

## Private equity cleans up Sanofi's failed generics foray



[Madeleine Armstrong](#)

In the new-look Sanofi there is no room for generics. The French company's attempts to make itself relevant have seen it sacrifice its Zentiva European generics business, and the €1.9bn (\$2.4bn) recouped will no doubt come in handy after its recent spending spree.

Nearly 10 years after Sanofi purchased Zentiva, the move into generics is looking like a misstep by the company's previous chief, Chris Viehbacher. And the fact that Zentiva's buyer is a private equity firm, Advent International, illustrates just how desperate times have become, not just for Sanofi but also for others in the space (see tables below).

No doubt comparisons will immediately be drawn with last year's takeout of the German generics player Stada Arzneimittel, the biggest private equity-backed move of recent years.

On the face of it Sanofi has got a good price for Zentiva, covering the costs of its €1.8bn deal back in 2009 ([Sanofi-Aventis' Zentiva win will focus attention on strategy, February 20, 2009](#)). But this does not take into account any investment that the French group has since ploughed into the Czech Republic-based generics business or any net losses the unit might have reported.

Regarding Zentiva's performance, Sanofi will only say that in 2017 the unit booked sales and EBITDA of €739m and €155m respectively. This is a big chunk of the group's overall generics business, which last year shrank 4% to €1.8bn - making Sanofi the 11th biggest player in the space.

Top 10 generics players		
Company	2017 generics sales (\$bn)	Market share
Mylan	11.4	15%
Teva Pharmaceutical Industries	10.3	13%
Novartis	8.9	11%
Pfizer	5.2	7%
Sun Pharmaceutical Industries	3.2	4%
Fresenius	3.0	4%
Lupin	2.4	3%
Endo International	2.3	3%
Aurobindo Pharma	2.1	3%
Aspen Pharmacare	2.1	3%

Source: EvaluatePharma.

Whether the generics experiment was an abject failure for Sanofi, or if the group just has other priorities now, Zentiva has found itself surplus to requirements at a time when Sanofi is digesting two big acquisitions, those of Bioverativ and Ablynx.

Advent will hope to make a better return out of the generics business in an era in which copycat drugs are coming under pricing pressure that is taking a toll on margins.

At this year's JP Morgan, Kåre Schultz, chief executive of the number-two generics player, Teva, complained

that profit levels were unsustainable for around 10% of the group's portfolio, forcing the company to make tough decisions on whether to discontinue products.

Still, many of Teva's problems are of its own making and the Israeli group's big rival, Mylan, was more upbeat: its chief exec, Heather Bresch, pointed out that the European market was more durable than the US, which should be good news for Zentiva and Advent.

And if there is anything that private equity groups are good at it is cutting costs. Many of the recent big private equity-backed takeouts of pharma companies or units have involved either generics players, or speciality or over-the-counter drugs companies, where pricing can also be keen.

#### Top 10 private equity pharma takeouts since 2010

Acquirer	Announcement date	Target company/business unit	Sector	Deal value (\$m)
Bain Capital/Cinven	Apr 2017	Stada Arzneimittel	Generics	6,153
Wuxi Chairman/Ally Bridge Group Capital Partners	Apr 2015	Wuxi Pharmatech	Pharma & medtech	3,300
KKR & Co	Apr 2011	Capsugel	Drug capsule maker	2,375
TPG	Jul 2012	Par Pharmaceutical Companies	Generics	1,900
Creat	Mar 2017	Biotest	Haematology/immunology	1,398
Couckinvest	Sep 2011	Omega Pharma	OTC drugs	1,260
Permira/the Fonds/CDPQ	Nov 2013	Atrium Innovations	Nutritional supplements	1,061
Pacific Equity Partners/the Carlyle Group	Jun 2017	Inova Pharmaceuticals (subsidiary of Valeant)	OTC drugs	930
Cinven	Aug 2012	Mercury Pharma	Speciality pharma	731
GL Capital/BOCGI/CDH Investments/Ascendent Capital Partners/Boying	Jun 2017	Sciclone Pharmaceuticals	Speciality pharma	605

Source: EvaluatePharma.

Sanofi no longer has to worry about wringing a profit out of Zentiva, and can concentrate on "reshaping" its business, which is apparently becoming increasingly focused on rare blood diseases.

It will be interesting to see whether, in 10 years' time, the company's recent deals look sensible, or whether they go the same way as Zentiva.

To contact the writer of this story email [Madeleine Armstrong](mailto:Madeleine.Armstrong@epvantage.com) or [Edwin Elmhirst](mailto:Edwin.Elmhirst@epvantage.com) in London at [news@epvantage.com](mailto:news@epvantage.com) or follow [@ByMadeleineA](https://twitter.com/ByMadeleineA) or [@EdwinElmhirst](https://twitter.com/EdwinElmhirst) on Twitter

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Evaluate APAC  
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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