

Nycomed joins search for growth in China



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Another week, another China deal. The latest in a line of pharma companies to make a serious foray in the country, Nycomed, today announced the acquisition of a controlling stake in a regional biologics player, Guangdong Techpool Bio-Pharma, for \$210m.

The move follows last week's foray by Sanofi-Aventis, which paid \$521m for BMP Sunstone, a consumer healthcare specialist. The two deals are different in many ways, but the price tags point to growing willingness by western pharma companies to commit serious money to crack a region rapidly climbing the ranks of the world's biggest drugs markets.

Protein specialist

Nycomed has bought a 53% stake in Techpool, a company that has transformed itself over the last 15 years from a pure generics player to a high-tech researcher and manufacturer of protein-based drugs, mainly derived from natural sources. It has a number of products already on the market, mostly notably two glycoprotein therapies: Kailikang, a kalikrein serine protease used in stroke and Ulinastatin, a trypsin inhibitor used to treat sepsis.

Guido Oelkers, vice president of commercial operations for Nycomed, says this is likely to be the first "incremental step" in the company's strategy for China.

"We were looking at various opportunities to accelerate our growth in China, which is a very important sector for our emerging market strategy. Biologics was appealing because it was synergistic to our current portfolio but also allowed us to have a franchise less prone to generic substitution in years to come," he says.

With the flood of companies trying to build a presence in China at the moment, Mr Oelkers says Nycomed was specifically looking for opportunities with barriers to entry and a differentiated offering.

"Because the Chinese market is so attractive for growth potential, we will see a broad emergence of lots of players and many, many companies consider it important to set up their own operations directly. So we will see increased competition, in this area and in the small molecule area, and probably some price pressure [in the future]," he says.

Springboard

The move also creates a springboard for Nycomed to roll out its own biologic products in the region, and the company is exploring transferring functions like manufacturing and R&D to China. Currently, Nycomed's three biologics sold in China - Pantoloc, Ebrantil and Actovegin - are imported from Germany.

"We are open to explore other opportunities and see this as an intermediate stepping stone to build a formidable China presence," Mr Oelkers says.

Techpool reported revenues of CY575m (\$86m) last year, which Mr Oelkers says the company expects to grow by 25% in 2010. Nycomed is targeting revenue of €178-€180m from China next year, including this acquisition. Currently the country accounts for around €60m in sales a year; the company set up its own office for the first time this year.

Both feet

If Nycomed's first step into China is a cautious toe in the water, Sanofi has jumped in with both feet. Advisors to BMP Sunstone describe the move as the largest Chinese pharmaceutical deal this year, with the French company paying a 30% premium to gain full control.

BMP reported sales of \$147m last year, two-thirds of which were generated from the consumer healthcare segment, where it sells China's top selling children's cough and cold medicine. Sanofi has already entered China via its Hangzhou Sanofi Minsheng Consumer Healthcare joint venture, focused on vitamins and minerals, and this latest move will cement its position in this valuable market.

The French company estimates that China's consumer healthcare market is the world's second largest after the US, and will be worth an estimated €12bn this year. Not unusually for statistics on China, the segment is expected to generate annual growth rates in double figures over the next decade.

More typical

Nycomed's move into China is certainly more typical of the collaborative, joint ventures western companies have utilised to gain access to the region so far. Admittedly BMP is listed on Nasdaq and has offices in the US, so perhaps represents a more easily acquirable entity than a company more deeply embedded in China.

But it is certainly not going to be the last. China's was the tenth biggest drugs market in 2004, according to IMS, and last year had climbed to fifth position. By 2013 the country will be behind only the US and Japan, adding an additional \$40bn in sales by then.

Just the sort of growth western pharma companies are looking for.