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## Medtronic Merges With Covidien, Moves Headquarters to Ireland



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*Welcoming Covidien to Medtronic*

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The Irish High Court has sanctioned the merger of Medtronic with Covidien, a \$48 billion deal which results in a new entity known as Medtronic plc. The merger relocates the new company's legal headquarters to Ireland, where Covidien has been based. The move of Minnesota-based Medtronic to Ireland was not without controversy, with progressive politicians in the US complaining that the deal was orchestrated so that Medtronic could avoid paying corporate taxes on foreign profits.

### **“Biggest Inversion Ever”**

Bloomberg has called the deal the largest inversion ever. The new firm will employ approximately 85,000 workers in 150 countries, and have \$27 billion in revenue. Medtronic was the fourth largest medical device firm before the merger, while Covidien was the eighth largest. Together, they will rival diversified healthcare giant Johnson & Johnson.

Omar Ishrak, Medtronic's chairman and CEO, said in an October news release, “We believe our combination will be uniquely positioned to help advance the goals of the Affordable Care Act in the U.S. as well as the objectives of virtually all health systems - to drive access to high-quality, affordable health care for patients around the world.”

The move is no loss for the state of Minnesota or the United States in general. The company expects to add jobs and to invest \$10 billion in the US in the decade ahead.

### **Timeline of A Controversial Deal**

Medtronic's intention to acquire Covidien was announced in June 2014. By August, American politicians including President Barack Obama had voiced disapproval of the so-called “inversion deal” in which the US

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company could avoid paying corporate taxes to the US government by moving overseas earnings back to the US. Ishrak defended the planned purchase of Covidien, calling it strategic and a way for the newly structured company to provide greater value to more patients.

It was not only politicians who opposed the deal. Longterm shareholders aired their concerns at Medtronic's annual meeting. Some were against the tax consequences of the merger, since they would have to exchange their current stock for stock in the new company, resulting in capital gains taxes on the additional value. Despite shareholder lawsuits, Ishrak pushed forward anyway, and the shareholders approved the merger in early January. Following the Irish High Court's sanction of the merger, the deal was completed on 26 January.

Source: [Qmed](#)

Image Credit: Medtronic

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