Merck & Co said on Tuesday it would acquire eye treatment maker Inspire Pharmaceuticals for about $430 million to expand its ophthalmology business.

Inspire's key product is Azasite, a treatment for bacterial conjunctivitis, sometimes referred to as "pink eye." It also receives royalties on sales of Allergan dry-eye drug Restasis.

With Inspire, Merck adds to an eye-care portfolio that includes the proposed glaucoma treatment Saflutan, now being reviewed by the U.S. Food and Drug Administration.

The $5-per-share cash offer for Inspire represents a 26% premium to Inspire's closing stock price on Monday.

Wedbush Securities analyst Liana Moussatos, who had valued Inspire at $7 a share, said Merck is snapping up Inspire after the Raleigh, NC-based company suffered a blow to its pipeline when its cystic fibrosis drug denufosol failed in a late-stage study in January.

Another product, the prescription eye drop Elestat, is facing generic competition, Moussatos said.

"Because they had the bad news with the pulmonary franchise, and Elestat now has generic competition and they will lose that royalty stream, that's why they were taken out at a discount in my opinion," she said.

The transaction has been unanimously approved by the boards of both companies. In addition, private equity firm Warburg Pincus, which owns about 28 percent of Inspire's outstanding shares, has agreed to tender all of its shares into Merck's offer.