Bloomberg

By Phil Serafino

Jan. 26 (Bloomberg) -- Illumina Inc. adopted a so-called poison-pill takeover defense after Roche Holding AG made a hostile $5.7 billion bid for the maker of gene-mapping equipment.

Shareholders will receive one preferred stock purchase right as a dividend for each common share held as of the close of business Feb. 6, San Diego-based Illumina said in a statement today. The rights won't be exercisable initially, Illumina said.

Such a rights agreement can block a hostile bid by making it prohibitively expensive. Should Roche or another bidder become the owner of 15 percent or more of Illumina's stock, other shareholders will be able to exercise the rights to buy new common stock, diluting the stake of the prospective bidder.

"Illumina is showing its muscles," said Jean-Francois Comte, co-founder of Lutetia Capital, which manages a $100 million event-driven fund in Paris. "It wants to either reject the aggressor or at least obtain an acceptable price."

Roche declined to comment on the rights agreement, Daniel Grotzky, a spokesman for the Basel, Switzerland-based company, said by e-mail. Roche plans to make a $44.50-a-share offer directly to Illumina shareholders because the California company's executives were unwilling to hold serious negotiations, Roche said yesterday. Illumina shares peaked at $77.88 in July, and have averaged $54.33 in the past year.

`Fair Treatment'

"The Illumina board has taken this action to ensure that our stockholders receive fair treatment and protection in connection with any proposal or offer to acquire the company, including the proposal announced by Roche," said Illumina Chief Executive Officer Jay Flatley in the statement.

The rights agreement will "provide stockholders with adequate time to properly assess any such proposal or offer without undue pressure while also safeguarding their opportunity to realize the long-term value of their investment in the company," he said.

To contact the reporter on this story:
Phil Serafino in Paris at +33-1-5530-6277 or
pserafino@bloomberg.net

To contact the editor responsible for this story:
Phil Serafino at +33-1-5530-6277 or
pserafino@bloomberg.net