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Teva Embarks On New Phase With FTC Clearance Of Allergan Generics

by Jessica Merrill

Teva said the deal will close the first week of August, after agreeing to sell assets related to 79 pharmaceutical products to gain FTC clearance.

The news *Teva Pharmaceutical Industries Ltd.* investors have been anticipating has come to pass: The Israeli pharmaceutical company's $40.5bn acquisition of *Allergan PLC*'s generic drug unit was cleared by the Federal Trade Commission July 27.

Investors were anxiously waiting FTC's blessing, and growing increasingly concerned about a potential hang up after Teva pushed back the timeline for a closing several times, most recently on July 13, when the company also updated its mid-range guidance. (Also see "*Teva's Rosy View For A Happy Union With Allergan Generics*" - Scrip, 13 Jul, 2016.) Teva now says the deal will close the first week of August.

Management has insisted all along that the closing was on track, but one question has been how many products FTC might require Teva to divest before clearing the union of the two generic drug units.

As it turns out, FTC's blessing carries a high price: the *agency is requiring substantial divestments*, including the sale of 79 pharmaceutical products to eleven different firms. The agency's action represents the largest drug divestiture ever ordered by FTC in a pharmaceutical merger review, the agency said (*see related story in Pink*).

The divestments are significantly greater than Teva originally anticipated. During its financial update July 13, management said the proceeds generated from the sale of products would be significantly greater than Teva had originally forecast, about

Teva, Allergan Generics: FTC Worried About A Multitude Of Markets, Not A

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$2.9bn versus $400m.

Teva is the biggest generic drug company in the US with an overall generic market share of approximately 13%, while Allergan is third, with approximately a 9% market share, according to FTC's statement. The merged company would have a roughly 22% share of the generic drug market.

The combined company is expected to generate $26.7bn to $27.8bn in revenues in 2019, up from the $19.7bn Teva generated as a standalone business in 2015.

Behemoth

By M. Nielsen Hobbs

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Teva must complete the expected divestments within 10 days, FTC said. The company has already announced many of the divestitures, including deals with *Impax Laboratories Inc.*, *Dr. Reddy's Laboratories Ltd.*Dr. Reddy's Laboratories Ltd. and *Sagent Pharmaceuticals Inc.*and *Perrigo Co. PLC* (Also see "*Teva Continues Divestitures To Close Allergan Deal With Sale To Impax*" - Scrip, 21 Jun, 2016.). FTC said the divestments will also include products that will be sold to *Mayne Pharma Group Ltd.*, *Cipla Ltd.*, Zydus Worldwide, Mikah Pharma LLC, *Aurobindo Pharma Ltd.*, *Prasco Laboratories* and *3M Co.*

"We have reason to believe that, absent a remedy, the transaction would likely substantially reduce competition in 79 markets for pharmaceutical products, including oral contraceptives, steroidal medications, mental health drugs, and many other products," FTC said. If even one dosage strength raised a competitive concern, FTC ordered the divestiture of all strengths.

That issue aside, FTC said it did not see other reasons why the merger might be anti-competitive. For example, the agency reviewed the potential impact on Paragraph IV challenges, but the evidence did not support that the combination might lead to fewer or less effective ones.

"The financial rewards associated with this 'first-to-file' exclusivity period provides a strong incentive for generic drug companies of all sizes to challenge brand drug patents and litigate against brand drug companies," FTC said.