Novartis AG (NOVN) agreed to buy GlaxoSmithKline Plc’s cancer-drug business for as much as $16 billion, form a consumer-health venture with Glaxo and sell its animal-health operation to Eli Lilly & Co. (LLY) for $5.4 billion in an overhaul of the Swiss drugmaker.

Novartis also will sell its vaccines business, excluding the flu operations, to Glaxo for $7.1 billion, the Basel, Switzerland-based company said in a statement today. That includes royalties and as much as $1.8 billion payments based on the achievement of certain business goals.

The transactions culminate a process that began last year when Novartis Chief Executive Officer Joe Jimenez began reviewing the company’s smaller businesses for possible sale.

Glaxo and Novartis’s consumer-health venture will have about 6.5 billion pounds ($10.9 billion) in revenue, Glaxo said. Glaxo will have majority control, with an equity interest of 63.5 percent. The venture brings together brands including Novartis’s Excedrin painkiller and Glaxo’s Sensodyne toothpaste. Glaxo’s vaccines purchase will add Bexsero for meningitis to its Cervarix for human papillomavirus.

“Opportunities to build greater scale and combine high quality assets in vaccines and consumer health care are scarce,” Glaxo CEO Andrew Witty said in a statement. “With this transaction, we will substantially strengthen two of our core businesses and create significant new options to increase value for shareholders.”

**Animal Health**

Glaxo said the transaction will probably be completed during the first half of 2015 subject to approvals.

Lilly said its purchase creates the world’s second-largest animal-health company as it absorbs the Novartis business, which had 2013 sales of about $1.1 billion. The Indianapolis-based drugmaker said it’ll take on about $2 billion of debt and pay the rest with cash on hand. Lilly said it expects annual cost savings of about $200 million within the third year after the deal is completed.

BofA Merrill Lynch advised Lilly, while Goldman Sachs Group Inc. advised Novartis on the animal-health deal. Glaxo said Lazard and Zaoui & Co. are acting as joint financial advisers. The U.K. company has also received financial advice from Citigroup Inc. and Arkle Associates. Lazard and Citigroup are acting as joint sponsors for the transaction, Glaxo said.
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