

# Pharmaceutical & Healthcare



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While overall M&A activities remain robust across the pharmaceutical and healthcare services sector in Asia Pacific<sup>1</sup>, the first half of 2009 saw a modest decline in terms of both deal volume and deal value, reflecting the impact of the global economic crisis. There have been 282 deals in the first half of 2009 compared with 339 deals in the first half of 2008<sup>2</sup>.

However, there are no significant changes to the market dynamics of M&A activities in this sector. The trend of market consolidation of pharmaceutical production and distribution, the competition for lower cost generics and the strengthening of product pipelines will probably continue to drive deal growth in the future.

China and India continue to consolidate their fragmented pharmaceutical markets with a large number of domestic deals. In the first half of 2009, domestic deals accounted for more than two-thirds of the total number of transactions in both of these countries<sup>2</sup>. This reflects a key trend sweeping through these emerging markets where a great number of small and medium sized companies are struggling to survive with increasing competition, strengthened regulation and public pressure on the price of medicine. Meanwhile, several mergers in pharmaceutical distribution have also occurred since 2008. This trend may continue in the manufacturing and distribution sector where economics of scale are key.

Within the generics arena, Japan's Daiichi-Sankyo's US\$5-billion acquisition of Ranbaxy, an Indian generic producer, was the number one transaction in this sector in 2008. The generics sector has seen continued activity into 2009, reflecting the strong appetite of pharmaceutical giants for higher market growth and lower cost of manufacturing in emerging markets, such as India and China where valuations have become more attractive as result of the economic downturn.

As the top pharmaceutical country in the region, Japan saw several outbound deals during the first half of 2009, including the acquisition of IDM Pharma by Jade Subsidiary Corporation for JPY7 billion, and the acquisition of Victory Pharma by Sciele Pharma for JPY14.3 billion. Meanwhile, China also sought overseas opportunities to acquire new products and technology and access to the overseas consumer market. This move resulted in such deals as Wuxi Pharma Tech Inc's acquisition of US-based App Tec Laboratory Services for US\$163 million in the first half of 2009<sup>2</sup>. Although the economic downturn may slow down the pace of investment by these countries, the trend will not change given the desire of the main companies to acquire new products and strengthen their R&D capabilities.

Compared to other territories in the main Asia Pacific region, the Taiwanese biotech market is relatively small but highly developed. With the implementation of several new policies announced by the government in 2009, including a promotion programme and increased cooperation with China, M&A activity in this sector is expected to increase. Also, as Taiwan has long developed its IT sector, the integration of IT technology with medical functions coincides with the increasing demand for telemedicine solutions, and this presents an area of great potential for future M&A deals. ■

#### Notes

- 1: The M&A activities of companies in Asia Pacific region as a result of their parent companies' global M&A transactions in other territories were not taken into account in this summary.
- 2: Source: Thomson Onebank