Sanofi aims for top spot in consumer health via asset swap

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Sanofi said on Tuesday it hopes to take over the consumer health care unit of German peer Boehringer Ingelheim via an asset swap, making the French pharmaceutical giant the sector's world leader.

Sanofi is offering its animal health unit Merial in exchange for Boehringer's consumer health, or non-prescription drugs, business plus 4.7 billion euros ($5.2 billion) in cash in exclusive negotiations between both companies.

The announcement was a shot in the arm for Sanofi shares, which posted a healthy 4.8 percent increase at 78.33 in midday Paris trading.

If concluded, the deal would give Sanofi close to 4.6 percent of the world's consumer health care market, making it the global leader in the segment. The German company's Chinese operations are, however, not part of the talks.

Boehringer meanwhile would become the world's number two in animal health.

Sanofi's animal health unit Merial is valued at 11.4 billion euros in the deal and the assets Boehringer is bringing to the table at 6.7 billion.

"The consumer health care business of Boehringer Ingelheim would strengthen Sanofi's position in Germany and in Japan, where Sanofi's presence is limited," Sanofi said in a statement.

Its presence in the United States and Latin America would also see a "significant expansion", it said.

Boehringer's consumer health care unit includes leading brands in anti-spasmodics, laxatives, vitamins and cough treatments.

"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 recognised brands, allowing for mid and long term value creation," Sanofi chief executive Olivier Brandicourt, said in the statement.

"The acquisition is perfectly in line with the announced strategy, with the potential for large synergies, which is very reassuring for markets," Natixis analyst Philippe Lanone told AFP.

In addition to the deal itself, stock market sentiment was also underpinned by Sanofi's announcement that it would use part of the deal's proceeds to buy back its own shares from the market, boosting future earnings per share.

Sanofi's last major acquisition dates back to 2011, when it bought US bio-technology company Genzyme for 15 billion euros.

Last month, Sanofi warned that profits would stagnate for the next two years during a major restructuring drive which would include a streamlining of its product portfolio. At the time, Sanofi also flagged that it would possibly spin off its animal health division.