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Technology

Abbott Labs to spin off unit

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By Stacey Higginbotham - Austin Business Journal Staff
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IN THIS ARTICLE

Abbott Laboratories Inc. is spinning off its hospital products division in a move that will create a new employer for about 1,200 Central Texans.

Employees of Abbott Labs' 750,000-square-foot manufacturing plant in North Austin will become part of the new company, called Hospira Inc. During the first half of 2004, Hospira is scheduled to become a separate public company listed on the New York Stock Exchange, according to filings with the U.S. Securities and Exchange Commission.

However, thanks to its purchase of Austin-based Spinal Concepts Inc. last summer, Abbott Labs (NYSE: ABB) will retain a presence at 5301 Riata Park Court in Austin. Spinal Concepts, a maker of spinal implants, will become part of Abbott's medical products division. Spinal Concepts, now part of the hospital products division, employs about 100 people.

Analysts say Abbott Labs is spinning off its least profitable, slowest growing division. Hospira's annual sales will be \$2.5 billion, with net income of \$300 million, according to Abbott.

Abbott spokeswoman Shannon Gore says that following the Hospira spinoff, all the employees of Abbott's manufacturing plant at 3900 Howard Lane will become part of Hospira. The Austin plant manufactures infusion therapy and irrigation solutions and containers. The plant also makes products for One 2 One, Abbott's outsourcing business for injectable pharmaceuticals.

As for the future of the plant's employees, Gore says: "We cannot currently predict ... how the business environment might affect future staffing or facility needs."

Lake Forrest, Ill.-based Hospira also will operate plants in Ashland, Ohio; Buffalo, N.Y.; McPherson, Kan.; and Morgan Hill, Calif. The company will employ about 14,000 people worldwide.

After the spinoff, holders of Abbott stock will receive shares of Hospira stock. The deal is similar to the spinoff of the Austin-based Semiconductor Products Sector of Motorola Inc. In December, the semiconductor unit filed with the SEC to go public in hopes of raising \$2 billion.

Phil Nalbene, medical technology analyst for investment bank RBC Capital Markets, says the company's hospital products "have not been getting a lot of attention from Abbott because it is really trying to increase the technology base and more proprietary profitable products."

"What [the spinoff] does is move under-performing assets outside of Abbott, where they were not getting attention, and improves the growth opportunities," he says.


Although the Hospira spinoff will decrease Abbott's revenue in the short term, Nalbene is confident the move will boost Abbott's growth rate.

"The new Hospira could be an interesting little company because they do have several opportunities to improve its growth rate over time," Nalbene says. "Just by focusing on the overseas market, they could grow."

According to a J.P. Morgan Chase research report issued in January, international growth for Abbott as a whole shows promise, especially for the hospital products division, which posted 17 percent growth in the fourth quarter with \$242 million in sales. That's \$9 million more than had been expected, according to the report.


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