**QUESTIONS FOR THE ‘ROCHE ACQUISITION’ CASE STUDY**

**(TO BE ANSWERED IN THE STUDENT GROUP REPORTS)**

**DEADLINE: Friday, 2/12/2016, 18.00 (at PG secretary or instructor)**

In your group report, you should attempt to answer the following **one** question. For each question, a few pages should be enough; I should stress that I am mostly interested in understanding the quantitative analysis or reasoning that led you to your answer in the report. It is recommended that you supplement your report with a compact disk (cd) that contains any files that might facilitate me in understanding your answers (e.g. excel worksheets with computations of intermediate steps, etc.)

Questions

1. What should Franz Humer do? Should he launch a tender offer for Genentech’s shares? If yes, what price should he offer? What are the risks of such a move? Should he be prepared to go higher than the first offer or not? How much new financing will be required in order to complete the tender offer?

In answering the main question above, the student groups might wish to consider the following

(intermediate) questions:

1. Why is Roche seeking to acquire the 44% of Genentech it does not own? From Roche’s point of view, what are the advantages of owning 100% of Genentech? What are the risks?
2. Based on discounted cash flow techniques, what range of values is reasonable for Genentech as a stand-alone company in June 2008? (excluding synergies that can be accomplished)
3. As of June 2008, what is the value of the synergies Roche anticipates from a merger with Genentech? (What weighted average cost-of-capital have you used in your calculations and how have you derived this number?)
4. What does the analysis of comparable companies indicate about Genentech’s value within the range established in question B?
5. Has the financial crisis affected Genentech’s value? What changes in valuation assumptions occurred between June 2008 and January 2009?

Students should not feel obliged to structure their reports around (intermediate) questions A.-E. above; they can altogether be ignored. They are merely intermediate questions to facilitate you in approaching the main question 1. around which your report should revolve.