COFECE-020-2017

COFECE conditions concentration between Sanofi and Boehringer in the animal health business

- *Prior to closing the concentration, COFECE required the economic agents to divest several vaccines in which risks to competition were found.*
- *The proposed transaction would have substantially lessened competition pressure from Sanofi, in five animal vaccines markets.*
- *Without the pressure to keep competitive prices, Boehringer would be able to fix prices or restrict the supply of these products in the Mexican market.*

Mexico City, April 10, 2017.- The Board of Commissioners of the Mexican Federal Competition Commission (COFECE) challenged the concentration between Sanofi and Boehringer Ingelheim International in the animal health sector, as the proposed transaction would harm competition in five markets for animal vaccines in Mexico.

Sanofi is a company engaged in the research, development, manufacture and marketing of health products, in three business segments: pharmaceuticals, human vaccines and animal health. Boehringer is active in the development, production, distribution and marketing of pharmaceuticals, including prescription products and over-the-counter (OTC) drugs, biopharmaceuticals and animal health products. The notified concentration consists on the acquisition of Sanofi's animal health business in Mexico, by Boehringer Ingelheim, as part of an international asset swap.

COFECE's investigation found that both companies overlap in the marketing of different types of porcine, bovine, ovine and caprine medicines and vaccines. In five Mexican markets for vaccines, four related to animal diseases in the poultry sector and one in the porcine sector, COFECE concluded that the operation would give Boehringer a higher market share, harming competition for the supply of these products.

COFECE found that the development of new vaccines is a major constraint to growth and consolidation of pharmaceutical laboratories, as well as a barrier to entry; since current and potential competitors would have to invest substantial resources to develop new vaccines before they can compete.

Therefore, the proposed transaction, without a remedy, would have substantially lessened competition as follows:

a) With Sanofi leaving the market, Boehringer would lose the current competitive pressure disciplining its prices.

b) Boehringer will consolidate its market share over the rest of its competitors.

c) Both circumstances could give the company the possibility to impose conditions in five markets, such as price fixing or restricting supply, with its competitors being unable to counteract anticompetitive behavior of the combined company.

To ensure that there will be conditions of competition in the five markets, the COFECE's Board of Commissioners determined that the transaction would be authorized if the companies accept the following commitments:

- The divestment (to a third party) of four Boehringer's vaccines and one Sanofi's vaccine, prior to closing the transaction.

- The purchaser(s) shall maintain the competitive pressure in these markets. In addition, the purchase agreement must include clauses ensuring the supply of these vaccines to new purchasers during a certain period, while the purchaser develops its own manufacturing sources.

- Prior to the divestment, the companies must inform the Commission about the potential purchaser and provide sufficient information to assess the effects that such transaction could have on competition conditions in these markets.

This resolution has been notified to Boehringer and Sanofi. To close the transaction, the parties must submit a written statement accepting in full the conditions imposed by the Commission, which aim at protecting the competition process.

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MORE COMPETITION FOR A STRONGER MEXICO

The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of the markets. Through its work it seeks better conditions for consumers, greater output and better services and a "level playing field" for companies