

OTC firms focus on new directions

Procter & Gamble is teaming up with Teva, GlaxoSmithKline is putting itself on a par with the best fast-moving consumer goods firms, and Merck & Co and Pfizer are considering their options. Meanwhile, Meda, Reckitt Benckiser and Sanofi have made a string of acquisitions. Deborah Wilkes reports.

Relentless is a good way to describe merger and acquisition activity in the consumer healthcare industry over the past 12 months. Reckitt Benckiser led the way by acquiring UK-based SSL International, India's Paras and a portfolio of brands from Combe. Moreover, Sanofi snapped up China's BMP Sunstone, Poland's Nepentes and Canada's Canderm, while Meda completed six purchases including Alaven and Antula.

Important OTC acquisitions were also made by – amongst others – Adcock Ingram, Atrium Innovations, GlaxoSmithKline, Hypermarcas, Johnson & Johnson, Omega Pharma, Pfizer, Prestige, Taisho and Valeant (see Figure 1).

Procter & Gamble, meanwhile, has taken a different direction to develop its OTC business. The US-based consumer-goods giant announced recently that it had signed a “master agreement” with the world's largest generics company, Israel's Teva Pharmaceutical Industries, to create a consumer healthcare partnership (*OTC bulletin*, 31 March 2011, page 1).

Shlomo Yanai, Teva's president and chief executive officer, insisted the tie-up had the “potential to reshape the entire global OTC market”. He explained that the partnership would enable “two global leaders” not only to combine their businesses and research and development portfolios, but also to bring together a set of “complementary capabilities” that were “unmatch-

able in the healthcare industry”.

Yanai's counterpart at Procter & Gamble, Bob McDonald, pointed out that Teva's extensive portfolio in categories such as allergy, gastrointestinal and respiratory would provide a pipeline of potential prescription-to-non-prescription switches that could become either new lines or extensions to Procter & Gamble brands such as Metamucil, Pepto-Bismol and Vicks.

When finalised, the deal will see Procter & Gamble retain full control of its North American OTC operations, while a joint venture – in which Procter & Gamble will hold 51% and Teva 49% – will combine the two companies' non-prescription operations in all markets outside of North America. The joint venture will have annual sales of more than US\$1 billion (€700 million) on formation, and Teva believes it could become a US\$4 billion business within a few years.

Teva will handle manufacturing

Teva will also assume global manufacturing responsibility for both the joint venture and Procter & Gamble's North American business.

As *OTC bulletin* went to press, details of the collaboration were still being finalised. The two companies expect to close the deal this autumn, subject to regulatory approval.

GlaxoSmithKline is another company that has unveiled a new direction for its consumer healthcare operation within the past few months.

Chief executive officer Andrew Witty said in February that the UK-based pharmaceutical company intended to get rid of non-core OTC brands with combined annual sales of around £500 million (€565 million), representing about a tenth of the Consumer Healthcare division's turnover. The move, he remarked, would enable GlaxoSmithKline's Consumer Healthcare division – comprising its nutritional healthcare, oral healthcare and OTC medicines businesses – to focus more effectively on “priority or global” brands as well as its operations in emerging markets (*OTC bulletin*, 11 February 2011, page 1).

Witty pointed out that Consumer Healthcare's priority or global brands – including Lucozade, Panadol and Sensodyne – combined with the division's operations in emerging markets, such as India and China, represented 90% of its turn-

over. “The other 10% is essentially a selection of about 100 or so fragmented brands, often OTC brands sold in pharmacy, and often only sold in one or two countries,” he said, complaining that “frankly they are a drag on the growth of this business”.

GlaxoSmithKline's Consumer Healthcare division reported sales up by 7% to £5.01 billion in 2010. The nutritional healthcare and oral healthcare businesses led the way with sales rises of 12% and 8% respectively, while OTC medicines lagged behind with sales growth of 5%. In terms of geographic regions, the Rest of the World raced ahead of Europe and the US, as sales climbed by a fifth to £2.02 billion (*OTC bulletin*, 11 February 2011, page 7).

When the divestment list of more than 100 non-core OTC brands was released in April, many people from both inside and outside of GlaxoSmithKline were surprised to see the flagship Alli weight-loss medicine (*OTC bulletin*, 29 April 2011, page 1).

Alli's inclusion is seen as GlaxoSmithKline finally admitting defeat with the orlistat-based medicine, which was launched in the US four years ago (*OTC bulletin*, 31 May 2007, page 16) and in Europe two years ago (*OTC bulletin*, 30 April 2009, page 22). In the US, Alli generated sales of nearly £350 million in the period from its launch until the end of the first quarter of 2010, but the brand's financial performance has been erratic. In Europe, Alli achieved total sales of £139 million in the year between its launch and the end of the first quarter of 2010. The company did not reveal Alli's sales for the whole of 2010, saying simply that they were lower in both Europe and the US compared with 2009.

Alli may be the biggest brand in the basket put up for sale by GlaxoSmithKline, but it is not necessarily the most attractive. After all, if one of the top five global OTC players (see Figure 2) does not have the marketing and regulatory clout to succeed with Alli, then who does?

From GlaxoSmithKline's perspective, divesting the non-core OTC brands would put the company on a par with fast-moving consumer goods (FMCG) firms, commented Witty. Furthermore, he added, reshaping the Consumer Healthcare division around three priority categories – Nutrition, Oral Health and Wellness/OTC – would give a “tremendous opportunity” to change the way the division was run.

Bringing in Emma Walmsley from L'Oréal as the worldwide president designate of Consumer Healthcare has underlined Witty's thirst for change. His moves would enable the divi-



Andy Tisman, IMS Health's senior principal for Consumer Health, says GlaxoSmithKline's new direction may be a sign of what lies ahead, as the global OTC industry increasingly polarises around two key business models



The L'Oréal background of Emma Walmsley, GlaxoSmithKline Consumer Healthcare's worldwide president designate, is helping transform the business

sion to “operate on a very competitive basis” against “any FMCG firm”, he said.

Walmsley joined GlaxoSmithKline just over a year ago. She had previously been leader of L'Oréal's Consumer Products business in China. Before that, she was based in the US with global responsibility for the Maybelline cosmetics unit (*OTC bulletin*, 31 March 2010, page 1).

Once the divestments had been completed, pointed out Witty, Consumer Healthcare would have “15 strategic brands and a very heavy exposure to emerging markets”. This profile was “very exciting”, he enthused.

Andy Tisman, IMS Health's senior principal for Consumer Health, says GlaxoSmithKline's new direction may be a sign of what lies ahead, as the global OTC industry increasingly polarises around two key business models.

On the one hand, companies such as GlaxoSmithKline, Procter & Gamble and Reckitt Benckiser have a “very rigorous focus on a small number of big brands”, says Tisman, noting that Reckitt Benckiser calls them powerbrands. On the other hand, he continues, companies like Bayer, Johnson & Johnson, Novartis and Sanofi have “big and diverse portfolios encompassing a range of big, medium and small brands sold through pharmacy and mass-market channels, as well as global, regional and local brands”.

More changes of direction?

Tisman points out that GlaxoSmithKline Consumer Healthcare's new direction coincides with the arrival of Walmsley from FMCG giant L'Oréal. He suggests that Sanofi's appointment of Vincent Warnery as vice-president Consumer Healthcare Europe and global development – together with the recruitment of senior executives with a consumer background at a number of other leading players – might lead to more changes of direction within the OTC industry. “A more consumerist approach may become

MERGER & ACQUISITION NEWS

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GlaxoSmithKline to acquire Maxinutrition for £162 million	16 December 2010
Reckitt Benckiser to buy India's Paras Pharmaceuticals for INR32.6 billion	16 December 2010
Omega Pharma to pay €9.0 million for OTC activities of Spain's Inibsa	30 November 2010
Meda buys three OTC brands from Norgine for SEK540 million	16 November 2010
Sanofi to pay around US\$520 million for China's BMP Sunstone	16 November 2010
Omega Pharma pays €3.1 million for ACO food supplement brand	29 October 2010
Omega Pharma pays €69.0 million for France's Laboratoire de la Mer	29 October 2010
Prestige Brands agrees to pay US\$190 million for Blacksmith Brands	29 September 2010
Meda pays SEK190 million for BioPhausia's Nordic OTC brands	29 September 2010
Elder Pharmaceuticals to buy NeutraHealth in a deal valuing the UK-based company at £12.2 million	29 September 2010
Meda to pay US\$350 million for Alaven	10 September 2010
Aspen Pharmacare bids A\$900 million for the Pharmaceuticals division of Sigma Pharmaceuticals	10 September 2010
Novartis takes majority stake in Alcon	10 September 2010
Vemedi Pharma acquires Sleepzz brand from Liberty Healthcare	10 September 2010
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Teva Pharmaceutical Industries pays €3.63 billion for Ratiopharm	13 August 2010
Reckitt Benckiser to pay £2.54 billion for SSL International	30 July 2010
The Carlyle Group to pay US\$3.80 billion for NBTY	30 July 2010
Sanofi to buy Canada's Canderm Pharma for an undisclosed sum	30 June 2010
Valeant Pharmaceuticals to merge with Biovail	30 June 2010
Sanofi to pay PLN420 million for Poland's Nepentes	31 May 2010
Church & Dwight to acquire Simply Saline brand for undisclosed sum	31 May 2010

Figure 1: Some mergers and acquisitions involving OTC businesses in the past 12 months (Source – *OTC bulletin*)

more widespread,” he says.

Warnery has worked for L’Oréal, Procter & Gamble and rum manufacturer Bacardi & Company (*OTC bulletin*, 15 April 2011, page 23).

Tisman maintains that neither business model is right or wrong in itself. “Each company should choose the model that fits best with its capabilities, objectives and strategy,” he says. “The important thing is how companies execute their chosen business model.”

Another pointer to GlaxoSmithKline’s direction for Consumer Healthcare is the recent acquisition of Maxinutrition from Darwin Private Equity for approximately £162 million including repayment of outstanding debt. GlaxoSmithKline noted the UK-based sports-nutrition specialist had generated sales of around £36 million in the year ended April 2010, and had achieved a compound annual growth rate of approximately 21% over the previous three years (*OTC bulletin*, 16 December 2010, page 1).

The deal added the Maximuscle, Maxifuel and Maxitone brands to GlaxoSmithKline’s nutritional healthcare business, which is dominated by the Horlicks, Lucozade and Ribena drinks.

John Clarke, worldwide president of GlaxoSmithKline Consumer Healthcare, said the deal gave the company a “strong presence in the fast-developing protein-based sports nutrition market” with brands that appealed across a “broad spectrum of consumers from elite athletes to sports participants and those seeking additional nutritional supplementation”. “GlaxoSmithKline will invest behind Maxinutrition’s science-proven products to extend the growth of Maxinutrition within its UK and European footprint,” Clarke pointed out, “and expand it to the global marketplace where GlaxoSmithKline has existing infrastructure and capabilities.”

Despite the relentless merger and acquisition activity, several of the leading OTC players have not recently found the right deal at the right price.

Novartis, for example, has made no secret of the fact that it is seeking bolt-on acquisitions to expand its OTC business. Joseph Jimenez, Novartis’ chief executive officer, said last November that the Swiss company was prepared to spend between US\$1 billion and US\$2 billion on such purchases (*OTC bulletin*, 30 November 2010, page 5).

A Novartis Consumer Health spokesperson told *OTC bulletin* that the company was primarily seeking acquisition opportunities in its three core categories – cough/cold/allergy, gastrointestinal and pain relief – but would consider moving into others. The search would focus on the company’s top 10 OTC markets, added the spokesperson.

Jimenez pointed out, however, that Novartis did not have to make acquisitions to grow its OTC business in the next five years.

The business would be boosted by organic growth, he insisted, explaining that the company would focus on growing its existing brands in its three core categories, and expanding its presence in its top 10 markets. Jimenez said the aim was for the top 10 markets to account for around 70% of OTC sales by 2015. They currently generated 60%, he noted.

Meanwhile, Dr Marijn Dekkers, chairman of Bayer’s management board, recently told analysts and the media that the German chemical and pharmaceutical group was “interested in doing acquisitions in healthcare”. He stressed that Bayer’s major focus was on driving organic growth, but the company was also interested in acquisitions “particularly in healthcare

and the bio-science part of crop science” (*OTC bulletin*, 13 May 2011, page 13).

Another German company, Stada Arzneimittel, is also ready to step up its spending on acquisitions this year, as it looks to expand the group’s footprint in Eastern Europe and its portfolio of branded products. “The cautious acquisitions policy that we have pursued over the past two years will be replaced by an accelerated acquisitions approach,” promised Hartmut Retzlaff, chairman of the executive board (*OTC bulletin*, 15 April 2011, page 7).

Pursuing three takeover targets

Retzlaff revealed that the German generic and OTC group was currently pursuing three takeover targets, none of which would require Stada to raise additional capital. Among these targets were “an Eastern Europe package” and “an interesting generics target not far from Germany”. Stada had “absolutely no interest” in a rumoured merger with Actavis, he added.

Retzlaff said the company was looking for brands with “high growth and high margins”.

Acquiring GlaxoSmithKline’s Eunova vitamin brand for €12 million was a good example of the type of deal Stada was seeking, Retzlaff pointed out. Since acquiring the brand in November 2009, Stada had been able to increase its sales from around €6.0 million to slightly over €8.0 million, he said.

Stada has since expanded on Retzlaff’s cryptic reference by announcing that it is in exclusive talks to acquire a portfolio of branded products in Central and Eastern Europe and the Middle East from fellow German firm Grünenthal for around €360 million. The portfolio of 14 primarily-prescription products that Stada is negotiating to buy includes six of Grünenthal’s own brands and eight licensed products, including the Flexove/Glucomed glucosamine brand, the Oekopharm range of nutritional supplements, and a diclofenac patch (see page 3).

Stada has also said that it is set to enter negotiations to acquire Spirig Pharma’s generics business in Switzerland, and will make a final decision on the opportunity within the next three months. Spirig’s Swiss generics business included 15 non-prescription and discretionary prescription products, the German company noted, together with 56 prescription products. Annual turnover of the products was estimated to be SFr45 million (€36 million).

Meanwhile, the top man at another German chemical and pharmaceutical company, Merck KGaA, recently admitted to being frustrated by the current OTC business environment. Chief executive officer Karl-Ludwig Kley said earlier this year that Merck KGaA wanted its Consumer Health Care business to achieve critical mass on a global scale, but this was “quite a

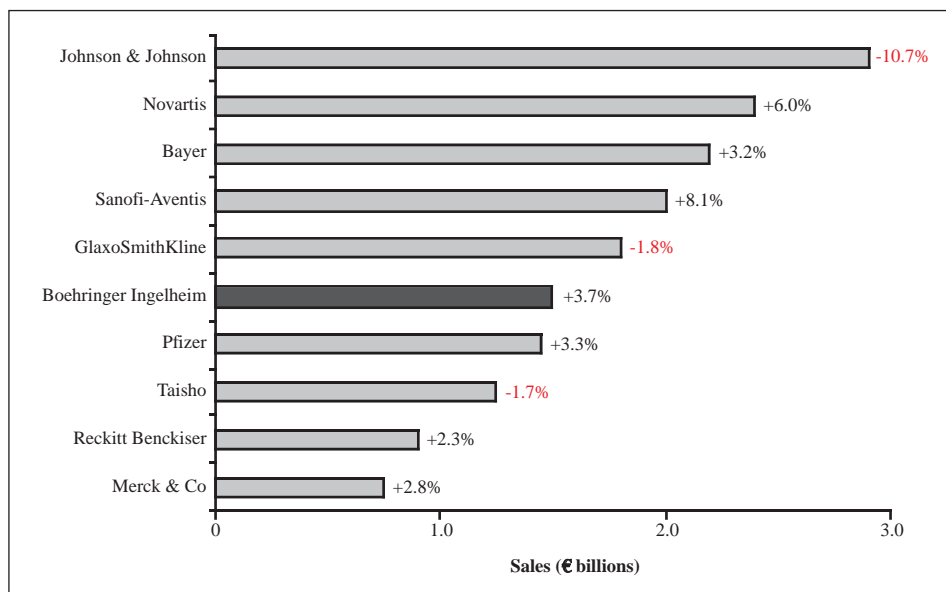


Figure 2: Top 10 consumer healthcare companies ranked by worldwide sales of non-prescription products in 2010, accompanied by sales growth compared to 2009. Figures are based on value sales at manufacturers’ selling prices (Source – Boehringer Ingelheim/IMS Consumer Health’s OTC ReViewPlus)

difficult exercise” (*OTC bulletin*, 28 February 2011, page 2).

Acquisitions were one way of reaching this goal, Kley said, but the company felt that current prices in the OTC sector were not very attractive. Merck could also look to form partnerships, seek out individual brand acquisitions, do product swaps and invest in organic development to grow the division, he ventured.

Kley’s comments came in the wake of an interview published in the *Financial Times* newspaper. He was quoted as saying that efforts to double the size of the Consumer Health Care business over the past three years had been hindered by high prices of potential acquisitions. Asked whether he would consider selling the Consumer Health Care business, Kley was quoted as saying he would “never exclude any option” that made “economic sense” (*OTC bulletin*, 11 February 2011, page 3).

A year earlier, Kley had revealed that Merck KGaA’s plan to turn its Consumer Health Care business into “one of the top-10 global OTC players by doubling annual sales to €1.0 billion” by 2012 (*OTC bulletin*, 29 May 2009, page 20) had been dealt a blow during 2009 when it missed out on two unnamed acquisition opportunities (*OTC bulletin*, 17 March 2010, page 1).

Speaking at Merck KGaA’s annual results press conference in February, Kley responded to the quotes published in the *Financial Times*, insisting that he had never said the Consumer Health Care business was for sale. The firm “did not intend to sell” the business, he added.

Maintaining a Consumer Health Care business “made sense”, Kley insisted, adding that the business was “regionally very strong”, it was profitable and had a positive cash flow.

All the time in the world

Kley refused to put a time line on Consumer Health Care’s development, saying that as long as the business maintained a good level of profitability then it would get “all the time in the world” to become a global player. However, if profits remained at the level seen in 2010, then Consumer Health Care’s development would “have to speed up”, Kley warned.

Merck KGaA’s Consumer Health Care business reported an operating profit down by 71% to €14 million in 2010. The company blamed problems in China, impairment losses in Mexico and a warehouse fire in the UK. These difficulties had been compounded by a 28% rise in research and development expenditure during the 12 months. Sales moved ahead by 1% to €472 million.

The frustrations of finding the right deal were also outlined recently by David Wright, senior vice-president and global head of Boehringer

Ingelheim’s Consumer Health Care business.

Speaking exclusively to *OTC bulletin*, Wright said the family-owned German pharmaceutical company was prepared to boost Boehringer Ingelheim’s Consumer Health Care business with a big acquisition. “If the right target comes along and fulfils our strategic criteria, then Boehringer Ingelheim will make an active move,” he promised (*OTC bulletin*, 29 April 2011, page 18).

However, Wright is a pragmatist. “If you are always looking for the ideal acquisition target, then you may be disappointed,” he remarked.

In the past, Boehringer Ingelheim has focused on supporting Consumer Health Care’s organic growth with fill-in acquisitions. The company wanted to “close gaps in specific countries and accelerate its presence in core categories, such as gastrointestinal products and cough/cold remedies”. The aim was to “achieve category leadership and obtain a sustainable business in the given country” (*OTC bulletin*, 15 May 2009, page 18).

But Wright said that Consumer Health Care now had a more flexible approach to acquisitions, particularly when it came to categories and brands. “If you restrict yourself to the categories you know best and look at the strong brands within those categories,” he observed, “then you may find they are not up for sale or you may have to pick them up along with brands that are not part of your core business.”

“We have looked at our core categories and the strong brands within those categories, but unfortunately we cannot prise them open,” he continued. “So we have broadened our sights to cover other categories. The only way to get something sizeable is not to restrict yourself completely to what you know best.”

When it comes to enhancing the Consumer Health Care business’ geographic presence via acquisitions, however, the top priority remains unchanged. “Finding the right deal in the US is particularly important,” commented Wright. “If we want to be a billion-dollar player in the US, then clearly we are not going to achieve that through organic growth and/or switches.”

Wright said China was second on the list of acquisition priorities, with Russia close behind. In Europe, he added, France and the UK were important targets. However, he noted that Consumer Health Care was “not restricting its targets” to these countries.

Wright stressed the importance of flexibility in the current business environment, when many firms have similar acquisition strategies and when buyers can sometimes become sellers overnight. Outright acquisitions are the favoured option for Consumer Health Care, he said, but Boehringer Ingelheim might be prepared to consider other ways of enhancing the geographic presence of the business.



Merck & Co’s chief executive officer, Kenneth Frazier, is not ruling out any options for the US-based pharmaceutical company’s Consumer Care business

Enhancing the geographic presence of its Consumer Care business is also high on the agenda at Merck & Co. Kenneth Frazier, chief executive officer of the US-based pharmaceutical company, said soon after taking up the post in January that the business was “not global enough” and did not have the “kind of scale outside the US” that the firm thought it required (*OTC bulletin*, 21 January 2011, page 3).

Allows Merck & Co to switch products

On a more positive note, however, Frazier said the Consumer Care business gave Merck & Co the “ability to switch products in the right context”. Merck & Co had to decide what role the business could play in the longer term, he remarked, and whether it could be a “significant contributor” to the company.

Frazier added that Merck & Co was evaluating all options for its Consumer Care business – including spinning off – but had not set a deadline for deciding the future of the business.

A spokesperson for Merck & Co told *OTC bulletin* that Frazier’s comments did not signal a “change in Merck’s strategy” in relation to Consumer Care. The company considered Consumer Care a “valuable business”, added the spokesperson.

Richard Clark – Frazier’s predecessor and Merck & Co’s chairman – had continually backed Consumer Care after Merck & Co had obtained the business by purchasing Schering-Plough for US\$41 billion in 2009 (*OTC bulletin*, 17 March 2009, page 1).

At the end of April this year, Frazier reiterated that Merck & Co was considering all options for the Consumer Care business (*OTC bulletin*, 13 May 2011, page 5). “We like the fact that we are seeing 6% growth in Consumer and 7% growth in Animal Health,” Frazier commented, “and going forward we are just going to have to look at those businesses to figure out

how they can help us maximise shareholder returns. I am not ruling anything out.”

Pfizer is also considering the options for its Consumer Healthcare business, as part of a wider strategic review of the US-based pharmaceutical company. Overseeing this review is president and chief executive officer Ian Read, who took up the post at the end of last year, following the abrupt departure of Jeffrey Kindler (*OTC bulletin*, 16 December 2010, page 1).

Read said earlier this month that the results of the strategic review of its non-pharmaceutical businesses – including Consumer Healthcare – would start to be released during the second half of 2011 (*OTC bulletin*, 13 May 2011, page 10).

Reviewing in a thorough way

Asked whether the company had narrowed its strategic options with regard to the Animal Health, Consumer Healthcare and Nutrition operations it gained through its US\$68 billion acquisition of Wyeth in 2009, Read said that the company was still reviewing the businesses in a “thorough way”, and announcements about their futures would begin in the second half of the year. “I don’t foresee at some point in the second half suddenly coming out with a detailed master plan,” Read cautioned, “but certainly we’ll lay out decisions we’ve taken and decisions we haven’t and the whys and analysis to give a clearer path forward.”

In February of this year, Read challenged Pfizer’s Consumer Healthcare unit to prove its worth to the company (*OTC bulletin*, 11 February 2011, page 14), adding that he felt that both Consumer Healthcare and Nutrition were “strong businesses” with growth potential.

Around the same time, Pfizer announced

Some companies may have detuned compared to two years ago in terms of their focus on the consumer healthcare business

that it was set to expand its Consumer Healthcare business by acquiring Ferrosan’s Consumer Healthcare operation from the private-equity group Altor 2003 Fund for an undisclosed sum (*OTC bulletin*, 11 February 2011, page 1). The Danish company reported sales of DKr1.14 billion (€150 million) during 2009, the majority of which came from the Consumer Healthcare operation. Its brands include the Imedeen oral skincare products.

Read’s evaluation of the Consumer Healthcare division is part of an ongoing review of Pfizer’s portfolio, which has already seen the Capsugel drug-delivery business sold to the private-equity company Kohlberg Kravis Roberts (KKR) for approximately US\$2.38 billion

(*OTC bulletin*, 15 April 2011, page 5).

According to IMS Health’s Tisman, many parent companies now have a more realistic view of their consumer healthcare offspring than they had a couple of years ago.

Tisman recalls that the OTC or consumer healthcare market had been out of favour with some big pharma players up until a few years ago. Some firms, including Pfizer and Roche, had even divested their consumer healthcare businesses, he notes.

That changed a couple of years ago, he continues, when some pure pharma players decided that they needed to take a broader view of healthcare beyond human prescription medicines. “Depending on the company, diversified portfolios now encompass animal health, biologics and vaccines, as well as non-prescription medicines and food supplements,” he says.

Companies still clearly see the value of owning a consumer healthcare business, insists Tisman, but they are more cautious about the level of investment. “Some companies may have detuned compared to two years ago in terms of their focus on the consumer healthcare business,” he believes. “They recognise that while the OTC market provides opportunities, it also contains challenges.”

“The OTC market continues to thrive, particularly in the developing world, but companies have a more realistic appreciation of its potential,” adds Tisman

Nevertheless, if a major global consumer healthcare business were to be put up for sale, it would undoubtedly attract a huge amount of interest – both from strategic buyers and private-equity firms – as well as a high price tag.

Meanwhile, one significant consumer healthcare business is about to change hands, albeit as part of a wider pharmaceutical deal. Japan’s Takeda Pharmaceutical is set to buy Nycomed for €9.6 billion, after reaching an agreement with the shareholders of the Swiss company.

The deal excludes Nycomed’s US dermatology business (see front page).

Nycomed’s total OTC sales rose by 3.8% to €433 million in 2010. They accounted for around 14% of the pharmaceutical company’s overall sales, which fell by 1.8% to €3.17 billion (*OTC bulletin*, 17 March 2011, page 6).

Takeda has just reported a 3.5% increase in sales at its Consumer Healthcare business to ¥60.3 billion (€525 million) in the year ended 31 March 2011, driven by better sales of Alinamin vitamin tonics and Benza cold remedies. Consumer Healthcare accounted for just 4% of Takeda’s total group sales, which slipped back by 3.2% to ¥1.42 trillion over the 12 months.

Shortly before the Nycomed deal was an-



Pfizer’s president and chief executive officer, Ian Read, says the results of the company’s strategic review of its non-pharmaceutical businesses – including Consumer Healthcare – will start to be released during the second half of 2011

nounced, Takeda said it had accelerated a study into whether the company should enter the Chinese OTC market, after forming a new sales and marketing subsidiary that could import and distribute finished goods in the country. In light of its new capabilities in China, the firm pointed out that it had prioritised a study into whether its flagship Alinamin brand of vitamin products would provide a suitable platform for the company to build a presence in the Chinese OTC market (*OTC bulletin*, 13 May 2011, page 14).

Fellow Japanese company Taisho Pharmaceutical is about to complete another OTC deal outside of its domestic market by acquiring Malaysia’s Hoe Pharmaceuticals for approximately MYR370 million (€85.5 million). Japan’s leading OTC company said the deal enabled it to enter the Malaysian pharmaceutical market “in earnest”, and also to grow its business across Asia by using Hoe’s distribution channels to sell its existing products (*OTC bulletin*, 15 April 2011, page 1).

Under the terms of the deal, Taisho is paying almost five-times Hoe’s annual sales of MYR76 million, which are generated by a portfolio of consumer and medical dermatology products. Noting that Hoe was the “leading local pharmaceutical company in Malaysia”, Taisho said that its products were available in more than 40 countries, the majority of which were in Asia.

Expanding its Asian operations

Acquiring Hoe is in line with Taisho’s strategy of expanding its Asian operations, which saw the company buy Bristol-Myers Squibb’s OTC assets in the Asia-Pacific region, excluding China and Japan, in 2009 (*OTC bulletin*, 30 September 2009, page 1). The US\$310 million deal included the rights to the Tempra anti-

pyretic analgesic and the Counterpain topical analgesic, as well as Bristol-Myers Squibb's Indonesian subsidiary.

Prior to the Bristol-Myers Squibb deal, the bulk of Taisho's overseas operation was built around its Lipovitan health drink brand, which the company sells through local subsidiaries in China, Hong Kong, Indonesia, Malaysia, the Philippines, Taiwan, Thailand and Vietnam.

Releasing its annual results earlier this month, Taisho said it planned to expand its OTC drug business outside of Japan as it faced up to a domestic market defined by a sluggish economy, greater competition, a changed structure and the long-term impact of the recent earthquake. Establishing Taisho as a leading name in the Asian energy-drinks market was one aim, the company noted, but developing its presence in the entire OTC market across South-East Asia was also a priority (see page 8).

IMS Health's Tisman says Japanese companies are keen to develop beyond their home OTC market, which has been flat for several years, and are looking to other countries in the Asia-Pacific region.

Led by Reckitt Benckiser

Merger and acquisition activity in the consumer healthcare industry during the past 12 months was led by Reckitt Benckiser, which continued to build its Health & Personal Care division through high-profile purchases.

In July of last year, the UK-based consumer-goods company agreed to buy SSL International for £2.54 billion. The price tag represented 3.2-times SSL's turnover of £803 million

With so many companies unable to find the right deal at the right price, more may follow Procter & Gamble's lead

in the year ended 31 March 2010 (*OTC bulletin*, 30 July 2010, page 1).

The deal added the Durex and Scholl brands to Reckitt Benckiser's portfolio, bringing the company's total number of powerbrands to 19.

Reckitt Benckiser's chief executive officer Bart Becht described the deal as a "step change" for the company's global Health & Personal Care division. Health & Personal Care's annual sales would increase by more than a third to approximately £2.8 billion, he said, adding that the enlarged division would represent about a third of the group's total turnover.

The announcement followed years of speculation that Reckitt Benckiser would bid for SSL and its Durex and Scholl brands.

At the end of the year, Reckitt Benckiser announced that it planned to buy India's Paras Pharmaceuticals for INR32.6 billion (€546 mil-

lion). The price tag represented more than eight-times Paras' sales of INR4.0 billion (*OTC bulletin*, 16 December 2010, page 1).

Soon afterwards, Reckitt Benckiser snapped up a basket of brands, including the Lanacane skincare line, from privately-owned US firm Combe for an undisclosed sum (*OTC bulletin*, 21 January 2011, page 1).

Reckitt Benckiser's progress into consumer healthcare in recent years has been driven by Becht, who will retire as chief executive officer in September after 16 years in the role (*OTC bulletin*, 29 April 2011, page 8). The company pointed out that Rakesh Kapoor, who will take over from Becht, had been one of the architects of the company's acquisition of Boots Healthcare International in 2006. That deal transformed Reckitt Benckiser into a global consumer healthcare player.

Sanofi is another company that has continued to bolster its Consumer Health Care business over the past year, striking deals in Canada, China and Poland.

In China, the French pharmaceutical company acquired BMP Sunstone and its portfolio of OTC cough/cold and women's health brands for approximately US\$520 million. The purchase price represented around 3.5-times the Chinese firm's 2009 sales of US\$147 million (*OTC bulletin*, 16 November 2010, page 1).

Sanofi entered the Chinese OTC market in 2009, when it established a majority-owned joint venture with Minsheng Pharmaceutical to produce vitamin and mineral supplements (*OTC bulletin*, 30 October 2009, page 15).

Over the past 12 months, Sanofi also added to its Consumer Health Care business in Canada by acquiring skincare specialist Canderm (*OTC bulletin*, 30 June 2010, page 1), and in Eastern Europe, where the company picked up Polish OTC firm Nepentes (*OTC bulletin*, 31 May 2010, page 1).

Earlier this month, Hanspeter Spek, Sanofi's president of global operations, said the company was seeking opportunities to expand its presence in Europe, and mentioned Germany and the UK as countries where it had little presence. A further soft spot was Japan, he said, adding that Sanofi was keen to switch products as well as make bolt-on acquisitions (*OTC bulletin*, 13 May 2011, page 7).

The Allegra (fexofenadine hydrochloride) allergy medicine, which has just been switched from prescription-to-OTC status in the US, lies at the heart of Sanofi's switch strategy. The company said Allegra Allergy had generated sales of €80 million in the period between its launch in February (*OTC bulletin*, 17 March 2011, page 1) and the end of the first quarter



Sanofi is seeking to expand the presence of its Consumer Health Care business in Europe, says Hanspeter Spek, president of global operations at the French pharmaceutical company

of 2011. Sanofi noted that Allegra Allergy was now its number one OTC brand.

In the run up to the Allegra switch, Chris Viehbacher, Sanofi's chief executive officer, noted that Sanofi's Consumer Health Care business did not have big global brands. Viehbacher added that Consumer Health Care was "a local business, so we've got very strong positions in Europe, very strong positions in Latin America and now we are building good positions in the US and Asia as well".

Meda has just completed its sixth OTC acquisition in eight months (see Figure 1 on page 21). After three years of investment, the Swedish company said its OTC business had grown from a marginal unit into an SEK2.0 billion (€225 million) sales operation (*OTC bulletin*, 13 May 2011, page 10).

Merger and acquisition activity in the OTC industry shows no signs of slowing down in the foreseeable future. Johnson & Johnson's Cilag International unit, for example, has just agreed to pay US\$260 million for OTC assets, including those in Russia, from JB Chemicals & Pharmaceuticals (see front page).

However, with so many firms unable to find the right deal at the right price, more may follow Procter & Gamble's lead and take their consumer healthcare businesses in new directions.

For instance, a surprise bidder for Glaxo-SmithKline's basket of non-core OTC brands could be Perrigo, whose chairman and chief executive officer Joseph Papa recently revealed that the US store-brand specialist was deciding whether to become a fully-fledged branded company. Asked whether Perrigo could be tempted into the branded market, Papa said it was something the firm was evaluating, but he insisted that a "strategic decision to go into brands" had not been made (*OTC bulletin*, 13 May 2011, page 6).