

Forest Labs To Cut 500 Jobs In \$500M Restructuring

The Associated Press

NEW YORK (AP) -- Forest Laboratories says it plans to cut about 500 jobs as part of a plan to trim \$500 million in costs over the next two years.

The drugmaker also plans to buy back at least \$400 million in company stock and agreed to pay \$240 million for the U.S. marketing rights to Saphris, a Merck & Co. drug used to treat schizophrenia and bipolar mania.

The moves come less than three months after former Bausch & Lomb leader Brenton Saunders replaced longtime CEO Howard Solomon at the helm of Forest Laboratories Inc. Shares rose \$5.01, or 9.8 percent, to close at \$56.32. The stock peaked earlier at \$56.72, its highest point since February 2007.

The job cuts make up about 9 percent of the company's staff. It had 5,800 employees as of March 31. Most of the cuts will be made in the U.S. Forest said that it won't make cuts to staff responsible for filing for approval of important late-stage drugs.

The New York company said most of the spending cuts will be made by the end of March 2016. Forest expects to save \$270 million from streamlining its research and development operations, \$150 million from cutting marketing expenses, and the remainder from reductions in general, administrative and other spending.

Forest will buy back \$400 million in stock by the end of 2013, funded in part from the sale of \$1 billion in debt due in 2021. The company could spend the remaining \$600 million on share repurchases, which can help lift earnings per share, but it said it will place a priority on merger, acquisition and licensing deals that would add to its profits.

Forest will pay Merck \$240 million to get the U.S. rights to Saphris, and it could make additional payments if the drug reaches sales targets. Saphris was launched in 2009, and Forest said sales totaled \$150 million over the 12 month-period that ended in September. It expects the deal to close in early 2014 and said it should add to its profit immediately.

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