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## P&G will buy Gillette

### \$57 billion stock swap to be announced today

By Edward Iwata and Cliff Peale  
USA TODAY

In a \$57 billion stock deal that will marry two consumer-product global giants, Procter & Gamble announced today that it will buy Gillette in its largest-ever acquisition.

Reports of the megamerger surfaced after P&G reported its second-quarter earnings following the close of the stock market.

P&G Chairman and CEO A.G. Lafley and Chief Financial Officer Clayton Daley flew to New York on Thursday to discuss the deal with Wall Street analysts, along with Gillette CEO Jim Kilts, at a 7 a.m. meeting today.

The deal will add Gillette razors, Duracell batteries, Oral-B toothbrushes and Right Guard deodorant to P&G's current roster, which includes such consumer icons as Tide detergent, Crest toothpaste and Pampers diapers.

The combined entity will be headed by Lafley and stay in Cincinnati, where P&G employs more than 10,000 workers.

Kilts will join P&G's board as a director. He will also stay as a vice president with a one-year contract working on the integration of the companies.

The deal, approved by both boards, will create \$14 billion to \$16 billion in value from cost cuts and new revenue.

P&G also will buy back \$18 billion to \$22 billion of P&G's common stock during the next 12 to 18 months.

P&G has embarked on a buying spree to strengthen its health, beauty and cosmetics businesses. In recent years, it paid \$5.7 billion for German hair-care giant Wella and \$5 billion for Clairol.

The latest deal should spur the sale of P&G and Gillette products in China, Russia and Turkey.

"It's spot on the strategy. Big, profitable, global brands," said Gary Stibel, president of the New England Consulting Group in Connecticut and a P&G consultant.

Speculation ran up the price of Gillette stock Thursday as investors sensed a deal in the air. Gillette stock closed at \$45.85, up 85 cents.

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In the stock-swap deal, P&G will offer 0.975 a share for each Gillette share. That would be a nearly 20% premium to Gillette's market value after Thursday's close. P&G's stock price is likely to fall in trading today as investors digest the sale price.

Over time, this will essentially result in a total financial impact on the company as if the deal were structured with approximately 60% stock and 40% cash.

The Justice Department will review the merger but is unlikely to block it, says Christo Lassiter, who teaches antitrust law at the University of Cincinnati.

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