Roche's Acquisition of Genentech

Anastasia Vassiliev, Jacob Nye, Hayley Torres, Violeta Lucia Miguel, and Alex Caceda

Justifying the Merger: Motivation for the Roche-Genentech Merger

<u>Q#1</u> Roche is seeking to acquire the rest of Genentech because it could benefit from the synergies to be realized from the merge since Genentech was already representing 24% of Roche's pharmaceutical product sales in 2008 and 46% of total sales of Roche's 20 top-selling drugs worldwide. With acquiring 100% of Genentech, Roche would be allowed access to Genentech's cash flow, access to its intellectual property, and reduce its competition. Some additional advantages of Roche owning 100% of Genentech are the opportunities allowed to create value by cutting costs and streamlining operations since both exist in and outside the U.S. In addition to this, Genentech was one of the companies dominating the biotechnology sector and was growing much faster than the pharmaceutical sector which could be beneficial for Roche. Since there was an increase in competition in the pharmaceutical industry, mergers and acquisitions was the solution in order to continue growing. Some risks that may occur with the merge are the differing company values and the risk of a cultural clash. Roche focuses on innovation and coming out with products to fit their customer needs while Genentech's values focus more on making sure they are developing the right product for their customers while emphasizing the importance of a positive work environment.

<u>Q#2</u> At the time when Roche settled for 56% of Genentech, Roche took the opportunity to realize gains from the sale of Genentech shares while being able to have an agreement with the company that allowed Roche to maintain a majority representation on Genentech's board. This agreement ensured that Genentech had to obtain approval from directors, appointed by Roche, prior to making certain decisions. The options in place made in more reasonable for the companies to benefit off the increase of each of their share prices. Because the companies may differ in business operations related to how they develop their products and the risks involved, it could be that Roche wanted to diversify its risk since they already had the affiliation agreement in place. Another reason Roche did not want complete ownership could be because they did not want to be the only stakeholders. The advantages of having a separate Genentech management team that thrives in an ambience of independence, which would account for the company's growth in operating revenue in years 1998-2008. It seems that it was best for both the companies to remain separate, but now that Roche's realized that the biotech industry is on the rise and set to grow much faster than the pharmaceutical industry, they believed it would wise of them to acquire the company.

<u>Q#3</u> Genentech's resistance allowed the company to grow successfully while being independent from Roche and develop their own culture which allowed employees to "have fun at work." Since the biotech industry was performing better than the pharmaceutical industry, Genentech's management resistance/reluctance as it relates to merger with Roche gave the company an opportunity for the company to realize its potential growth without being dominated by Roche's decisions. Also, it's resistance to the merger allowed for Genentech to get a valuation of the company with a better offer price since they thought Roche was undervaluing them; moreover, it allowed Genentech to keep the excess cash for its own use, and private access to its intellectual property.

Intrinsic Valuation: Synergies

<u>Q#4</u> The intrinsic value of the synergies is $7.8B using the difference between the DCF of the LRP projections standalone and the DCF of the LRP projections with synergies (Exh. 1). The synergies in proportion to the current Market Value of Equity and the Intrinsic Standalone Value of Genentech can be seen in Exh. 2. A similar value, $8.2B, is found by discounting the synergies directly assuming a 10x multiples for its terminal value with no growth in the synergies from 2013 onward. The value of the synergies per share amounts to $7.37. The WACC given in the case can be replicated using information provided in the exhibits. The Cost of Debt and the Risk-Free Rate are obtained in the treasury and corp. bond rates. The market risk premium is given at 7.1% and the unlevered beta is found by using comparable companies in the biotech industry. The 9% WACC is a product of these figures and the assumption that their target capital structure will remain constant at or around 25% Debt to Equity (Exh. 3).

Q#5 The sources of the synergies are mainly from the left-hand side of the balance sheet towards the end of the projections because with the merge, Roche and Genentech would cut down costs on their manufacturing and R&D activities. This is extremely important because the focus of each company is the development of medicine, so in order to realize these synergies, the companies need to agree upon what products they are going to continue developing and what they have planned for future product R&D. The implementation risk of theses synergies could be that the companies may disagree on the kind of products that the company is going to focus on for R&D since each industry differs in how they develop their products. The value of the synergies itself range from $750-$850 million in annual savings over 5 years, so overall, it is relatively large and can allow for both companies to benefit from these savings, so they are able to continue the development of the company once merged.

Intrinsic Valuation: Stand-Alone Entity

Q#6 Based on DCF models computer from the LRP (Lower Bound) and NFM (Upper Bound) projections, a reasonable range for the enterprise value of Genentech is between 80.4B (Exh. 4) and 99.9B (Exh. 5) using an exit multiple of 10x. This valuation is in line with Genentech's current EV/EBITDA multiple of 15.1x and carry realistic implied perpetuity growth rates. Although the forecasts have similar margins, the NFM forecast began with larger revenue growth in 2009 which pushed free cash flows much higher than the LRP. These valuations coincide with implied share prices of $83.18 and $101.69. We believe that the LRP forecast is a more accurate representation of Genentech's future performance. The use of the 9% WACC does not make sense because it only represents the target's cost of capital and does not consider Roche's metrics. If the synergies were realized only by Genentech, who remains a standalone subsidiary of Roche, then the same WACC could be used for the synergies. There would still be a necessary adjustment to account for the risk of the synergies in contrast to the normal operations established in the company.

Q#7 Greenhill & Co used several of method of analysis to reach the fair value of Genentech. One major reason for the difference between Goldman and Greenhill's valuation is that Greenhill included year-by-year numbers, which can cause the valuation to be comparatively high or lower. Greenhill did not provide details on the assumptions, so this makes difficult to pinpoint the exact difference between their valuation and Goldman's. It may seem that the projections were extrapolated using opinions. On the other hand, it was clear what adjustments Goldman made such as forecasting a larger base than Greenhill starting with revenues while also using an extended period (2024 instead of 2018). They also used capitalized value of equity-based compensation and opt in rights to product pipeline to adjust their enterprise value. It is safe to say that not all valuations will be same based on assumptions and overall outlook of the company in the marketplace. It was reasonable that Goldman and Greenhill had different valuations for Genentech based on the market condition of cost of debt and the uncertainty of the financial crisis.

Q#8 The valuation range based on the analysis of comparable companies, similar squeeze-out transactions and analysts reports provides a valuation range of $70 to $80 per share. Analysts reports on Genentech's value to be $84.89 as of July 18, 2008 and lowered due to the lowered 2009 outlook which is close to Roche's initial price offer of $89 per share. The exhibits provided in the case (12, 13, & 14) support Genentech's share value-based off the DCF models based on the Long-Range Plan and November Financial Model. Based on these models, the range of the share prices $83.26 and $101.79 and during the time of the transaction, the median value of the premiums was around 2% for squeeze out transactions. Based on this information, the initial price that Roche offered Genentech was a fair and reasonable value.

Q#9 The highest price Roche should be willing to pay for 44% or 462.88 million Genentech shares is $91.95 per share. This equates to a total price of $42.56 billion for the acquisition (Exh. 7). This price is based on the valuations of Genentech from Greenhill and Goldman's, comparison of squeeze-out transactions both prior and post beginning of the financial crisis, trading multiples, and the consideration of Roche's original offer price and Genentech's counteroffer.

Financial Crisis Impact

Q#10 The price should change in the midst of a financial crisis because the share price of Genentech declined significantly. Additionally, the access to capital became more expensive. The lack of funding does not make mergers impossible. If a company is undervalued, it will still be purchased even with expensive debt. In the instance of acquiring Genentech shares, Roche has about $21.3 billion in cash at the time of the offer in mid-2008 to buy 44% of Genentech's equity. This means that Roche needed $21.26 billion in debt to finance the deal. Prior to the financial crisis, Roche would finance the deal via bridge loan from a combination of banks, however, most banks incurred major losses and stopped lending. Roche started talking to major investors in the U.S. 144A bond market, Eurobond market, and Swiss franc bond market. The Swiss franc bond market was very attractive due to its stability as it was often sought out for its inflation protected fixed-income assets.

Recommendation

Q#11 Since Genentech's special committee is reluctant to have any type of discussion with Roche to find a middle ground regarding the NFM valuation, seeing as there are areas of disagreement the two companies have, it would be wise for Roche to start looking for other ways of obtaining ownership of the company, one of them being making a tender offer. The issue with such decision is that it would imply a perceived "bypassing" of the board and the special committee; this action would result in some employees and managers to start perceiving Roche as belligerent, likely resulting in a staff whose more in resistance towards the idea of Roche taking ownership. If such offer would indeed take place, it would eventuate in a complicated and difficult integration of the two companies, with the likelihood of important employees leaving Genentech. Moreover, such action would require the usage of contingencies to finance the tender offer since Roche has no firm commitments, and even such option would not provide the sense of security needed by the shareholders in order to accept the offer, in contrast, an ideal offer would have to be funded with all cash for all outstanding shares, no contingencies. The average price calculated using the minimum and maximum value of four different valuation methods specified in question 9 is $91.95. We would suggest to first offer this price to the shareholders and after seeing their reaction, possibly increase the offer price. In the case an increase is required, we would recommend using a premium of 5.4%, resulting in a price of $96.95 a share (see Exh. 8). Walking away may be a possibility, however, it should be highly discouraged as Roche has already shown tremendous interest in the acquisition of Genentech. It could be worth waiting for the results of the clinical trials of the cancer drug Avastin considering the odds of its success, but it's unknown if it would drastically swing the market price of Genentech downwards as the industry is certainly countercyclical.

Exhibits

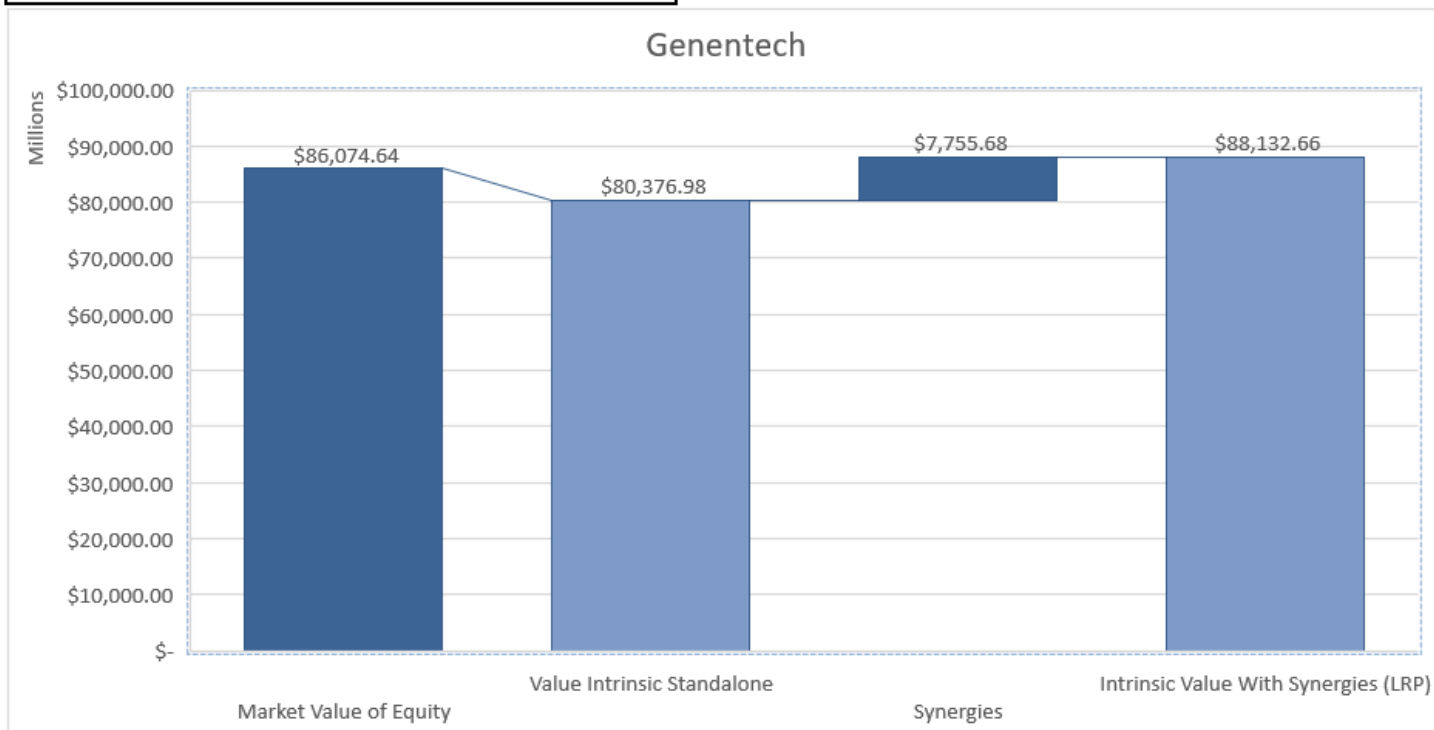
Exhibit 1 – Value of Synergies

Roche Estimates of Achievable Synergies by Expense Category and Year (in millions of US$)

Year	2009	2010	2011	2012	2013 and Thereafter	2014	2015	2016	2017	2018	% Dependent Merger with Genentech
Manufacturing	$0	$102	$205	$256	$270						50%
Research	$44	$114	$118	$121	$125						0%
Development	$38	$98	$109	$111	$112						100%
Marketing and distribution	$38	$98	$101	$104	$107						100%
Roche G&A	$63	$103	$113	$123	$124						75%
Genentech G&A	$40	$103	$106	$109	$113						37%
Total	$223	$618	$752	$824	$851	$851	$851	$851	$851	$851	
Period	1	2	3	4	5	6	7	8	9	10	
Discount Factor	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46	0.42	
PV	$204.59	$520.16	$580.68	$583.74	$553.09	$507.42	$465.53	$427.09	$391.82	$359.47	
PV Synergies											
$4,593.59											
TV Synergies	$ 8,510.00										
TV Discount Factor	0.42										
PV TV Synergies	$3,594.72										
Total PV Synergies	**$ 8,188.31**										
LRP S.A. 10x	LRP W/ SYN 10x	Synergies DCF									
$ 80,376.98	$ 88,132.66	**$ 7,755.68**									
Value Synergies	$ 7,755,682,423.37										
Shares Outstanding	1052000000.00										
Synergies Per Share	$ 7.37										

Exhibit 2 – Waterfall

Market Value of Equity	$ 86,074,640,000.00
Value Intrinsic Standalone	$ 80,376,980,585.15
Synergies	$ 7,755,682,423.37
Intrinsic Value With Synergies (LRP)	$ 88,132,663,008.53



Anastasia Vassiliev, Jacob Nye, Hayley Torres, Violeta Lucia Miguel, and Alex Caceda

Exhibit 3 – WACC Reconstruction

Genentech
Weighted Average Cost of Capital Analysis
($ in millions)

WACC Calculation

Target Capital Structure	
Debt-to-Total Capitalization	20.0%
Equity-to-Total Capitalization	80.0%
Cost of Debt	
Cost-of-Debt (1)	5.7%
Tax Rate	35.0%
After-tax Cost of Debt	**3.7%**
Cost of Equity	
Risk-free Rate (2)	4.0%
Market Risk Premium (3)	7.1%
Levered Beta	0.89
Cost of Equity	**10.3%**
WACC	**9.0%**

(1) - Corp Interest Rate Jul - 08
(2) - 10 Year T-Bill Jul 08
(3) MRP Given pg. 9 in case

Comparable Companies Unlevered Beta

Company	Predicted Levered Beta	Market Value of Debt	Market Value of Equity	Debt/ Equity	Marginal Tax Rate	Unlevered Beta
Gilead Sciences	1.11	-	$ 45,697.32	37.6%	35.0%	0.894
Celgene	0.80	-	$ 32,208.86	7.8%	35.0%	0.766
Genzyme	0.71	-	$ 21,016.76	12.2%	35.0%	0.658
Biogen Idec	0.91	-	$ 18,764.95	28.2%	35.0%	0.767
Genetech (For Reference)	0.30		$ 88,546.77	25.2%	35.0%	0.260
Mean	**0.88**			**21.5%**		**0.77**
Median	**0.86**			**20.2%**		**0.77**

ValueCo Relevered Beta

	Mean Unlevered Beta	Target Debt/ Equity	Target Marginal Tax Rate	Relevered Beta
Relevered Beta	0.77	25.0%	35.0%	**0.89**

WACC Sensitivity Analysis

Debt-to-Total Capitalization	Pre-tax Cost of Debt: **4.7%**	**5.2%**	**5.7%**	**6.2%**	**6.7%**
0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
10.0%	9.2%	9.2%	9.2%	9.3%	9.3%
20.0%	8.9%	8.9%	**9.0%**	9.1%	9.1%
30.0%	8.6%	8.7%	8.8%	8.9%	9.0%
40.0%	8.3%	8.4%	8.6%	8.7%	8.8%

Exhibit 4 – DCF Valuation, Genentech Standalone, LRP Projections (Years 2015-2018 on Excel Spreadsheet)

Genentech Stand-Alone - LRP
Discounted Cash Flow Analysis
($ in millions, fiscal year ending December 31)

		Historical Period			CAGR		Projection Period					
Operating Scenario	1											
Mid-Year Convention	N											
		2005	2006	2007	('05 - '07)	2008	2009	2010	2011	2012	2013	2014
Sales		$6,633.0	$9,284.0	$11,724.0	32.9%	$13,418.0	$13,535.0	$14,482.5	$15,496.2	$16,581.0	$17,741.6	$18,983.5
% growth		43.5%	40.0%	26.3%		14.4%	0.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Cost of Goods Sold		1,011.0	1,181.0	1,571.0		1,744.0	1,285.8	1,375.8	1,472.1	1,575.2	1,685.5	1,803.4
Gross Profit		$5,622.0	$8,103.0	$10,153.0	34.4%	$11,674.0	$12,249.2	$13,106.6	$14,024.1	$15,005.8	$16,056.2	$17,180.1
% margin		84.8%	87.3%	86.6%		87.0%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
Selling, General & Administrative		3,701.0	4,951.0	5,924.0		6,345.0	6,611.2	6,169.5	6,601.4	7,063.5	7,557.9	8,087.0
EBITDA		$1,921.0	$3,152.0	$4,229.0	48.4%	$5,329.0	$5,638.0	$6,937.1	$7,422.7	$7,942.3	$8,498.2	$9,093.1
% margin		29.0%	34.0%	36.1%		39.7%	41.7%	47.9%	47.9%	47.9%	47.9%	47.9%
Depreciation & Amortization		370.0	407.0	492.0		592.0	577.0	477.9	511.4	547.2	585.5	626.5
EBIT		$1,551.0	$2,745.0	$3,737.0	55.2%	$4,737.0	$5,061.0	$6,459.2	$6,911.3	$7,395.1	$7,912.8	$8,466.7
% margin		23.4%	29.6%	31.9%		35.3%	37.4%	44.6%	44.6%	44.6%	44.6%	44.6%
Taxes		(734.0)	(1,290.0)	(1,657.0)		(2,004.0)	1,771.4	2,260.7	2,419.0	2,588.3	2,769.5	2,963.3
EBIAT		$2,285.0	$4,035.0	$5,394.0	53.6%	$6,741.0	$3,289.7	$4,198.5	$4,492.4	$4,806.8	$5,143.3	$5,503.3
Plus: Depreciation & Amortization		370.0	407.0	492.0		592.0	577.0	477.9	511.4	547.2	585.5	626.5
Less: Capital Expenditures		-	-	-			(672.0)	(564.8)	(604.4)	(646.7)	(691.9)	(740.4)
Less: Inc./(Dec.) in Net Working Capital							(457.0)	188.3	201.5	215.6	230.6	246.8
Less: Equity-based compensation							(1,567.0)	(188.3)	(201.5)	(215.6)	(230.6)	(246.8)
Unlevered Free Cash Flow							$1,170.7	$4,111.6	$4,399.4	$4,707.3	$5,036.8	$5,389.4
WACC		9.0%										
Discount Period							1.0	2.0	3.0	4.0	5.0	6.0
Discount Factor							0.92	0.84	0.77	0.71	0.65	0.60
Present Value of Free Cash Flow							$1,074.0	$3,460.6	$3,397.1	$3,334.8	$3,273.6	$3,213.5

Enterprise Value	
Cumulative Present Value of FCF	$30,028.9
Terminal Value	
Terminal Year EBITDA (2018E)	$11,919.2
Exit Multiple	10.0x
Terminal Value	$119,192.2
Discount Factor	0.42
Present Value of Terminal Value	$50,348.1
% of Enterprise Value	62.6%
Enterprise Value	$80,377.0

Implied Equity Value and Share Price	
Enterprise Value	$80,377.0
Less: Total Debt	(2,329.0)
Less: Preferred Stock	-
Less: Noncontrolling Interest	-
Plus: Cash and Cash Equivalents	9,545.0
Implied Equity Value	$87,593.0
Fully Diluted Shares Outstanding	1,052.0
Implied Share Price	$83.26

Implied Perpetuity Growth Rate	
Terminal Year Free Cash Flow (2018E)	$7,064.4
WACC	9.0%
Terminal Value	$119,192.2
Implied Perpetuity Growth Rate	2.9%

Implied EV/EBITDA	
Enterprise Value	$80,377.0
LTM 12/31/2018 EBITDA	5,329.0
Implied EV/EBITDA	15.1x

Exhibit 5 – DCF Valuation, Genentech Standalone, NFM Projections (Years 2015-2024 on Excel Spreadsheet)

Genentech Stand-Alone - NFM

Discounted Cash Flow Analysis

($ in millions, fiscal year ending December 31)

Operating Scenario	1										
Mid-Year Convention	N	**Historical Period**			**CAGR**		**Projection Period**				
		2005	**2006**	**2007**	**('05 - '07)**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Sales		**$6,633.0**	**$9,284.0**	**$11,724.0**	*32.9%*	**$13,418.0**	**$14,118.0**	**$15,092.1**	**$16,133.5**	**$17,246.7**	**$18,436.7**	**$19,708.9**
% growth		*43.5%*	*40.0%*	*26.3%*		*14.4%*	*5.2%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*
Cost of Goods Sold		1,011.0	1,181.0	1,571.0		1,744.0	1,440.0	1,539.4	1,645.6	1,759.2	1,880.5	2,010.3
Gross Profit		**$5,622.0**	**$8,103.0**	**$10,153.0**	*34.4%*	**$11,674.0**	**$12,678.0**	**$13,552.7**	**$14,487.9**	**$15,487.5**	**$16,556.2**	**$17,698.6**
% margin		*84.8%*	*87.3%*	*86.6%*		*87.0%*	*89.8%*	*89.8%*	*89.8%*	*89.8%*	*89.8%*	*89.8%*
Selling, General & Administrative		3,701.0	4,951.0	5,924.0		6,345.0	5,929.6	6,338.7	6,776.1	7,243.6	7,743.4	8,277.7
EBITDA		**$1,921.0**	**$3,152.0**	**$4,229.0**	*48.4%*	**$5,329.0**	**$6,748.4**	**$7,214.0**	**$7,711.8**	**$8,243.9**	**$8,812.8**	**$9,420.8**
% margin		*29.0%*	*34.0%*	*36.1%*		*39.7%*	*47.8%*	*47.8%*	*47.8%*	*47.8%*	*47.8%*	*47.8%*
Depreciation & Amortization		370.0	407.0	492.0		592.0	409.4	437.7	467.9	500.2	534.7	571.6
EBIT		**$1,551.0**	**$2,745.0**	**$3,737.0**	*55.2%*	**$4,737.0**	**$6,339.0**	**$6,776.4**	**$7,243.9**	**$7,743.8**	**$8,278.1**	**$8,849.3**
% margin		*23.4%*	*29.6%*	*31.9%*		*35.3%*	*44.9%*	*44.9%*	*44.9%*	*44.9%*	*44.9%*	*44.9%*
Taxes		(734.0)	(1,290.0)	(1,657.0)		(2,004.0)	1,946.1	2,080.3	2,223.9	2,377.3	2,541.4	2,716.7
EBIAT		**$2,285.0**	**$4,035.0**	**$5,394.0**	*53.6%*	**$6,741.0**	**$4,392.9**	**$4,696.0**	**$5,020.1**	**$5,366.4**	**$5,736.7**	**$6,132.6**
Plus: Depreciation & Amortization		370.0	407.0	492.0		592.0	409.4	437.7	467.9	500.2	534.7	571.6
Less: Capital Expenditures		-	-	-			(437.7)	(467.9)	(500.1)	(534.6)	(571.5)	(611.0)
Less: Inc./(Dec.) in Net Working Capital							98.8	105.6	112.9	120.7	129.1	138.0
Unlevered Free Cash Flow							**$4,463.5**	**$4,771.5**	**$5,100.7**	**$5,452.7**	**$5,828.9**	**$6,231.1**
WACC		9.0%										
Discount Period							1.0	2.0	3.0	4.0	5.0	6.0
Discount Factor							0.92	0.84	0.77	0.71	0.65	0.60
Present Value of Free Cash Flow							**$4,095.0**	**$4,016.1**	**$3,938.7**	**$3,862.8**	**$3,788.4**	**$3,715.4**

Enterprise Value	
Cumulative Present Value of FCF	**$56,852.4**
Terminal Value	
Terminal Year EBITDA (2018E)	$18,359.7
Exit Multiple	10.0x
Terminal Value	**$183,597.5**
Discount Factor	0.25
Present Value of Terminal Value	**$46,242.6**
% of Enterprise Value	*46.3%*
"opt-in" rights and capitalized value charge	*$ (3,230.00)*
Enterprise Value	**$99,865.0**

Implied Equity Value and Share Price	
Enterprise Value	$99,865.0
Less: Total Debt	(2,329.0)
Less: Preferred Stock	-
Less: Noncontrolling Interest	-
Plus: Cash and Cash Equivalents	9,545.0
Implied Equity Value	**$107,081.0**
Fully Diluted Shares Outstanding	1,052.0
Implied Share Price	**$101.79**

Implied Perpetuity Growth Rate	
Terminal Year Free Cash Flow (2013E	$12,143.4
WACC	9.0%
Terminal Value	$183,597.5
Implied Perpetuity Growth Rate	**2.2%**
Implied EV/EBITDA	
Enterprise Value	$99,865.0
LTM 12/31/2018 EBITDA	5,329.0
Implied EV/EBITDA	**18.7x**

Exhibit 6 – Transaction and Trading Multiples

Squeeze-out Analysis

	Offer Premium				
Period	**1 Day**	**1 Week**	**1 Month**	**52-Week High**	**All-Time High**
Average for Squeeze Outs 7/18/2008	16.80%	18.20%	18.20%	0.60%	-26.00%
Comparable Squeeze Outs 7/18/2008	26.3%	9.0%	9.9%	-2.7%	-23.9%
Average prior to 7/18/2008	21.6%	13.6%	14.0%	-1.1%	-25.0%
Average for Squeeze outs 1/29/2009	17.10%	18.20%	19.90%	-1.40%	-26.60%
Mean	19.33%	15.89%	16.97%	-1.23%	-25.78%
New Offer	$ 106.20	$ 103.14	$ 104.10	$ 87.90	$ 66.06

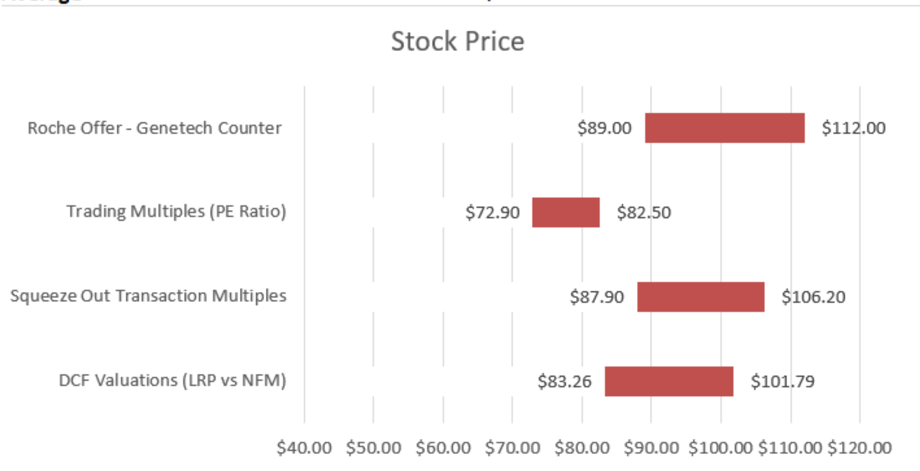
Trading Multiple Analysis

	Price	Price/ Earnings	
	7/18/2008	2008E	2009E
		24.1x	18.8x
		19.7x	16.5x
		16.9x	14.8x
		18.6x	15.8x
Genentech (Actual)	$81.82	23.9x	21.1x
Genentech (Roche Proposal)	$89.00	26.1x	23.1x
	2008	2009	
EPS (Actual)	**$ 3.42**	**$ 3.88**	
EPS (Roche Proposal	**$ 3.41**	**$ 3.85**	
All Comparables			Avg.
Mean	$ 82.50	$ 72.90	$ 77.70
Median	$ 67.44	$ 56.49	$ 61.96
Core Comparables			
Mean	$ 57.86	$ 50.67	$ 54.26
Median	$ 63.68	$ 54.09	$ 58.88

Exhibit 7 – Valuation Comparison Share Price & Offer

Share Price Valuation Method	Minimum Value	Maximum Value
DCF Valuations (LRP vs NFM)	$ 83.26	$ 101.79
Squeeze Out Transaction Multiples	$ 87.90	$ 106.20
Trading Multiples (PE Ratio)	$ 72.90	$ 82.50
Roche Offer - Genetech Counter	$ 89.00	$ 112.00
Average of minimum/maximum	*$ 83.27*	*$ 100.62*
Average	**$**	**91.95**

Share Price Valuation Method	Minimum Price	Maximum Price
DCF Valuations (LRP vs NFM)	$ 38,540,911,457.47	$ 47,115,641,248.17
Squeeze Out Transaction Multiples	$ 40,689,090,310.00	$ 49,157,508,840.00
Trading Multiples (PE Ratio)	$ 33,744,522,373.46	$ 38,189,769,144.77
Roche Offer - Genetech Counter	$ 41,196,320,000.00	$ 51,842,560,000.00
Average	**$**	**42,559,540,421.73**



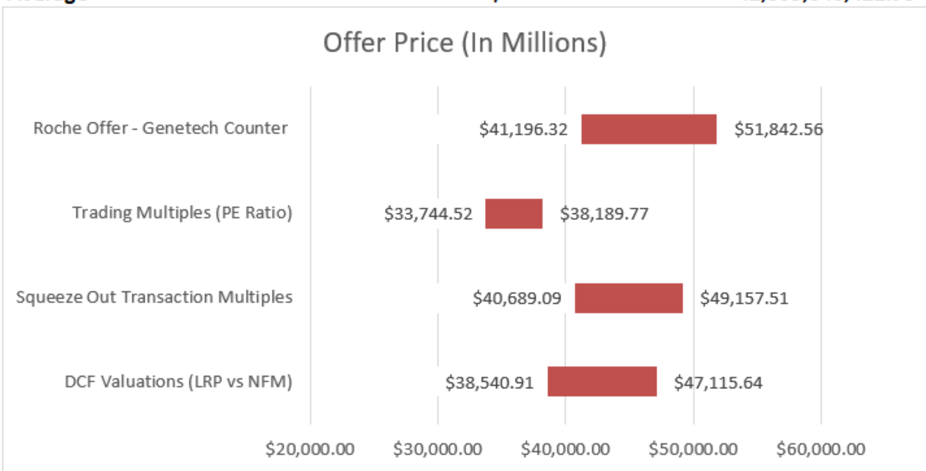


Exhibit 8 – Tender Offer with Premium

Premium Offer based on Squeeze-Outs Closed After 7/18/2008						
		Offer Premium				
Date	% Sought	1 Day	1 Week	1 Month	52-Week High	All-time High
8/12/2008	34.6%	26.3%	28.6%	80.4%	21.0%	2.6%
3/10/2008	33.7%	37.8%	28.7%	24.3%	-19.1%	-19.1%
1/15/2008	47.7%	-5.0%	-2.0%	-10.5%	-49.3%	-76.7%
Statistics as of 1/29/2009:	**Mean**	**17.1%**	**18.2%**	**19.9%**	**-1.4%**	**-26.6%**
	Median	**13.1%**	**15.6%**	**17.0%**	**2.0%**	**-11.6%**
Average Offer Premium (7/18/08 - 1/29/09):	**5.4%**					
Tender Offer Price:	**$ 91.95**					
Tender Offer with Premium:	$ 96.95					