

# Unilever shares fall as it defends £50bn approach for GSK's Aquafresh to Panadol consumer arm

Shares in consumer goods giant Unilever have fallen after it defended its £50bn takeover approach for the consumer healthcare arm of GlaxoSmithKline (GSK), describing the business as a “strong strategic fit”.

The group, whose products range from Domestos bleach and Dove soap to Marmite and Hellman's mayonnaise, said the GSK deal would help it beef up its presence in key sectors as it seeks to refocus on stronger growth areas.

GSK disclosed over the weekend that it had spurned a series of offers from Unilever towards the end of last year for the arm of its business that includes Aquafresh toothpaste and Panadol painkillers.



Image:

GSK's consumer healthcare arm includes brands such as Panadol. It said the offers "fundamentally undervalued" the business – in which US drugs giant Pfizer holds a 32% stake – and its prospects.

But reports suggest Unilever could try to sweeten the deal and in a statement to investors it showed little sign that its enthusiasm for the takeover had waned.

Advertisement

It said a deal would add GSK's brands in oral care and vitamins, minerals and supplements to its own presence in those sectors and "create scale and a growth platform for the combined portfolio in the US, China and India, with further opportunities in other emerging markets".

Investors were unimpressed, sending Unilever's shares more than 7% lower by lunchtime on Monday, while GSK added 4%.

## More from Business



Amazon to continue accepting Visa credit cards in UK as it bids to resolve payment dispute



COVID-19: Credit Suisse chairman Antonio Horta-Osorio resigns nine months into role after bank probe finds he

breached quarantine rules



China posts 8.1% growth for 2021 but a property downturn and its zero-COVID policy could add pressure

Victoria Scholar, head of investment at Interactive Investor, said: “It looks as though a deal is very much still on the cards despite GSK rejecting three offers including the latest £50bn approach.

“Unilever will have to raise its bid to somewhere around £55bn and move fast in order to avoid a bidding war from rival private equity buyers who are likely to be eyeing up counter offers.”



Image:

GSK rejected the offers saying they “fundamentally undervalued” the business

Unilever has been targeting a [refocused strategy](#) after a corporate makeover which ended its Anglo-Dutch dual structure in 2020, making it a single London-based group, Unilever plc.

That concluded that it should expand its presence in health, beauty and hygiene, which offer higher rates of growth, while spinning off lower growth businesses.

It has already agreed deals to sell its [tea business](#), including PG Tips and Brooke Bond, and its [spreads brands](#) including Flora.

In its update on the GSK approach, Unilever said that it was preparing to announce “a major initiative to enhance our performance” later this month.

“After a comprehensive review of our organisation structure, we intend to move away from our existing matrix to an operating model that will drive greater agility, improve category focus, and strengthen agility,” the company said.

The takeover offer comes amid plans for a spin-off of GSK’s consumer healthcare business, chaired by former Tesco boss Sir Dave Lewis, later this year.

That would see the division, which notched up more than £10bn in sales in 2020, listed as a separate company on the London stock exchange.