



DETERMINATION OF MERGER NOTIFICATION M/13/030 -

McKesson/Celesio

Section 21 of the Competition Act 2002

Proposed acquisition by McKesson Corporation of sole control of Celesio A.G.

Dated 20 November 2013

Introduction

1. On 24 October 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby McKesson Corporation ("McKesson") would acquire indirect sole control of Celesio A.G. ("Celesio").

McKesson

2. McKesson, based in the United States, services the healthcare industry through two business divisions: (a) Distribution Solutions, and (b) Technology Solutions.
3. The Distribution Solutions division distributes ethical and proprietary drugs, medical-surgical supplies and equipment and health and beauty care products. This division also provides specialty pharmaceutical solutions for biotech and pharmaceutical manufacturers, and practice management, technology, clinical support and business solutions to oncology and other specialty practices operating in the community setting. In addition, this division sells financial, operational and clinical solutions to pharmacies and provides consulting, outsourcing and other services. McKesson's operations in this business segment are limited to the United States.
4. The Technology Solutions division delivers clinical, patient care, financial, supply chain, and strategic management software solutions, and pharmacy automation to hospitals, as well as connectivity, outsourcing and other services, including remote hosting and managed services, to healthcare organisations. In this business segment, McKesson operates in the United States, France, the Netherlands, the United Kingdom, and the State.
5. For the year ending 31 March 2013, McKesson's worldwide turnover was €95 billion. McKesson's turnover in the State for the same period was €[...].

Celesio

6. Celesio, incorporated in Germany and listed on the German stock exchange, is a worldwide provider of logistics and services in the pharmaceutical and healthcare sector. Its core business is

pharmaceutical wholesaling and the operation of pharmacies. Celesio is divided into two business segments: (a) Patient and Consumer Solutions, and (b) Pharmacy Solutions.

7. In the Patient and Consumer Solutions segment, Celesio operates its own retail pharmacies and also maintains partnership schemes with independent, owner-run pharmacies. Celesio's pharmacies also offer advisory services to customers.
8. Celesio's Pharmacy Solutions segment focuses on the pharmaceutical wholesale business, procuring the medicine approved in each country as well as other products sold in pharmacies directly from manufacturers.
9. In the State, Celesio's activities are limited to the operation of a chain of 76 retail pharmacy stores operating under the Lloyd's brand.
10. For the year ending 31 December 2012, Celesio's worldwide turnover was €22 billion. Celesio's turnover in the State for the same period was €133 million.

Rationale for the Proposed Acquisition

11. The parties state in the notification:

"The purpose of the Proposed Transaction for McKesson is to enter the European markets for pharmaceutical wholesale and retail. [...] McKesson believes that the acquisition of Celesio is a commercially reasonable investment opportunity for a viable market entry, in order to be able to sustain the growing challenges on the European markets, which mirror the global situation."

Third Party Submissions

12. No submission was received.

Competitive Analysis

13. There is no horizontal overlap between the parties in the State. As noted above, Celesio operates a chain of 76 retail pharmacy stores in the State. McKesson is only active in the provision of technology solutions in the State. McKesson does not supply pharmaceutical, medical or home-care products to customers in the State.
14. There is no vertical relationship between the parties in the State. Celesio informed the Authority that neither it, nor any of its 76 retail pharmacy stores in the State, purchase healthcare software solutions from McKesson. The Authority considers that the healthcare software sold in the State by McKesson and the healthcare software purchased by Celesio's 76 retail pharmacy stores are sufficiently different that the proposed transaction does not raise any vertical issues.
15. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby McKesson Corporation would acquire indirect sole control of Celesio A.G. will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division