BATES WHITE
ECONOMIC CONSULTING

Grifols acquisition of Talecris

CASE STUDY

Client

GRIFOLS

Industry

HEALTHCARE

In June 2010, Barcelona-based Grifols SA (Grifols) agreed to purchase North Carolina-based Talecris Biotherapeutics (Talecris), a deal that at the time was valued at $3.4 billion.[1] Both companies develop, produce, and market blood plasma-derived products used in the treatment of bleeding and immune deficiency disorders.

The FTC conducted an investigation focused on whether the transaction would facilitate coordination within the industry. The FTC's concerns were similar to their concerns of roughly a year prior when they alleged that coordinated effects would likely result from the proposed combination of Talecris with CSL, a leading producer of blood plasma-derived therapy treatments. CSL and Talecris abandoned the transaction soon after the FTC issued its complaint in that case.

The law firm of Proskauer Rose, working on behalf of Grifols, hired a team of Bates White economists, led by Partner George A. Rozanski, to assess the competitive implications of the transactions. The conclusion of the analysis was that the merged firm would have significantly greater incentive and ability to play a disruptive role in markets for blood plasma-derivative therapies to the benefit of consumers. Dr. Rozanski submitted and presented his economic analysis to the FTC staff in a series of meetings.

Economic theory provides important insight into a firm's decision on whether to go along with a coordinated outcome. A coordinated outcome can only be maintained if significant competitors in the market find it in their interest to support it. A firm faces a tradeoff between the profits earned from receiving a relatively high margin on the volume of sales it could make at the coordinated outcome, and the profits it could earn on a potentially much larger volume of sales at a slightly lower margin if it were to reduce price and expand sales while rivals maintained the higher price.

Thus, a key factor in the decision of whether to support coordination is the firm's ability to expand sales and gain share if it were to reduce price. Bates White's analysis demonstrated that, largely due to substantial and merger-specific efficiencies, the combined company would have a much greater ability to increase production in response to higher than competitive pricing.

In late spring 2011, the parties signed a consent agreement with the FTC staff approved by the commissioners.[2] This agreement addressed the agency's concerns by requiring the divestiture of some assets and providing for a manufacturing agreement without affecting the merger-specific efficiencies or the combined company's ability to compete effectively.

Contact us

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1 http://www.grifols.com/polymitaImages/public/grifols/pdf/EN/investors/000-%20proposed%20talecris%20acquisition/np_20100607-en.pdf

2 The case is *In re Grifols, S.A., and Talecris Biotherapeutics Holdings Corp.*, FTC File No. 1010153, Docket No. C-4322, (July 20, 2011), available at http://www.ftc.gov/os/caselist/1010153/110722grifolsdo.pdf. (Selected pleadings in the case can be found on the FTC website: http://www.ftc.gov/os/caselist/1010153/index.shtm.)

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