

# Bloomberg

## Actavis May Bid for Antibiotice, Make Smaller Buys

By Alex Kuli and Nina de Roy

Dec. 12 (Bloomberg) -- Actavis Group hf, three months after losing a \$2.5 billion takeover battle for Croatia's Pliva d.d., may bid for Romania's Antibiotice Iasi S.A. and other smaller pharmaceutical companies as it seeks to become one of the world's top three generic-drug makers.

The Icelandic company was among 22 potential bidders to submit a letter of interest for the Romanian government's 53 percent stake in Antibiotice, Chief Executive Officer Robert Wessman said. Romanians spent 380 million euros (\$502 million) on generic drugs last year, and Antibiotice had about 9 percent of the market, according to Nomura Code.

Actavis is seeking new targets after Barr Pharmaceuticals Inc. trumped it for Pliva in September. Pliva would have made Actavis the third-biggest generic-drug maker behind Israel's Teva Pharmaceutical Industries Ltd. and Switzerland's Novartis AG, and Wessman still wants to achieve that goal. He said he'll use small purchases such as Antibiotice, Romania's last state-controlled pharmaceutical company.

"We tried to do it in one go, then we pulled out because the price was too high," Wessman said in a Dec. 7 interview in his office near the Icelandic capital, Reykjavik. "We are simply cherry-picking now."

### Romanian Market

Wessman already grabbed an 8 percent share of Romania's generic-medicine market by buying cancer-drug specialist Sindan for \$161.2 million in March. With Antibiotice, Actavis could raise its market share to about 17 percent, challenging Czech drugmaker Zentiva NV's top spot in the Romanian generic market. Antibiotice has a market value of about \$300 million.

"It would fit for us because they have production facilities which we could use and expand," Wessman said. "But again, the price is always the balance."

The small-company approach "would probably allow Actavis to grow less expensively than with the bigger acquisitions," said Haraldur Yngvi Petursson, who covers Actavis at Kaupthing Bank in Reykjavik. "It might take them longer to do it, though."

Shares in Actavis dropped 0.9 kronur, or 1.4 percent, to 65.4 kronur in Reykjavik. They've risen 31 percent this year. Antibiotice closed up 0.01 leu, or less than 1 percent, at 1.66 leu in Bucharest.

With more than a dozen companies bidding for Antibiotice, there's a chance the price will be too high for Actavis, he said. Wessman declined to say what he considered a fair price.

'Too Crowded'

"We are not known for overbidding for companies," he said. "My feeling is that it will be too crowded a space."

Since Actavis was created through the merger of two Icelandic drug companies in 2002, Wessman, 37, has spent more than \$1.8 billion buying pharmaceutical makers, boosting total debt to nearly \$1.5 billion. He is seeking to purchase more companies without overleveraging his own, he said.

“It's very important to be among the top five in every single country, because then you get a really good platform for leveraging those products that you are launching,” Wessman said. The global market for copies of branded medicines is expected to rise to \$100 billion by 2010 from \$58 billion as governments and insurers seek to save money on brand-name medications.

Wessman considered making offers on several large medicine makers such as Germany's Stada Arzneimittel AG, Hungary's Gedeon Richter Nyrt. and Slovenia's Krka d.d. The CEO said he is no longer actively looking at any of them.

#### Germany Is 'Difficult'

“Stada is a good company,” Wessman said. “But the German market is difficult. A lot of reforms in terms of prices and reimbursement and reference prices and all that. So, I would not like to do a big acquisition in Germany for the time being.”

Other big eastern European drugmakers might have too much overlap in markets where Actavis is already present, he added.

“There is not any company in the market which we would limit ourselves from because of funding,” he said. Actavis had between \$3 billion and \$4 billion in financing available for its Pliva bid from banks including JPMorgan and UBS, he said.

The company's debt, which rose to 6 times earnings before interest, tax, depreciation and amortization last year, is now down to 3.8 times, which Wessman deemed an acceptable level.

Actavis is not planning new acquisitions in Russia, Europe's second-biggest market for generic drugs behind Germany, Wessman said. The company last month announced it had purchased 51 percent of ZiO Zdorovje, based near Moscow, for \$30 million.

#### Growth

“We believe that, especially for Russia, we don't need to do more acquisitions for the time being,” he said. “We will get to the number 5 through what we have, through organic growth.”

With expected sales of about \$60 million from Russia this year, Actavis doesn't rank among Russia's top 10 generic makers, according to Nomura Code rankings.

Actavis may want to spare itself the trouble of bringing a Russian drugmaker up to western European standards of corporate governance, said Christopher Kummer, director of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna.

“Why not avoid it if you have everything it takes?” Kummer said in a telephone interview. ZiO Zdorovje may be “enough as a platform to serve the market.”

To contact the reporters on this story: Alex Kuli in Budapest at [akuli@bloomberg.net](mailto:akuli@bloomberg.net).

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