

M&A Review of 2010-13

Global M&A round-up 2012

- 2012 was more subdued than 2011 in terms of M&A, with global deals having less of an impact
- As some MNCs focused on streamlining their portfolio, others looked to the emerging markets for growth
- The biggest deal in 2012 was a regional one: Reckitt Benckiser acquired VMS specialist Schiff Nutrition, bringing key US brands such as Airborne, MegaRed and Move Free
- GSK continued to sell off its non-core OTC brands, to Prestige Brands in North America, Omega Pharma in Europe and Aspen Pharmacare in other markets
- Pfizer divested its Nutrition business – the leading global paediatric nutrition company, with 85% of sales generated in emerging markets – to Nestlé for \$11.85bn
- Other major global deals in 2012 were mainly generics-oriented, notably Watson Pharmaceuticals' acquisition of Actavis, making it the No.3 global generics company (took Actavis name in 2013)

Smaller deals offered a source of growth in North America

- Although there was a lack of blockbuster deals in North America throughout 2012, smaller M&A deals continued despite weak economic conditions
- While there was a reduction in the number of deals, acquisition continued to be seen as a potential source of growth
- Following a bidding war, **Reckitt Benckiser** secured the acquisition of Schiff Nutrition in November, bringing several key VMS brands in North America, including krill oil brand MegaRed, multivitamin Airborne and joint health supplement Move Free
- **Prestige Brands** acquired 17 brands from GSK's non-core OTC portfolio, including analgesics Goody's and BC and GIs Beano and Gaviscon
- In August 2012, following the transfer of these brands, Prestige announced record fiscal Q1 revenues, with the company's OTC sector revenues growing 77% over the previous year's first quarter on the back of acquisitions
- Canada-based **Valeant** continued its fast expansion with a string of deals
- In September, the company acquired US-based dermatology company Medicis, which markets several Rx brands, for \$2.6bn
- The company also acquired Swiss Natural from Swiss Herbal Remedies in May; the long-line VMS range complements Valeant's existing portfolio, particularly brands such as Cold-fX, which came with the acquisition of Afexa in 2011



DHG Pharma

"DHG leads Vietnam's OTC market and continues to post growth well above average. As a well-established domestic player, its local knowledge could prove beneficial to MNCs looking to enter this dynamic market."

Status: Public

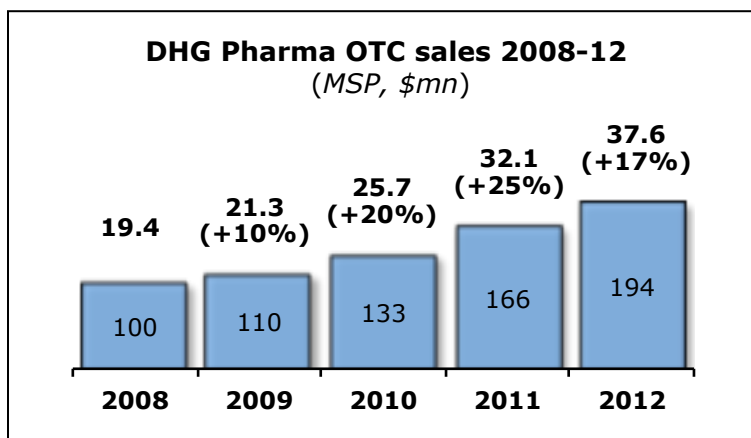
Business sectors: Pharmaceuticals, food supplements, cosmetics

OTC sales 2012: \$37.6mn

OTC rank (global): 266

OTC rank (Vietnam): 1

Top market: Vietnam (100% of sales)



- Vietnamese player DHG fields around 200 products across pharmaceuticals, food supplements and cosmetics; leads its home OTC market
- Success in OTC can be attributed to solid investment in R&D, high A+P spends and competitive pricing; company uses the tagline "for a more beautiful and healthier life"
- A diverse product portfolio boasts leading brands in several OTC categories (although presence reduced after divestment of popular herbal cough & cold brand Eugica to Mega Lifesciences in 2012)
- Hapacol dominates systemic analgesics category thanks to high-profile A+P, competitive pricing and wide distribution, while VMS range has strong presence owing to raft of condition-specific offerings, such as Spivital Mama for pregnant women
- Company has good coverage of Vietnam, with large sales force targeting pharmacists across the country; brands achieve strong sales in hospitals



DHG Pharma leading OTC brands 2012					
(MSP)	Brand	Category	\$mn	12/11	CAGR 12/08
1	Hapacol	systemic analgesics	23.4	+14%	+15%
2	Spivital	VMS range	3.4	+36%	+45%
3	Unikids	multivitamins	3.2	+49%	+30%
4	Eyelight	eye care / herbal & natural supplements	3.1	+27%	+21%
5	Naturenz	liver & bile remedies	2.6	+28%	+29%
	Others		1.8	-25%	+2%

Sopharma

"Bulgarian player Sopharma has successfully expanded into high-growth markets such as Russia and Ukraine and remains strong in its domestic OTC market. Strong infrastructure in C&EE and innovative products (notably Tabex) may make it attractive to Western suitors."

Status: Public

Business sectors: Generics, Rx and OTC pharmaceuticals

Total sales 2012: \$465.5mn*

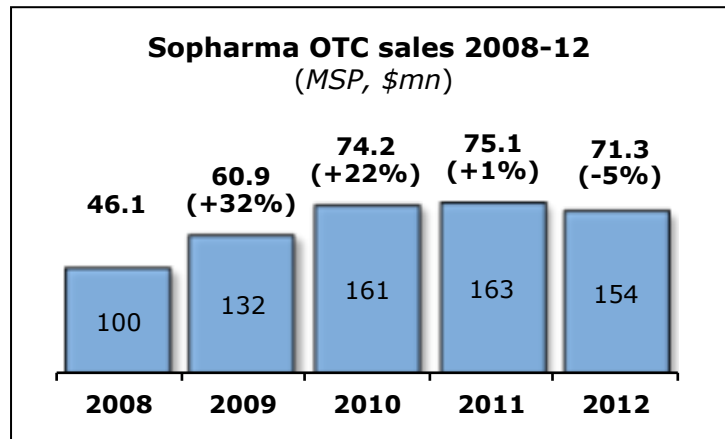
OTC sales 2012: \$71.3mn

OTC rank (global): 160

OTC rank (Russia): 29

Top markets: Russia (60% of sales), Ukraine (21%), Bulgaria (16%)

* consolidated turnover, Sopharma Group



- Nationalised in 1953 and privatised in 2000, Sopharma has invested considerable amounts of money into renovation, construction and R&D in order to maintain its strong position in domestic market Bulgaria, and also to become a major supplier of drugs in C&EE countries
- The company operates 17 production facilities in Bulgaria and other C&EE countries, where it manufactures more than 210 products in various forms
- The product portfolio largely comprises generics but also includes a number of original brands, such as plant-based Carsil and Tabex and metamizole-based Tempalgin
- Sopharma also has a number of co-production and co-promotion agreements with top international pharmaceutical companies, including J&J and Novartis
- Acquisition of controlling stake in Latvian distributor Briz in 2009 boosted company's influence in C&EE, as did the set-up of a Polish subsidiary in 2010
- Sopharma plans to launch Tabex – cystisine-based smoking control therapy that has been sold in C&EE for 40 years – in the USA once FDA approval is gained

Sopharma leading OTC brands 2012

(MSP)	Brand	Category	\$mn	12/11	CAGR 12/08
1	Carsil	liver & bile remedies	30.2	+15%	+17%
2	Tempalgin	systemic analgesics	18.9	+15%	+11%
3	Sedal M	systemic analgesics	7.6	-60%	+9%
4	Analgin-Sopharma	systemic analgesics	5.7	-3%	-2%
5	Tabex	smoking control	2.3	+53%	+29%
	Others		6.6	+11%	+6%

M&A Register – 2011

The big OTC deals in 2011

- P&G and Teva formed a healthcare j-v named PGT to bring together the companies' core strengths and capabilities to facilitate rapid expansion into new countries and categories; the j-v combined their OTC businesses in all markets outside North America
- Takeda acquired Nycomed from Nordic Capital and other private equity investors for \$13.7bn, providing Takeda with a strong presence in emerging markets and enhancing its position in Europe
- After several years of rumours that it was up for sale, iNova was purchased by Valeant for \$606mn, broadening Valeant's OTC position in Asia-Pacific and South Africa
- Italy's Menarini acquired Invida, providing the European company with a good grounding in Asia-Pacific where Invida fielded derma brands and OTCs
- Meda continued its acquisition trail, buying OTC brands from GSK

Company	Activity
Adcock Ingram	acquired Nutrilida Healthcare (S Africa) acquired 6 brands from Myralis (Brazil)
Aspen	acquired Sigma Pharmaceuticals (Australia)
Atrium Innovations	acquired Seroyal (USA)
Avert	acquired Zurita (Brazil)
Bafna Pharma	acquired Raricap (India)
Bayer	formed 50:50 pharma j-v with Zydus Cadila (India)
China Resources	formed j-v with Pientzhuang to carry out R&D, launch new products and market existing OTCs (China)
Dong-A	licensed Berocca, Redoxon, Bepanthol lip balm and four oral contraceptives from Bayer (S Korea)
Dong Wha	formed alliance with Novartis to co-market several OTC brands including Lamisil and Voltaren (S Korea)
DSM	acquired Martek Biosciences (USA)
Dupont	acquired Danisco (global)
GlaxoSmithKline	acquired Nanjing MeiRui Pharma (China) acquired Maxinutrition from Darwin Private Equity (UK)
Helen of Troy	acquired Kaz (USA)