

## Teva's transformation reveals a generics market in turmoil



Jacob Plieth

One irony of the generics market is that, despite being seen by politicians as part of the answer to the soaring drug price problem, it is hardly enjoying stellar growth. In fact, generics revenues are set to rise anaemically, with the US lagging behind developing countries.

Little wonder that Teva's post-Copaxone reboot focuses on scale – the only way to succeed in such a tough environment. But being the biggest global generics player also makes Teva the most exposed to the turmoil, and in many ways the group is pedalling ever harder just to stand still (see tables below).

While US generic competition to 40mg Copaxone has still not materialised – the 20mg patent expired last year – it is only a matter of time before it does, probably in 2017 or 2018. So with the imminent loss of Teva's top branded growth driver assured, the company is banking on solidifying its lead in generics.

Key to this is the former Actavis business, for which Teva paid Allergan \$40.5bn ([Teva turns back the clock, July 27, 2015](#)). The move was completed on August 2, and last week the company [went to great lengths to illustrate](#) how it planned to beat US generic growth rates by increasingly being first to file, while using the Actavis business to strengthen its ex-US position.

But an analysis of sellside forecasts, compiled by *EvaluatePharma*, illustrates how tough this will be: the Teva and Actavis generics businesses combined are set to grow at around 4% over the next five years. At least this is better than Teva would have done without Actavis – earlier forecasts suggested zero five-year group sales growth to \$19.5bn in 2020, which included Copaxone revenues.

**Global forecasts for the leading generics businesses**

	Sales (\$m)			CAGR 2015-20
	2016	2018	2020	
Teva	15,545	16,722	17,792	3.6%
<i>Old Teva generics biz</i>	8,577	9,401	10,035	2.7%
<i>Actavis business</i>	6,968	7,321	7,757	4.9%
Mylan	9,138	10,015	9,817	3.7%
Sandoz (Novartis)	9,100	10,317	11,686	7.7%
Sun Pharma	4,910	6,087	7,419	10.8%
Pfizer	3,624	4,262	4,642	33.1%*
Endo	2,681	2,928	3,170	13.6%
Lupin	2,578	3,415	4,257	16.3%
Zentiva (Sanofi)	2,139	2,228	2,290	1.5%
Apotex	1,619	1,814	2,000	4.8%
Valeant	1,403	1,636	1,849	10.5%

Note: \*Distorted by addition of Hospira from 2016; 2016-20 CAGR is 6.4%. Source: EvaluatePharma.

It is striking how lethargic generics growth is in general, and especially at a group like Mylan, which relies heavily on the US. In fact, in its presentation Teva said the US generics market was only growing at 5% a year, versus 6% for Europe and 9-10% for developing markets and China.

This at first sight appears strange. But consider that in 2010 US generic prescription volume grew 16% to 1.9 billion, only to slow to 5% (2.2 billion scripts) by 2013, according to an *EvaluatePharma* analysis of the most recently available [MEPS data](#).

For Teva the problem is that it already is the biggest US generics player, with what it claims is an 18% market share. It intends to outpace North America's annual generics growth rate, but Jefferies analysts hit the nail on the head on Friday, writing that it was "hard to outrun the industry trend when 'you are the industry'."

The only thing for Teva to do in this position is build scale in an attempt to defend itself against pricing pressure. Thanks to the Actavis business it looks to have overtaken Mylan in terms of total ANDA filings.

<b>Active generic drug filings in the US</b>		
	<b>ANDAs</b>	<b>Tentative ANDA</b>
Teva + Actavis combined	991	114
Mylan	616	75
Novartis	449	33
Endo International	311	21
Sun Pharmaceutical Industries	310	26
Hikma Pharmaceuticals	244	3
Pfizer	243	4
Aurobindo Pharma	242	42
Apotex	211	18
Perrigo Company	210	7

*Source: EvaluatePharma.*

Beyond the US Teva says it already has number-one positions in several key EU countries, with the notable exception of Germany, where it trails the powerful local player Ratiopharm.

But the real opportunity in generics is the so-called growth markets including South America, Russia, Africa, China and India. An underappreciated aspect of the Actavis purchase is that it strengthened Teva's position in Russia, where it is now the number-three player, as well as bringing it a presence in Brazil, Thailand and Singapore, where it previously had hardly any.

That said, while developing nations' spending power remains modest the opportunity will unlikely translate into strong sales. If Teva really is now all about generics it might just have to build yet more scale and hope for the best.

To contact the writer of this story email Jacob Plieth in London at [jacobp@epvantage.com](mailto:jacobp@epvantage.com) or follow [@JacobPlieth](https://twitter.com/JacobPlieth) on Twitter

[More from Evaluate Vantage](#)

Evaluate HQ  
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas  
[+1-617-573-9450](tel:+1-617-573-9450)

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

© Copyright 2023 Evaluate Ltd.

