

Medtronic to Acquire Covidien, Move HQ to Ireland



US-based Medtronic Inc, the world's largest medical device maker, has announced its decision to buy its competitor Covidien Plc for a cash and stock deal worth \$42.9 billion, expected to close in the fourth quarter of 2014 or early 2015.

The management plans to move its executive base to Ireland in order to benefit from the lower corporate tax rate prevalent in Europe, while keeping its operational headquarters in Minneapolis. Medtronic's statement declares a complementary medical technology strategy with Covidien to be the driving factor in the purchase.

The merger will increase the company's size significantly, rivalling that of medical device industry leader Johnson & Johnson Co., and Medtronic Chief Executive Omar Ishrak confirmed that the aim was indeed strategic, as the company has pledged \$10 billion in US technology investments over the next 10 years.

Medtronic will now be able to focus beyond their portfolio of spinal implants, heart devices, insulin pumps and other products, on areas including laparoscopic procedures and weight-loss surgery, improving the company's competitive position.

Raj Denhoy, analyst at Jefferies, estimates this merger will bring a 2-3% corporate tax reduction, aligning it to Covidien's 16% rate. He also pointed out the competitive advantages resulting from the increase in product range.

A sign of changing times, company acquisitions aimed at lowering corporate tax rates are increasingly common. There are concerns among some US lawmakers that such inversion deals are of tax-avoiding nature and eroding government revenue, however bill proposals have not gained much momentum to date.

The recently failed Pfizer/AstraZeneca bid garnered a great amount of political attention, and should further major US companies instigate inversions analysts and lawyers now believe that this inversion strategy will be scrutinised far more in future.

[Source: Reuters](#)

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