Covidien to buy ev3 for $2.6 billion

The Associated Press

Covidien PLC said Tuesday it is buying vascular device maker ev3 for $2.6 billion in cash as it continues to remake its business.

Covidien, which makes drugs and medical devices, will pay $22.50 for each share of ev3, a premium of nearly 19 percent over Friday's closing price. Ev3's devices are used in endovascular surgeries, or operations in which surgeons make small incisions and maneuver devices in the body using major blood vessels. Other products are used in neurovascular procedures, or procedures involving both blood vessels and nerves. It expects $520 million to $530 million in revenue this year.

The boards of both companies have approved the deal, and investors who own 24 percent of ev3 shares have also agreed to vote in favor of the sale. The companies say the deal should be complete by July 31 assuming regulators approve.

Covidien, based in Dublin, Ireland, will fund the purchase with a combination of cash and debt. It said the transaction will reduce its profit by 5 to 8 cents per share this year and 10 to 15 cents per share in 2011.

Ev3 shares gained $3.42, or 18.1 percent, to $22.34 in premarket trading. The stock has traded between $8.83 and $20 over the last 12 months. The shares set an annual high in May after the company said it finished filing for regulatory approval of a device that is intended to divert blood away from cerebral aneurysms during surgery. The company hopes the Pipeline Embolization Device will be approved in 2011.

A cerebral aneurysm is a weak spot in the wall of a blood vessel inside the brain.

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