Investors cheer GSK-Novartis deal

UK drugmaker to take over consumer health unit • Shares in both pharma groups rise

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Novartis and GlaxoSmithKline put down a marker for their future strategies after the Swiss drugmaker agreed to sell GSK its stake in their consumer health joint venture for $13bn.

Both companies saw a significant lift in their share prices, as investors applauded an end to uncertainty over whether Novartis would exercise its right to sell its 36.5 per cent stake, leaving the British company in full control of the business.

The decision to leave the joint venture, which sells products including Sensodyne toothpaste and the pain-killer Panadol, is an early move by Vas Narasimhan, the new chief executive of Novartis, as he seeks to focus the company on its core innovative medicines business. For GSK, the deal strengthens the group’s bet on consumer health less than a week after pulling out of the auction to acquire Pfizer’s consumer business for $20bn.

Emma Walmsley, who led GSK’s consumer division before becoming chief executive, had made no secret of her desire to buy out Novartis’s share should it choose to sell. She had chosen this as a priority for capital allocation, second only to investing in the company’s pharmaceuticals business and ahead of any other large-scale acquisitions.

Shares in GSK ended the day almost 5.25 per cent higher at £13.55p, while Novartis shares firmed more than 2 per cent at SF75.94.

Ms Walmsley said the transaction, which must now be approved by shareholders, would allow investors “to capture the full value of one of the world’s leading consumer healthcare businesses”. She added: “It also removes uncertainty and allows us to plan use of our capital for other priorities, especially pharmaceuticals R&D.”

In a further potential shake-up, Ms Walmsley announced that the company was beginning a “strategic review” of Horlicks and its other consumer healthcare nutrition products.

Combined sales of these products were about £550m in 2017, GSK said. The move would allow it to increase focus on “over the counter and oral health” products, Ms Walmsley added.

Novartis said the cash offer from GSK represented “attractive value”. Mr Narasimhan said: “This will strengthen our ability to allocate capital to grow our core businesses, drive shareholder returns and execute value creating bolt-on acquisitions.”

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