shean earned "Dealmaker of the Week" recognition from The Am Law Daily for his work on the deal, which Ruck co-led, that saw Actavis acquire Warner Chilcott and relocate to Ireland.

Ruck favors basketball analogies, likens each of the major deals Latham has handled for Actavis to a "big game" and says the success of those deals is in part a byproduct of the teamwork engendered by familiarity between attorneys from the firm and the client's in-house team: "We could only have put this deal together in the short time period that we did and with the successful result that we did by virtue of the fact that we've played a lot of scrimmages together and, when we got to the big game, we all sort of knew each other's moves and we knew what mattered to each of us," he says.

ON CLOSING

Ruck and Shean's team began working on the potential Forest acquisition in late January, and the

matter progressed quickly from there. Thanks to Latham's deep ties to Actavis, the primary challenge presented by the deal process was ensuring that the two companies were a good match.

With the exchange of stock giving Forest shareholders a big chunk of Actavis, Ruck says the companies needed to work together closely to see that both sides were happy with the combined company's structure. "A lot of the time we spent was making sure the two companies were right for each other and that the marriage was right," he says. In the end, they decided that three members of Forest's board would join the Actavis board once the deal closes, while senior management from both companies will be integrated into one leadership team.

One piece of the integration that came together more easily than it might have involved Forest's January acquisition of gastrointestinal and cystic fibrosis drug treatment company Aptalis for \$2.9 billion. Ruck says the process of folding Aptalis into the deal was simplified by the fact that Forest was able hand over up-to-date due diligence it had just performed on its recent acquisition. Absent that, Ruck says, Actavis would likely have had to perform a new round of research on Aptalis.

The Forest deal is the first major acquisition on which Latham has advised Actavis since the company's reincorporation in Ireland. Ruck says the new headquarters location created one interesting dealmaking wrinkle that emerged just before the agreement signed. According to Irish laws, he says, a quorum of Actavis' board had to approve the deal in person at a meeting that took place within the country. As a result, Ruck and a group of Latham attorneys flew to Dublin last weekend to spend four hours in a boardroom and signed off on the transaction.

The trip, and the eventual signing of the agreement, capped off a busy three-week stretch for Ruck that saw him lead three deals to signing in what he says his wife—who apparently prefers soccer—referred to as a "hat trick." Ruck was part of a Latham team advising ArthroCare on its \$1.7 billion sale to Smith & Nephew in a deal announced Feb. 3. He then helped lead a team representing Cadence Pharmaceuticals in connection with its acquisition by Mallinckrodt for \$1.3 billion. Add in the Actavis-Forest deal, and Ruck says he's coming off a dealmaking run that he doesn't expect will repeat itself anytime soon: "I've never been in a situation where three weekends in a row I've announced multibillion-dollar transactions, and I've asked my buddies at other places and they haven't heard of that either."