

Abbott – Alere Negotiations

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In February 2016, Abbott Laboratories announced that it would acquire Alere Inc. for \$5.8 billion. During negotiations, Alere misrepresented company information, Abbott tried to get out of the negotiation, and Alere was eventually purchased at a discount from initial negotiations. While negotiations failed to identify potential issues that could (and would) arise, the negotiations between Abbott and Alere demonstrate several essential elements of a successful negotiation.

Company Background

Abbott Laboratories (Abbott) is an American health care company with headquarters in Lake Bluff, Illinois. The company was founded by Chicago physician Wallace Calvin Abbott in 1888 to formulate known drugs and has since grown to sell research-based drugs, medical devices, diagnostics, and nutritional products. Abbott earned revenue of \$27.39 billion in 2017 across their subsidiaries, some of which include Thoratec and St. Jude Medical. Abbott Laboratories employs approximately 70,000 employees worldwide. It serves customers in more than 150 countries and has nearly 70 locations across the globe (Abbott, n.d.).

Alere Inc., formerly known as Inverness Medical Innovations, Inc., is a global manufacturer of rapid point-of-care diagnostics tests. It operates three business units focused on cardiometabolic, infectious disease, and toxicology testing. Alere had approximately 9,800 employees as of 2016 with locations in the United States and the United Kingdom. Founded in 1991 by Ron Zwanziger, Alere faced a series of declining sales, persistent losses, and worrisome legal issues. For example, the company suffered losses of \$98.4 million while fighting lawsuits over allegedly inaccurate test results and the expulsion of its diabetes-test business from Medicare (Cahill, 2017).

Negotiations

On January 30, 2016, Abbott announced that it was to acquire Alere for \$56 per share or about \$5.8 billion, a 47% premium on Alere's stock before the deal was announced (Cahill, 2017). The acquisition, to be financed by taking on debt, would make Abbott the largest provider of rapid medical tests, boost their diagnostic sales to about \$7 billion, and yield combined cost savings of \$500 million by 2019 (Shonk, 2016).

On February 26, Alere disclosed that it had received a subpoena from the U.S. Securities and Exchange Commission asking for information about revenue accounting and sales in Africa. As a result of the subpoena, Alere informed Abbott that its 2015 annual report filing (typically filed in March) would be delayed due to "revenue recognition in Africa and China" (Brusco, 2016). Alere did not say that any errors were found.

On March 15, Alere received a grand jury subpoena from the U.S. Department of Justice, seeking documents related to sales and practices in Africa, Asia, and Latin America as part of a U.S. government crackdown on bribery of foreign government officials by American companies (Brusco, 2016). This investigation had reportedly been underway during Abbott and Alere's negotiations, but Alere had certified in its purchase agreement that it had complied with the U.S. Foreign Corrupt Practices Act since 2014 (Shonk, 2016). Despite Alere's confidence that it had been in compliance, the investigation into their practices continued. It was later determined that despite their compliance certification, Alere's foreign subsidiaries in Colombia and India had indirectly made improper offers to foreign government officials to make sales of its products between 2011 and 2013 (Securities and Exchange Commission, 2017).

In late April, a shareholder lawsuit was filed in federal court in Boston accusing Alere of artificially inflating its share prices ahead of the announcement of the Abbott acquisition and

misleading investors by stating that its financial reporting followed generally accepted accounting principles (MassDevice, 2016). The plaintiffs, a group of individual investors, cited a federal probe into the company's accounting for overseas sales (namely in Africa and China). This lawsuit said Alere failed to disclose "material adverse facts" about the company, throwing its merger with Abbott into doubt. The lawsuit sought damages for investors who bought Alere's shares between May 9, 2013, and April 20, 2016 (Aubin, 2016).

The delayed filing, combined with another investigation into Alere's practices caused Abbott to attempt to terminate the deal in early April. According to legal experts, Alere's potential violation of the FCPA was not necessarily a deal-breaker (Brusco, 2016). Unfortunately for Abbott, FCPA violation investigations can take years, result in criminal charges, endanger compliance changes, and cost Abbott tens of millions of dollars once the deal had closed (Brusco, 2016). Alere's board "promptly rejected" the request to terminate the deal despite Abbott's offer to pay the company \$30-50 million to cancel the acquisition agreement. Abbott CEO, Miles White, threatened to make life a "living hell" for Alere executives unless they agreed to drop the merger, according to a lawsuit Alere filed later in August (Shonk, 2016).

On April 28, 2016, Abbott announced a deal to acquire St. Jude Medical, another medical-device manufacturer, for \$25 billion. Combined with the Alere acquisition, the two deals would triple Abbott's debt. Credit-rating agency Moody's threatened to downgrade Abbott's credit rating if it closed both mergers as planned (Shonk, 2016). More than ever, Abbott had reason to get out of the deal with Alere.

July 2016 further soured the Abbott and Alere negotiations. First, Alere voluntarily recalled its INRatio devices (which monitor patients taking warfarin, a sensitive blood-thinning medication) due to concerns about the effectiveness of recent software updates (Brusco, 2016).

The recall, expected to cost between \$70 and \$90 million, “shouldn’t be material to the Abbott acquisition” according to Canaccord Genuity analyst Mark Massaro (Brusco, 2016). Second, the *Wall Street Journal* broke the news that Alere was facing a federal criminal investigation over its Medicare and Medicaid billing practices (Shonk, 2016). As a result, Alere’s share price fell to \$31.47, much below Abbott’s agreed on price of \$56 per share.

Alere finally submitted its delayed annual report in August, but it did little to assuage Abbott’s uneasiness. The filing “[did] not eliminate Abbott’s concerns about its business controls and practices given the litany of issues that have come to light since our agreement was announced,” Abbott spokesman Scott Stoffel told Bloomberg. “Alere has also failed to provide an adequate explanation for the extended filing delay and has refused to provide detailed and relevant information on several outstanding issues” (Brusco, 2016).

In August, Alere filed its lawsuit against Abbott in Delaware state court, accusing Abbott of suffering from “buyer’s remorse” after their M&A negotiation and asking a judge to force the merger to close within a few months. According to Alere, Abbott had been aware of Alere’s financial issues and government investigations in January, a month before it signed the merger deal. Alere said Abbott had been trying to scuttle the deal by making an “endless and steady stream of unreasonable and extremely burdensome requests” for documents and interviews (Shonk, 2016).

In its legal response, Abbott accused Alere of delaying and withholding information about its finances and federal probes. Saying it needed more time to conduct due diligence on the extent of Alere’s problems and its financial health, Abbott objected to what it characterized as the “breakneck proceedings” sought by Alere. (Shonk, 2016). In September, Alere and Abbott allowed a mediator to review the dispute over antitrust clearance for the merger. The mediation

focused on Alere's claim that Abbott executives purposefully slowed securing the necessary regulatory approvals to combine the companies.

In April 2017, the firms amended the terms of their acquisition agreement and dismissed lawsuits filed against each other. Under the amended terms, Abbott said it would buy Alere for a new price of about \$5.3 billion ("Abbott agrees to buy...", 2017). Under the terms of the deal, Alere became a subsidiary of Abbott, and the deal closed on October 3, 2017 (Abbott, 2017).

Analysis

Negotiations between Alere and Abbott were difficult, time-consuming, and expensive. Filled with lawsuits, investigations, and misrepresentations, the negotiations between Abbott and Alere leave much to be desired. Nonetheless, it provides a great example of how to properly prepare for a negotiation by defining the issues, determining underlying interests, defining targets and BATNAs, and determining an appropriate negotiation strategy.

Bargaining Mix

The bargaining mix, the package of issues to be negotiated, in a merger & acquisition deal involves numerous business, legal, tax, intellectual property, employment, and liability issues. Large bargaining mixes allow any possible components and arrangements for settlement, thus increasing the likelihood that a particular package will meet both parties' needs. In the case of Abbott and Alere, there were many critical issues including price, representations and warranties, and employment contracts:

1. **Price**—A key issue in this, like many negotiations, is the price or consideration to be paid. In this negotiation, the initial price to acquire Alere was set at \$56 per share or about \$5.8 billion but was later renegotiated.

2. **Representations and Warranties**—The representations and warranties in the acquisition agreement may include financial statements, authorization, liabilities, contract, title to assets, employee matters, and much more. The representations and warranties are used to confirm the buyer's due diligence findings and may allow the buyer to terminate the agreement or be entitled to losses due to misrepresentations (Harroch, 2017). This issue was an essential part of the M&A negotiation as Alere certified that it had been in compliance with the U.S. Foreign Corrupt Practice Act since 2014 but had later received a grand jury subpoena seeking information related to practices in Africa, Asia, and Latin America causing Abbott to attempt to terminate negotiations.
3. **Intellectual Property**—While there is little information about this issue available publicly, Alere likely had patents and other information of value to Abbott that would aid in making Abbott the largest provider of rapid medical tests, boost sales, and yield cost savings.
4. **Employment Contracts**—Alere had approximately 9,800 employees as of 2016. As Abbott and Alere negotiated the acquisition, they likely dealt with issues relating to the future of Alere's employees such as employee benefits, compensation, retention, and termination.
5. **Indemnification Provisions**—An indemnification provision, also known as a hold harmless provision, is a clause used to shift costs from one party to the other post-closing for breaches of representations, warranties, and covenants (Harroch, 2017). This issue was likely debated to determine how Alere's recall expenses and standing lawsuits would be settled.

6. **Dispute Resolution Provisions**—Dispute resolution provisions explain how and where the resolution of disputes will happen (Harroch, 2017). Parties may use the court system or an arbitration/mediation process; the provisions may also outline the venue of court cases. For example, many companies are incorporated in Delaware because Delaware's General Corporation Law is one of the most advanced and flexible corporation statutes in the nation including Delaware's highly respected corporations' court, the Court of Chancery.
7. **Termination Provisions**—Termination provisions set forth the circumstances when a party can terminate the acquisition agreement (Harroch, 2017). Adequate termination provisions may have allowed Abbott to exit the deal when new issues arose.

Interests

After identifying what issues are important to each party, the next step is to determine their interests, or why they want what they want. A party's interests include their underlying concerns, needs, desires, or fears that motivate a negotiator to take a particular action. For example, Alere's position (what they wanted) may have been a purchase price of \$6 billion, but the interest might have been so that they could pay their shareholders a fair price or pay back debt. Understanding issues help define what is wanted, while understanding interests help determine why it is wanted. By understanding the underlying interests, negotiators can be guided toward a fair or reasonable deal in a much quicker manner. In the Abbott and Alere deal, one can only assume what the companies' underlying interests are; however by analyzing their statements and actions one can begin to understand why each party acted as they did.

Abbott. For Abbott, acquiring Alere would have significant financial implications to increase their shareholders' value. The acquisition would make Abbott the largest provider of

rapid medical tests, boost their diagnostic sales to about \$7 billion, and yield combined cost savings of \$500 million by 2019. Further, Abbott expected the Alere acquisition to boost its stock price by \$0.12 - \$0.13 in the first year and approximately \$0.20 in the second year (Collins, 2017).

The addition of Alere and their successes in the point-of-care market, part of the \$50 billion in-vitro diagnostics market, aligns with Abbott's long-standing strategy of shaping the company for growth while developing a robust and diverse portfolio of devices, diagnostics, nutritionals, and branded generic pharmaceuticals (Abbott, 2017). The acquisition complements the leadership positions it has built across its other businesses and would allow Abbott to penetrate a previously untapped market (Abbott, 2017). As stated by Brian Blaser, Abbott Diagnostics Products Executive Vice President, "Creating the world's leading point of care business will help Abbott meet the growing demand for fast, accurate and actionable information" (Abbott, 2017).

Not only does the acquisition provide significant financial and strategic benefits to Abbott, but the CEO, Miles White, seemed to be personally invested in the acquisition with a desire not just to compete, but to win. As the CEO of Abbott for nearly twenty years, White revealed some of his motivations in an interview several months after the Alere deal closed, stating, "I believe in Abbott and what it does. I can't think of anything more important than creating new technologies and products that improve people's health. The need is great; the science is fascinating and exciting; and working on a global scale allows us to make a huge difference for people while competing and winning in the market (Schawbel, 2017)".

White's desire to compete and win attracted him to Abbott's culture. Abbott describes its culture as one where "good is never good enough," and it continuously strives for innovation,

growth, and advancement (Abbott, n.d.). As White stated, “Abbott has always had a performance culture. We’re intensely focused on delivering results and meeting our commitments, and we’ve succeeded in doing so by having a highly disciplined approach. We challenge ourselves to keep raising the performance bar (Schawbel, 2017)”.

Abbott’s performance-oriented culture and focus on innovation combined with White’s motivations are indicative of Abbott’s interests in this negotiation. Not only would the acquisition of Alere provide significant financial and technological benefits, but it aligned with their strategic plan, culture, and leadership’s motivations. With Abbott’s mission statement to help you live the best life you can through good health and discover new ways to make life better, the Alere acquisition would support Abbott in all of their goals.

Alere. At the time of the deal, Alere had a significant amount of debt, (\$4.77 billion in current and long-term liabilities were reported on Alere’s 2015 financial statements), which was to be assumed or refinanced by Abbott. Alere’s revenues had been falling for years, and its operations struggled to turn a profit. From 2013 to 2016, revenues fell from \$2.6 billion to \$2.3 billion with a net loss in 2013, 2014, and 2016 (Alere, 2017). Further, Alere faced investigations from the SEC; from 2011 to 2016, Alere misstated revenue in its financial statements filed with the Commission. To make matters worse, Alere’s foreign subsidiaries in Colombia and India indirectly made improper offers to foreign government officials to make sales of its products between 2011 and 2013; profits from the sales associated with the improper offers and payments totaled approximately \$3.3 million (Securities and Exchange Commission, 2017). Alere agreed to pay more than \$13 million to resolve these charges. With declining financial performance and SEC investigations, Alere likely faced pressure from their shareholders and was eager to be acquired.

At the time of this negotiation, Namal Nawana served as CEO of Alere and continued to serve in this role until Alere was acquired. Nawana had been with the company since 2012, initially as the chief operating officer, and took over as CEO in 2014 when Alere founder and former CEO Ron Zwanziger resigned. Before his role at Alere, Nawana's experience earned him a reputation as a strategist, innovator, and global operations leader focused on scaling business profitably (Bloomberg, n.d.). Through his roles in numerous divisions at Johnson & Johnson and DePuy, Nawana demonstrated a consistent track record of delivering year over year results (Bloomberg, n.d.). With his previous successes and Alere's declining financial performance, he may have felt personally responsible. The deal with Abbott could have been his attempt to turn the company around in hopes that it could scale and be profitable under Abbott.

Despite Nawana's desires and past successes, the Alere executives may have had other, potentially greedy, underlying interests. In October 2014, a change-in-control agreement became effective that would leave five of Alere's top executive officers eligible for payments and extended benefits if they leave the company as a result of it being acquired. This payment would include a salary continuation for a period of 18 months, the cash component of any outstanding awards, continued payment of health insurance premiums for 18 months, three months of outplacement support services, accelerated stock options and vesting, and payments under Section 280G to cover the deduction of applicable taxes (Securities and Exchange Commission, 2015). If Alere were sold to Abbott, these top five executives (including the CEO, CFO, and three Global Business Unit Presidents) would get a cumulative payment of approximately \$24 million, \$11.1 of which CEO Namal Nawana would receive. In addition to his entitled payment, Bloomberg reported that Nawana held about 81,000 shares of company stock worth around \$4.5 million (Seiffert, 2016).

Name	Salary Continuation	Cash Component	Health Insurance Premium	Outplacement Support Services	Acceleration of Vesting	280G Gross-Up Payments	Total
Namal Nawana	\$1,323,173	\$201,139	\$20,979	\$8,500	\$7,901,035	\$1,649,058	\$11,103,884
Avi Pelossof	729,519	144,203	20,979	8,500	1,533,703	834,833	3,271,737
Daniella Cramp	822,116	150,740	21,289	8,500	1,602,690	948,932	3,554,267
Sanjay Malkani	975,000	150,740	20,979	8,500	1,583,774	876,192	3,615,185
David Teitel	868,125	113,386	27	8,500	725,402	679,907	2,365,347
Total	\$4,717,933	\$760,208	\$84,253	\$42,500	\$13,346,604	\$4,988,922	\$23,910,420

Estimated Executive Payout Based on 2014 Financials (Securities and Exchange Commission, 2015)

The combination of Alere's declining financial performance, Nawan's personal desire to lead a growing and profitable business, and the executive acquisition incentive left Alere's leadership in a position eager to sell to Abbott. Not only would the acquisition of Alere provide financial benefits and debt relief for Alere, but it was a way for Nawan to turn the company around in hopes that it would thrive under Abbott. With Alere's mission statement of knowing now matters, being acquired by Abbott allowed Alere to continue making their products accessible to improve customers' quality of life.

BATNA

Negotiators need to ensure that they have a clear understanding of their best alternative to a negotiated agreement, or BATNA. Having a number of alternatives can be useful, but it is one's best alternative that will influence the decision to close a deal or walk away. Negotiators who have stronger BATNAs will have more power throughout the negotiation and should be able to achieve more of their goals. While the actual BATNAs for Abbott and Alere are

challenging to determine, one can speculate based on the negotiated issues and underlying interests.

Abbott sought to acquire Alere as a strategic move to diversify their portfolio and expand into the point-of-care market. Had Abbott not been able to negotiate a deal with Alere successfully, it may have had several options:

- Invest in research and development to organically expand into the market
- Pursue M&A opportunities with other point-of-care diagnostic companies such as Siemens Healthineers, Cepheid, or Danaher Corporation
- Pursue licensing or joint venture opportunities with other point-of-care diagnostic companies
- Identify alternate markets with growth potential (i.e., the buyout of St. Jude Medical)

Alere may have entered acquisition negotiations due to financial pressure from their lenders and shareholders. If this is the case, it too may have had several other options:

- Identify other companies to acquire Alere
- Sell underperforming business units
- Find new leadership with the ability to improve financial performance
- Liquidate assets to pay back debt

Suggested Negotiation Strategies

In this negotiation, both the substantive and relational outcomes are essential. As both Alere and Abbott will be working together in the Alere subsidiary should they come to a deal, both negotiators have a concern for the current and future quality of the relationship with the other party. Additionally, each has concern for the substantive outcomes at stake. Because both

parties have concern for the substantive and relationship outcome, a collaborative strategy would be best suited for this negotiation.

To achieve integrative results, negotiations must both manage the context and the process of the negotiation to gain the cooperation and commitment of both parties. Key factors in achieving integrative results include creating a free flow of information, attempting to understand the other negotiator's real needs and objectives, emphasizing commonalities between parties, and searching for solutions that meet the goals and objectives of both parties. Negotiators must identify and define the problem, understand the problem and bring interests and needs to the surface, generate alternative solutions to the problem, and evaluate those alternatives and select among them.

First, negotiators must identify and define the problem in a way that is mutually acceptable to both sides. In a complex M&A, parties may not even be able to agree on a statement of the problem. However, parties should try to state the problem as objectively and succinctly as possible. Both Abbott and Alere representatives should work together to identify and understand the key issues being brought to the table, identify any links among them, and decide whether they will be packaged together or approached separately.

Second, parties must identify their interests and needs. Ideally, parties should enter the integrative negotiation process with open minds about each other's needs and a concentration on *what* they want to achieve rather than *how* they are going to achieve it. A crucial part of achieving an integrative agreement is the ability of the parties to understand and satisfy each other's interests. By being open-minded, they will be better suited to see the *why* rather than the *what*, *allowing* them to see new possibilities, recognize possible compatibilities, and identify

new alternatives. By bringing their interests to the table, Abbott and Alere representatives may have been able to find ways to create value and come to a better solution.

Third, representatives of Abbott and Alere must generate alternative solutions in this creative phase of integrative negotiation. Parties may generate alternative solutions by redefining the problem or creating a long list of options from which the parties can choose. Representatives from Abbott and Alere will likely utilize both techniques as they identify preferences for employment contracts, intellectual property, and indemnification provisions. For example, they may have considered alternative ways to work together such as a licensing or joint venture agreement or purchasing only Alere's business units that provided the most benefit to Abbott.

Finally, Abbott and Alere must evaluate and select from the proposed alternatives. Solutions should be judged by how good they are and how acceptable they will be to those who have to implement them. Both sides should be prepared to make trade-offs to ensure that the criteria of both quality and acceptability are met.

Negotiation Setbacks

Unfortunately, negotiations between Abbott and Alere turned sour approximately a month after the acquisition was announced. Alere received a subpoena from the Securities and Exchange Commission and, shortly after, a grand jury subpoena from the Department of Justice. Alere had certified in its purchase agreement that it had been in compliance with the U.S. Foreign Corrupt Practices Act since 2014, but the investigation revealed that Alere subsidiaries in Columbia and India had indirectly made improper offers to foreign government officials to make sales of its products between 2011 and 2013. Was Alere oblivious to what was happening in its foreign subsidiaries or did it knowingly misrepresent their compliance? Either way,

receiving two subpoenas within two months of the announcement began to erode Abbott's trust of Alere.

On April 20th, Abbott's chairman and CEO Miles White declined to speak about the deal, saying it would be inappropriate to comment because Alere had not yet filed its 2015 annual report ("Abbott Vs. Alere...", 2016). Around this time, Abbott attempted to terminate the deal with Alere, but Alere declined Abbott's \$50 million offer. It became apparent that Alere was not willing to let the deal fall apart that easily. Was Alere CEO Nawana concerned with his reputation? Did he face pressure from shareholders? Was he merely concerned with receiving his \$11.1 million payout? Whatever the reason, it was clear that Alere no longer trusted Abbott and just wanted the deal to be over.

Just a week later, Abbott announced its \$25 billion acquisition of St. Jude Medical. With a \$5.8 billion investment in Alere and a \$25 billion investment in St. Jude, Abbott's shareholders were concerned about the amount of debt Abbott was taking on, and Abbott's stock price plunged (see Appendix B for stock price fluctuations throughout negotiations). Making matters worse, credit-rating agency Moody's threatened to downgrade Abbott's credit rating if it closed both the Alere and St. Jude Medical mergers as planned (Shonk, 2016). With eroded trust between the two firms and Abbott's new fear of being downgraded, negotiations continued to fall apart.

In December, it was time to turn to the courts for help. Abbott and Alere no longer trusted each other, and were playing the "blame game." Abbott first sued to stop the acquisition, citing a substantial loss in Alere's value. In response to the lawsuit filed by Abbott in the Delaware Court of Chancery to terminate the pending merger agreement with Alere, Alere stated: "Abbott's lawsuit is entirely without merit. As Abbott well knows, none of the issues it

has raised provides it with any grounds to avoid closing the merger. Alere has fully complied with its contractual obligations under the merger agreement...Alere will take all actions necessary to protect its shareholders and to compel Abbott to complete the transaction in accordance with its terms” (Alere Inc., 2016). In response, Abbott CEO, Miles White, threatened to make life a “living hell” for Alere executives.

Whatever the reason for Abbott’s desire to terminate the deal, neither side was willing to cooperate to come to a consensus, and both parties continued to blame each other. Alere claimed that Abbott’s buyout of St. Jude Medical was the real reason for Abbott’s cold feet, while Abbott alleged that a series of federal probes and Alere’s delay in filing its 2015 annual report were behind its desire to terminate the transaction. While both parties may be partly correct, the lack of trust in the relationship at this point did not allow them to be open and honest with each other to share their interests.

After the trust was lost, neither party had open communications and both likely became upset as they felt communications breaking down and their preferences being ignored. With little help from the courts and Alere’s refusal to let Abbott out of the deal, they turned to mediation in March and were able to amend the terms of the deal.

While inside communications are not available for analysis, the parties should have depersonalized the discussion as much as possible so that the options were not associated with the people who advocated for them. It may have been necessary for involved parties to take a break, make their dissatisfaction and interests known, and openly discuss their reasons to return to an even emotional level.

Much of the frustration in this negotiation arose from what seemed to be Alere’s misrepresented or missing information. While Abbott may have been able to prevent some of

these issues by conducting more thorough due diligence before announcing their acquisition plans or having a more detailed termination provision, the real issue in this negotiation comes down to a lack of trust and open communication. Abbott thought it knew what it was getting into when the \$5.8 billion acquisition was announced in January 2016. To its surprise, Alere was soon facing federal probes, delayed financial reporting, recalls, a shareholder lawsuit, and federal criminal investigations. How could Abbott continue to trust Alere after so much had occurred?

On the flip side, it seems that Alere thought Abbott was aware of its financial and legal standings and alleged that Abbott suffered from buyer's remorse. Abbott announced a nearly \$6 billion acquisition, and soon after announced another \$25 billion acquisition. How could Alere continue to trust Abbott after Abbott seemed to have turned its back on the deal?

Ultimately, neither Abbott nor Alere was very open, honest, or trustworthy throughout the negotiation. Nearly two years later, Abbott and Alere were able to come to a consensus and close the deal. Unfortunately, neither company escaped unscathed; both suffered falling stock prices, public scrutiny, and national attention before closing the deal.

Conclusion

At the initial acquisition announcement, both Abbott and Alere seemed to have a good, fair, and mutually beneficial deal. Alere would receive \$56 per share, a 47% premium on its stock before the deal was announced, and its debt would be assumed or refinanced; Abbott would attain Alere's point-of-care diagnostics testing business, making it the largest provider of rapid medical tests. Without knowing about the issues that would soon arise, they likely had an optimal deal at this time. Unfortunately, the companies failed to identify all relevant issues, and the deal began to fall apart. There likely are potential outcomes that may have suited both parties' needs equally or better than the final agreed upon deal, but there is no obvious deal that

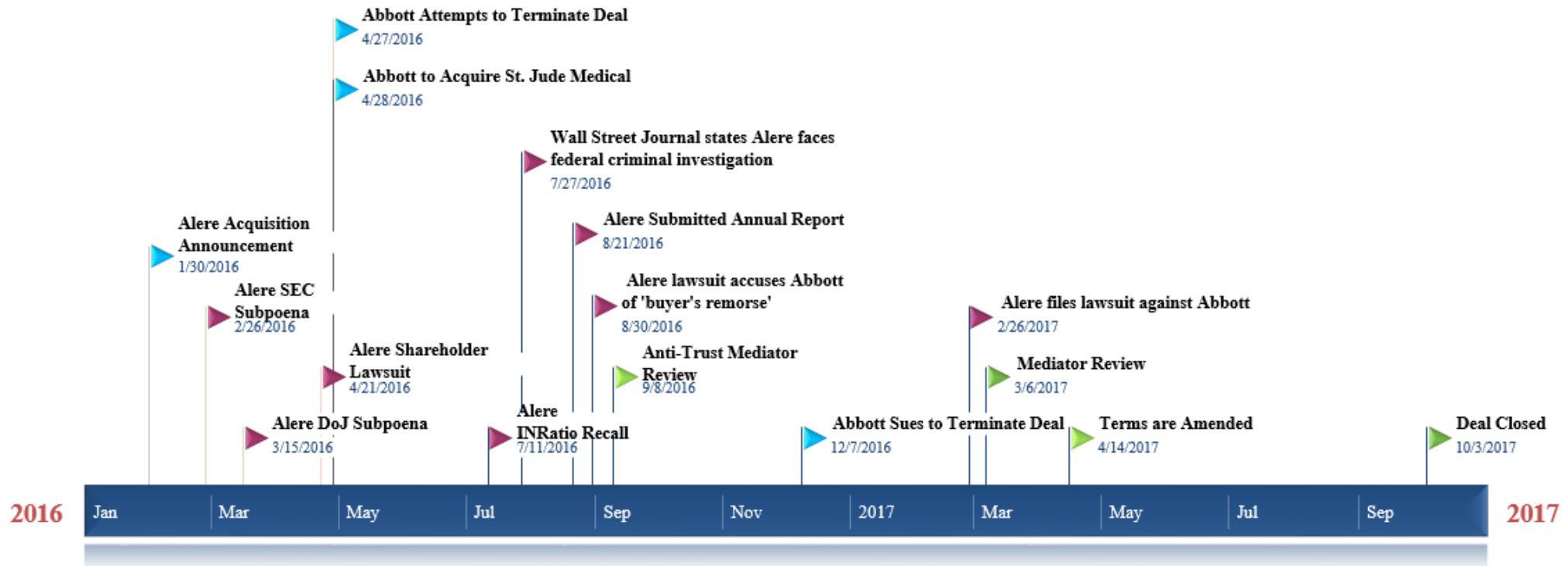
would be pareto optimal without knowing of all issues that would or could arise. For example, Alere could have accepted Abbott's termination offer; while this deal does not satisfy some of the parties' interests, it does provide significant savings in terms of time and legal expenses.

The outcome of the negotiation was indeed not ideal and may have tarnished Alere's and Abbott's reputation. The final agreement likely did not capture all potential value, but any pareto optimal agreement would have been difficult to achieve given the many unknown issues that arose throughout the negotiation. Although Abbott was able to purchase Alere at a \$500 million discount, this discount came at a hefty price after a year and a half of further negotiations, lawsuits, and unnecessary expenses as a result of a lack eroded trust and communications. The M&A deal between Abbott and Alere shows the importance of thorough planning before negotiation, bringing positions and interests to the table, being open and honest about interests, identifying all possible outcomes, and conducting due diligence.

One year after closing the deal, CEO Miles White stated, "I think we're mostly through all the disruption and/or transition, synergies, et cetera. At this point, our entire emphasis turns to what kind of sustainable growth rate we can now generate and trend out of that business" (Pedersen, 2018). Although Alere might have been a bit of a "fixer-upper," White anticipates that Alere assets will contribute to Abbott's growth in the future as it assumes the leading position in point-of-care testing.

Appendix A

Abbott – Alere Negotiations Timeline



Appendix B

Abbott and Alere Stock Price During Negotiations



Source: Abbott Vs. Alere, Or Kramer Vs. Kramer. (2016, December 8). Retrieved February 21, 2019, from <https://seekingalpha.com/article/4029275-abbott-vs-alere-kramer-vs-kramer>

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