

# Latin America

2015 saw a sharp decline in M&A transactions in the pharmaceutical market, from 24 reported transactions in 2014 to a meager number of only 9 announced deals. Deal activity in Brazil and Mexico decreased by 60%. While in Brazil several deals had been called off due to the deteriorating macroeconomic situation, foreign investment in Mexico slowed down, probably triggered by the unstable security situation in the country. The focus in 2015 had been on fully integrated pharmaceutical businesses where 6 out of the 9 transactions took place. Two transactions were closed in the CMO area and one in the distribution market. Five transactions were closed by regional buyers (Eurofarma, Cristalia, Hertape, Biotoscana and Raia Drogasil), three by large pharma corporations (Teva, Valeant and Perrigo) and only one by an international medium-sized pharma group (Lupin). Regional buyers were clearly on the move to consolidate their strong position in the market of branded and non-branded generics.

## Most notable transactions in 2015

The transaction sizes express the cautious attitude of investors; there was only one billion-dollar-deal recorded, but 8 deals below US\$ 100m. The largest transaction was closed by **TEVA** who acquired **RIMSA** in Mexico for US\$ 2.3bn, thus ending a 5 year period of courting potential investors by the RIMSA owning families. Atypical is the acquisition of a **Patheon manufacturing site** in Mexico by Perrigo; however, **Perrigo** had been looking for softgel manufacturing technology for the group for quite some time, eventually finding it in Mexico. Also unusual, is the re-purchase of



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50% of its own shares by **Hertape**, a leading Brazilian Veterinary provider, from the Spanish **Calier Group**.

## Outlook

For 2016, we expect an overall increase of M&A transactions driven by Brazil and Argentina. Targets in Brazil have become more affordable due to a more realistic exchange rate. An endless political crisis combined with the toughest recession in 25 years, however, will ensure that investors move very cautiously. Argentina is likely to attract more foreign investors following the liberalization measures

adopted by the new government to stimulate the economy. Colombia may also attract new investors as a side effect of the envisaged peace treaty. In Venezuela, some large pharma corporations may consider options to dis-engage.

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## CENTERFOLD POSTER: 4 archetypes of the Pharma industry

The high costs of drug development, the overall industry competitiveness and societal pressure on drug prices drive a fundamental reorganization of the Pharma industry. We think Pharma companies broadly need to follow one of four distinct strategies (or "strategic archetypes"): being an originator, a low-cost provider of drugs, a point-of-call specialist or a consumer health / OTC marketer.

Each archetype has its own set of boundary conditions, competitive dynamics and organizational requirements. Archetypes cannot be mixed in one organization, albeit there are some cross-overs. The centerfold poster (see overleaf) provides an overview.

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JANUARY FEBRUARY MARCH APRIL MAY **JUNE** JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Baxter spin-offs Baxalta,  
value at US\$ 18bn

/ Alvogon in MBO for  
US\$ 2bn

/ Allergan buys double-chin  
drug for US\$ 1.8bn