

Sanofi, Ingelheim enter exclusive negotiations on business swap

16 December 2015 | News | By BioSpectrum Bureau

Sanofi, Ingelheim enter exclusive negotiations on business swap



The proposed transaction would consist of an exchange of Sanofi animal health business (Merial) with an enterprise value of $\hat{a},\sim 11.4$ bn and Boehringer Ingelheim consumer healthcare (CHC) business with an enterprise value of $\hat{a},\sim 6.7$ bn.

Boehringer Ingelheim CHC business in China would be excluded from the transaction. The transaction would also include a gross cash payment from Boehringer Ingelheim to Sanofi of $\hat{a},\sim 4.7$ bn.

The transaction would allow Sanofi to become the number one ranked player in CHC with expected pro forma sales of approximately $\hat{a},\sim 5.1$ bn in 2015(e) and a global market share close to 4.6%.

Sales of Boehringer Ingelheim CHC business (excluding China) are estimated at about $\hat{a},\sim 1.6$ bn for 2015 and are highly complementary with those of Sanofi CHC, both in terms of products and geographies.

Boehringer Ingelheim CHC would improve the position of Sanofi in Germany and Japan where Sanofi CHC presence is limited, and expand Sanofi presence in its Priority Categories.

Sanofi would gain access to iconic brands in Antispasmodics, Gastrointestinal, VMS and Analgesics, and attain critical mass in Cough & Cold. Sanofi CHC business in the US, Europe, Latin America and Eurasia would also expand significantly, giving it multiple leadership positions in key countries and/or on key product categories.

The animal health industry is a very attractive industry in terms of innovation, growth potential and profitability.

Combining Merial's and Boehringer Ingelheim's complementary strengths would create the second largest player in the global animal health market with pro forma sales of approximately $\hat{a},\sim 3.8$ bn in 2015(e) with the ability to compete for global market

leadership.

The combined portfolios and technology platforms in anti-parasitics, vaccines and pharmaceutical specialties would place the combined company in the key growth segments of the industry.

The species portfolios are highly complementary building on Merial's expertise in companion animals and poultry and BI's expertise in swine.

"In entering into exclusive negotiations with Boehringer Ingelheim, we have acted swiftly to meet one of the key strategic objectives of our roadmap 2020, namely to build competitive positions in areas where we can achieve leadership. This transaction would allow Sanofi to become a world leader in the attractive non-prescription medicines market and would bring a complementary portfolio with highly recognized brands, allowing for mid and long term value creation," said Dr Olivier Brandicourt, CEO, Sanofi. "I am confident that Boehringer Ingelheim will enable Merial to fully express and develop its potential in the attractive but competitive animal health market."

Germany would become a key center of Sanofi CHC business, including in particular for Gastro-Intestinal and Cough & Cold categories that will benefit from the strong capabilities of Boehringer Ingelheim teams.

Sanofi will pay particular attention to social matters as well as skills and people retention sensitivities.

"Boehringer Ingelheim's strategic priority is to focus on the company's core areas of expertise and businesses with an established global scale, or where a pathway to a global scale can be achieved and prioritized among Boehringer Ingelheim's portfolio opportunities," said Prof Dr Andreas Barner, Chairman of the Board, Boehringer Ingelheim. "Boehringer Ingelheim Animal Health is and will stay strongly committed to bringing novel, innovation driven solutions to veterinarians and animal owners. Our combined Animal Health business would be well positioned for growth and emergence as a leader globally. I am confident that Sanofi will enable our CHC business to fully live its potential supported by highly professional and committed teams."

Lyon would be a key operational center of Boehringer Ingelheim's Animal Health business.

Boehringer Ingelheim will commit to maintain business operations, R&D and Manufacturing Centers in France.

As the US market is an important part of Merial's business, Boehringer Ingelheim would pay particular attention to sustain the momentum of the US operations.

Boehringer Ingelheim will give particular attention to social matters as well as skills and retention sensitivities.

The execution of definitive agreements is expected in the coming months following consultations with the relevant social bodies.

Boehringer Ingelheim and Sanofi's goal currently is to close the potential transaction in Q4 2016, subject to appropriate regulatory approvals.

Sanofi intends to use a portion of the net proceeds of the transaction to repurchase shares.

Taking into account the anticipated CHC results, share buybacks and potential synergies, the overall transaction is expected to be business EPS neutral in 2017 and accretive in subsequent years.