

GSK, Pfizer to merge consumer healthcare units

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US giant Pfizer said the joint venture with GSK would be "the largest global consumer healthcare business"

Pharmaceutical giants GlaxoSmithKline and Pfizer on Wednesday announced a merger of their consumer healthcare units that produce over-the-counter medicines.

GSK said it would have a 68-percent controlling equity interest in the GSK Consumer Healthcare joint venture that will have combined sales of about £9.8 billion (\$12.7 billion, 10.9 billion euros).

The tie-up of over-the-counter (OTC) brands including GSK's Sensodyne toothpaste with Pfizer's Centrum multivitamins paves the way for British group GSK to have two UK-listed companies, one specialised in the development of drugs and the other in consumer healthcare.

US-based Pfizer's erectile-dysfunction drug Viagra does not form part of the tie-up, a GSK spokesman told AFP.

The merger meanwhile comes as the pharmaceutical industry's biggest players seek out new blockbuster treatments following expiry of

patents for some of their major drugs that has enabled rivals to offer cheaper alternatives.

GSK's share price surged 7.4 percent to £15.54 on news of the deal, topping London's benchmark FTSE 100 index, which was up 0.4 percent overall in early deals.

"This announcement seems to be the next brick in the wall of CEO Emma Walmsley's plan to cement Glaxo's position in this particular (OTC) space, having already bought out Novartis stake in a similar venture earlier this year, while also offloading its Horlicks (drink) business," noted Michael Hewson, chief market analyst at CMC Markets UK.

"The pharmaceutical sector is likely to face enormous challenges in the years ahead with respect to margin compression and the prospect of increased competition... particularly since companies like Amazon have helped push prices lower," he added in a client note.

'Global leader'

GSK said annual cost savings should reach £500 million by 2022 and predicted that the joint venture would be the global leader in OTC products with a market share of 7.3 percent.

"Within three years of the closing of the transaction, GSK intends to separate the joint venture via a demerger of its equity interest and a listing of GSK Consumer Healthcare on the UK equity market," a statement said.

"Over this period, GSK will substantially complete the integration and expects to make continued progress in strengthening its Pharmaceuticals business and R&D pipeline."

Earlier this month, GSK struck deals to buy US cancer-treatment specialist Tesaro for \$5.1 billion

and sell the night-time hot drink brand Horlicks to Unilever for 3.3 billion euros.

In a separate statement, US giant Pfizer said the joint venture "will be a category leader in pain relief, respiratory, vitamin and mineral supplements, digestive health, skin health and therapeutic oral health and will be the largest global consumer healthcare business".

GSK chief executive Walmsley said "the transaction also presents a clear pathway forward for GSK to create a new global Pharmaceuticals/Vaccines company... focused on science related to the immune system, use of genetics and advanced technologies".

She added: "Ultimately, our goal is to create two exceptional, UK-based global companies, with appropriate capital structures, that are each well positioned to deliver improving returns to shareholders and significant benefits to patients and consumers."

It is meanwhile a final act for Pfizer CEO Ian Read, who leaves his post at the end of the year, handing the reins over to the company's chief operating officer Albert Bourla.

"We are pleased to announce this new joint venture for Pfizer Consumer Healthcare, delivering on our commitment to complete the strategic review for this business in 2018," Read said.

"Pfizer and GSK have an excellent track record of creating successful collaborations, and we look forward to working together again to unlock the potential of our combined consumer healthcare businesses," he added.

Earlier this year, Swiss group Novartis sold its stake in its consumer healthcare joint venture to GSK for \$13 billion.

Meanwhile on Wednesday, Japanese company Taisho Pharmaceutical said it had offered \$1.6 billion for UPSA, a French OTC drugs company owned by US giant Bristol-Myers.

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