

Sanofi, Boehringer in talks over \$20 b asset swap

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Sanofi and Boehringer Ingelheim are in exclusive talks over a \$20-billion swap of the French pharmaceuticals company's animal health business for the family-owned German group's consumer health operation.

The deal would consist of an exchange of Sanofi's Merial animal health arm, with an enterprise value of €11.4 billion (\$12.6 billion), with Boehringer's consumer health division, worth €6.7 billion.

Boehringer would also pay €4.7 billion in cash to Sanofi, the companies said on Tuesday.

The plan signals a radical reshaping of Sanofi under new boss Olivier Brandicourt, who took over in April, and has said he sees "limited synergies" between animal health and the rest of the business.

The deal would vault the French drugmaker into number one spot in the fragmented consumer healthcare (CHC) marketplace, with proforma 2015 sales of approximately €5.1 billion and a global market share of around 4.6 per cent.

Boehringer would become the

world's second-largest animal health company.

The global pharmaceutical industry has seen a flurry of deal-making in the past two years, as large companies try to focus on a smaller number of businesses where they can establish a leading position.

The planned deal parallels a three-way trade involving Novartis, GlaxoSmithKline and Eli Lilly in 2014, which saw Novartis and GSK swap drug and consumer assets, while Lilly bought Novartis' animal health arm.

Sanofi will use cash from the deal to buy back shares, making the planned transaction neutral to earnings in 2017 and accretive thereafter.

By acquiring Boehringer's CHC business, Sanofi will have a stronger position in the over-the-counter (OTC) market in cough, cold and digestive health remedies, although the deal will not include Boehringer's CHC business in China.

Although CHC profit margins are lower than for prescription drugs and animal health, the business is viewed as resilient thanks to high brand loyalty.

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