FTC Requires Divestitures as Condition to Proposed $13.53 Billion Deal between German Pharmaceutical Boehringer Ingelheim and Paris-based Sanofi

Divestitures preserve competition in the markets for several animal health products

FOR RELEASE

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German pharmaceutical company Boehringer Ingelheim has agreed to divest five types of animal health products in the United States in order to settle FTC charges that its proposed asset swap with Paris-based Sanofi would likely be anticompetitive.

Under the proposed swap, Boehringer Ingelheim will acquire Sanofi's animal care subsidiary, Merial, valued at $13.53 billion, and Sanofi will obtain Boehringer Ingelheim's consumer health care business unit, valued at $7.98 billion, as well as cash compensation of $5.54 billion.

The FTC's complaint alleges that without the divestitures the proposed asset swap would harm competition in the U.S. markets for various vaccines for companion animals (pets) and certain parasite control products for cattle and sheep.

The transaction could also lead to higher prices and reduced service in these markets, and could increase the likelihood of coordinated interaction between competitors, according to the FTC's complaint.

The proposed consent order preserves competition by requiring Boehringer Ingelheim to divest the companion animal vaccines to Eli Lilly and the company's Elanco Animal Health division, and the parasite control products to Bayer AG.

According to the complaint, the proposed transaction, without a remedy, would have substantially lessened U.S. competition for the following products:

- **Canine vaccines**. The proposed acquisition would reduce the number of canine vaccine suppliers from four to three.
- **Feline vaccines.** The proposed acquisition would combine the two leading feline vaccine suppliers, reducing the number of competitors from four to three.
- **Rabies vaccines**. The proposed acquisition would combine the top two rabies vaccine suppliers, which control a combined 75 percent market share, and would reduce the number of rabies vaccine suppliers from four to three.
- **Products to prevent and control outbreaks of parasites in cattle**. There are only three primary suppliers of these parasiticides, also known as "macrocyclic lactones," in the U.S. market. The proposed acquisition would reduce the number of suppliers to two, giving the merged firm a market share of more than 65 percent.
- **Products to prevent and control outbreaks of parasites in sheep.** Currently, Boehringer Ingelheim and Sanofi's Merial are the two primary suppliers of these parasiticides in the U.S. market, and the acquisition would give the merged firm a market share of more than 78 percent.

To help ensure that the consent order achieves its remedial goals, Boehringer Ingelheim is required to provide technical assistance and other transition services so that Elanco and Bayer can independently manufacture and sell the divested products. The FTC order also includes an asset maintenance order and it appoints a monitor to oversee the divestiture process.

More information about this proposed merger and the FTC's consent agreement can be found in the analysis to aid public comment.

The Commission vote to issue the complaint and accept the proposed consent order for public comment was 3-0. The FTC will publish the consent agreement package in the Federal Register shortly. The agreement will be subject to public comment for 30 days, beginning today and continuing through January 27, 2017, after which the Commission will decide whether to make the proposed consent order final. Comments can be filed electronically or in paper form by following the instructions in the "Supplementary Information" section of the Federal Register notice.

NOTE: The Commission issues an administrative complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of up to $40,000 per day.

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