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Sanofi Hunts for Consumer Deals Up to \$15 Billion

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Feb. 10 (Bloomberg) -- Sanofi-Aventis SA plans to stick to acquisitions of as much as \$15 billion as the French drugmaker seeks to replace revenue that it's losing to competition from generic medicines. Sanofi is focused on buying generic-drug makers in emerging markets and consumer-health companies, Chief Executive Officer Chris Viehbacher, 49, said today in Paris. While spurning mega-mergers, Sanofi did two to three acquisitions a month last year, and probably will do the same in 2010, he said. Fourth-quarter profit beat estimates after flu vaccine sales helped overcome the effect of generic competition, the company said.

"The best predictor of what we'll do in 2010 is what we've done in 2009," Viehbacher said in an interview in Paris. "When you do smaller to mid-sized deals, it is easier to search, complete a deal, and then hand it over to your line management and move on to the next deal. It's when you do a big deal that the whole company gets bogged down in deciding whose e-mail system you're going to use or where headquarters are going to be."

Viehbacher has spent \$9 billion on more than a dozen acquisitions since joining the company in 2008, looking outside the company's labs for new products as generic versions of cancer treatment Eloxatin and blood-thinner Plavix hurt sales. Drugs accounting for more than 20 percent of revenue face competition by 2013. Sanofi yesterday finished a \$1.9 billion offer to buy Chattem Inc., the U.S. maker of Gold Bond medicated powder.

Cutting Costs

Viehbacher has pledged to trim 2 billion euros in expenses to help ensure earnings in 2013 are at least equal to 2008 profit. The company is ahead of schedule on cost reductions, he said today.

Fourth-quarter adjusted profit excluding some items rose 10 percent to 1.8 billion euros (\$2.48 billion), or 1.37 euros a share, from 1.63 billion euros, or 1.25 euros a share, a year earlier. That compares with the 1.75 billion-euro average estimate of 11 analysts surveyed by Bloomberg in the past month. Profit this year will rise 2 percent to 5 percent at constant exchange rates, the company forecast.

Sanofi shares fell 46 cents, or 0.9 percent, to close at 52.20 euros in Paris trading. The stock has increased 19 percent in the past year, beating the 12 percent gain in the Bloomberg Europe Pharmaceutical Index.

Vaccine Sales

For the year, adjusted earnings excluding some items rose 13 percent in constant currency terms to 6.49 euros a share, Sanofi said in a statement. In October, Sanofi forecast 11 percent growth after estimating it would get a \$500 million sales windfall from flu products in the quarter.

Flu vaccine sales totaled 564 million euros in the quarter, including 362 million euros of shots for pandemic influenza. The flu pandemic that broke out in Mexico last year has been milder than some health officials predicted, crimping demand for vaccine. France's health ministry on Jan. 4 cut its order for swine flu shots from 28 million doses to 17 million doses. Sales of pandemic flu vaccine will be about the same this year as in 2009, Viehbacher said.

Pharmaceutical sales climbed 2.7 percent to 6.26 billion euros in the fourth quarter, led by 17 percent growth in the diabetes medicine Lantus. Sales of Plavix declined 12 percent and Eloxatin plunged 81 percent.

The company's growth forecast for this year doesn't include potential generic competition to Lovenox, an anti-clotting drug, or the effect of potential acquisitions, Viehbacher said.

'Clear Headwinds'

"Guidance of 2 percent to 5 percent is good, particularly with some clear headwinds for 2010," Craig Maxwell, an analyst in London for ICAP Plc, said by e-mail. He has a "hold" recommendation on Sanofi shares.

The company still needs to prove that its acquisitions will pay off, Maxwell said.

"We must wait and see if the cash spent on acquisitions provides sufficient return," he said. "We are concerned that competition for assets is so strong that prices are becoming very inflated."

Viehbacher disagrees, saying 2009 was a "good year for hunting," and this year will follow suit, helped by a lackluster market for initial public offerings.

"On the one hand, you had a number of our competitors who were quite occupied with bigger deals," he said in the interview. "At the same time, the economic crisis meant that the IPO market really dried up. So you had a number of venture capitalists and other investors who were looking to seek liquidity from their investments and really the only way to do that was to look to big pharma.

IPO Window

"It was a better market in terms of more reasonable valuations and more of a willingness to do partnerships and deals. It doesn't look like the IPO window is going to open any time soon."

Pfizer Inc. and Merck & Co. opted for megamergers last year to fill sales gaps. New York-based Pfizer paid \$64.4 billion for Wyeth in October, while the Merck, of Whitehouse Station, New Jersey, acquired Schering-Plough Corp. for \$51 billion.

Sanofi's reported profit excludes acquisition-related costs, as well as selected items such as restructuring expenses and writedowns of plants and equipment. On a net income basis, the company earned 1.21 billion euros, or 93 cents a share, in the fourth quarter, up from 182 million euros, or 14 cents, a year earlier, when the company booked a loss tied to a discontinued drug.