Anorganic growth in Pharma and regulations

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Teva Pharmaceuticals
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Teva Pharmaceuticals

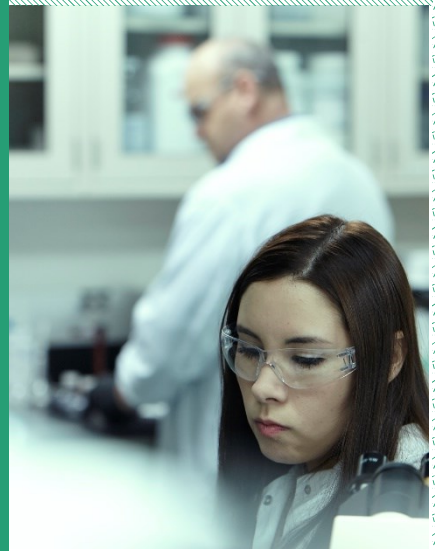
The world's largest 'medicine cabinet'

Serving 200 million people every day

60+
markets

Over the counter medicines & active pharmaceutical ingredients

2016 revenues:
$21.9
billion



A strong specialty medicines portfolio

The leading global generic company

50,000+
employees

Teva's history

1901 - 1940

A new pharmaceutical industry is founded

- 1901: Established in Jerusalem by Chaim Salomon, Moshe Levin and Yitschak Elstein.

1960 - 1980

Consolidation of the local pharmaceutical industry

- 1976: Eli Hurvitz forms Teva Pharmaceutical Industries Ltd.

1980 - 1990

Global expansion

- 1984: Hatch-Waxman Act paves way for U.S. generic entry
- 1987: Teva begins trading on NASDAQ

1990 - present

A global leader in generics / establishes specialty franchise

- 1996: Teva launches Copaxone® in the US.
- 2006: Teva acquires Ivax
- 2016: Teva acquires Actavis Generics

Teva grew and become global leader via M&As

*Index 1995 = 100

Are there still„so many“ deals in Pharma?

- Yes indeed, although the number is decreasing in the last year or two
- Lower number of deals in 2016 – possibly Brexit impact, Donald Trump election and pressure on pharma industry in general, tax inversion deals under higher scrutiny, six M+As deals over $5bn in 2016 compared to nine in 2015

Acquirer	Target	Price $bn	Sales multiple	Net profit multiple	Share price prem.
Teva	Allergan generics	40.5	6x	15x EBITDA	NA
Novartis	Alcon	51.6	7.2x	23.5x	NA
Sanofi	Genzyme	20.1+	5x	>500	40%
Teva	Cephalon	6.8	2.3x	5.5x	44%
Teva	ratiopharm	5.0	2.25x	10x	NA
GSK	HGH	3.6	27x	n/a	99%

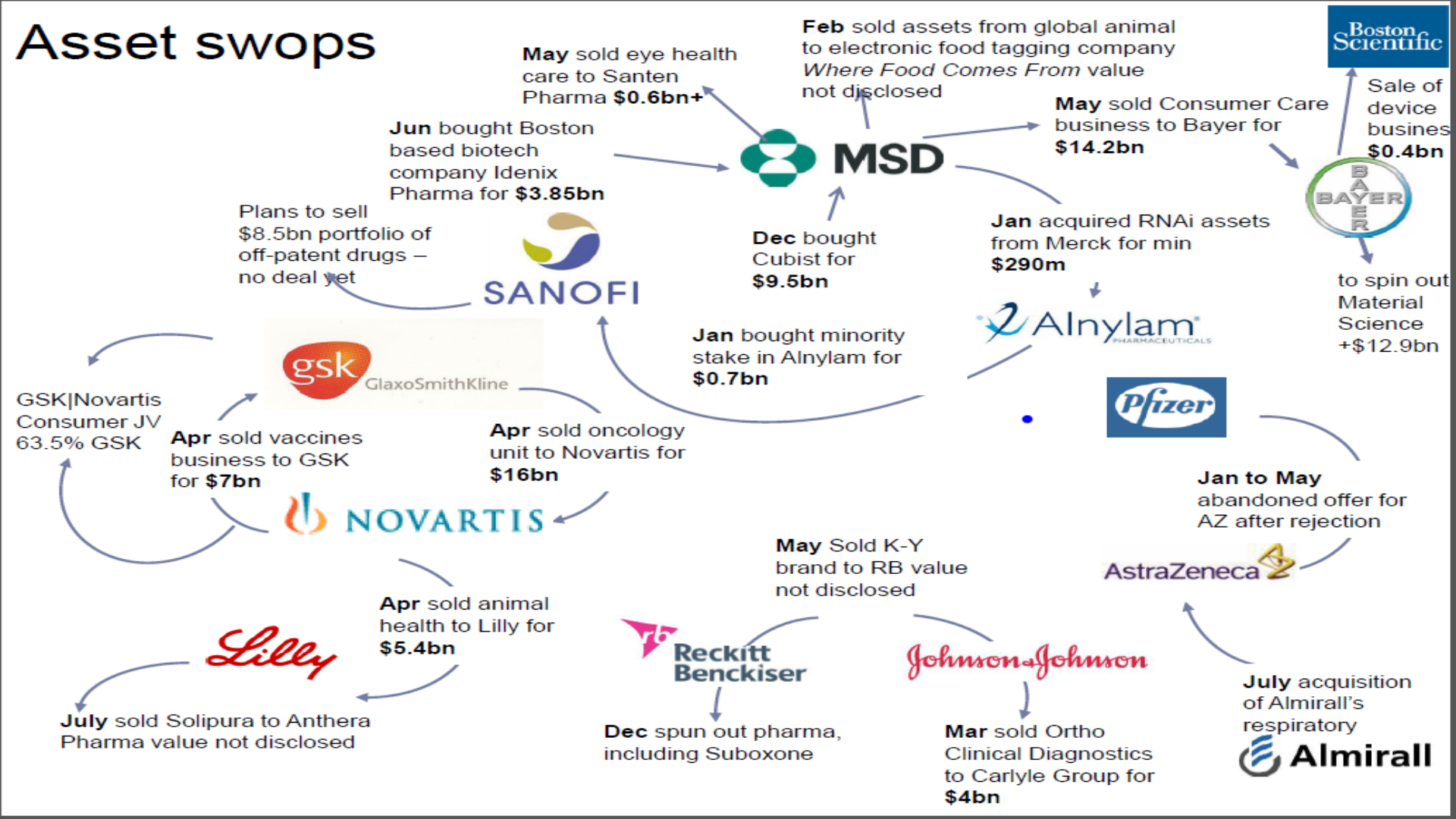
Are there still„so many“ deals in Pharma?

- New deals are not necessarily classical company M&As but more and more creative
  - JVs,
  - Product Acquisitions / Licensing
  - Portfolio Swaps
  - Asset deals
  - Product divestments / switches by big pharma continue at a low level

- New R+D activities continue full spead

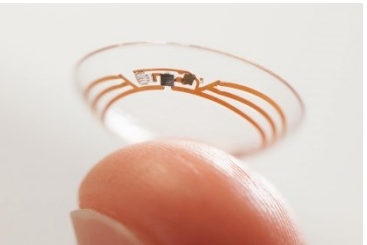
Top 25 companies	2016 number of deals*	% growth 2016	% growth 2015
Partnering-in	296	-15%	29%
Partnering-out	146	-19%	50%
M&A	53	0%	39%

Asset swops


Feb sold assets from global animal to electronic food tagging company Where Food Comes From value not disclosed
May sold eye health care to Santen Pharma $0.6bn+
Jun bought Boston based biotech company Idenix Pharma for $3.85bn
MSD
May sold Consumer Care business to Bayer for $14.2bn
Boston Scientific
Sale of device busines $0.4bn
BAYER
to spin out Material Science +$12.9bn
Plans to sell $8.5bn portfolio of off-patent drugs – no deal yet
SANOFI
Dec bought Cubist for $9.5bn
Jan acquired RNAi assets from Merck for min $290m
Alnylam
Jan bought minority stake in Alnylam for $0.7bn
gsk GlaxoSmithKline
GSK|Novartis Consumer JV 63.5% GSK
Apr sold vaccines business to GSK for $7bn
Apr sold oncology unit to Novartis for $16bn
NOVARTIS
Pfizer
Jan to May abandoned offer for AZ after rejection
AstraZeneca
Apr sold animal health to Lilly for $5.4bn
Lilly
July sold Solipura to Anthera Pharma value not disclosed
May Sold K-Y brand to RB value not disclosed
Reckitt Benckiser
Dec spun out pharma, including Suboxone
Johnson&Johnson
Mar sold Ortho Clinical Diagnostics to Carlyle Group for $4bn
July acquisition of Almirall's respiratory
Almirall

Are there still„so many“ deals in Pharma?

Digital health is a major area for company deal investments (e.g smart inhalers, big data deployment, smart eye lenses, smart phones in treatment …)



Why deals in Pharma?

- **Digital** era forces pharma sector to look into this area as well as a part of the necessary innovation

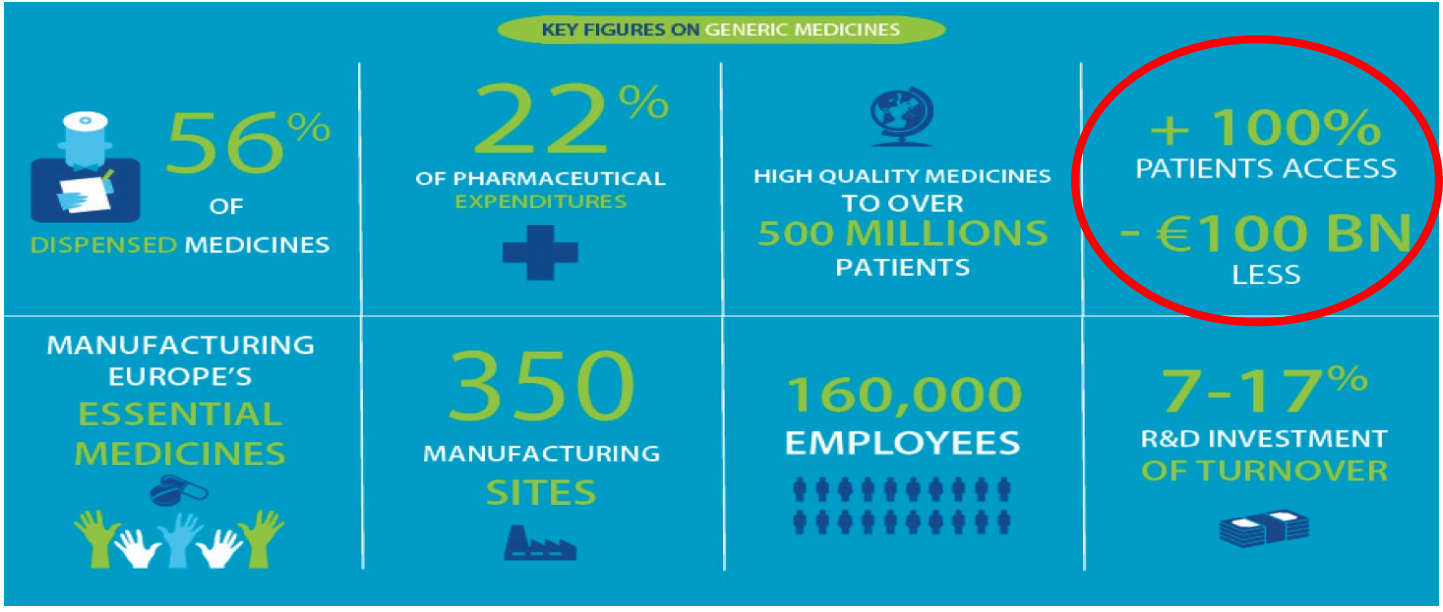
- Critical mass, R&D pipeline, Cost Savings, Geography, Synergy, Cheap Money, Re-Focus

- **R&D costs very high** (innovative products up to 2B per product), savings to finance R&D; sharing costs is now common approach, start-ups can tolerate higher development risk, cheaper to buy than built,

- Huge pressure from the payers – **austerity measures** are driving costs of pharmaceuticals down – economy of scale needs to help to cover price erosion and to free up resources for further R&D activities in this highly innovative sector

What it brings to payors and patients?

- Innovation – **new medication** for unmet medical needs, increased costs
- Affordability – **affordable medicines** save billions for healthcare systems worldwide



Position on current merger control thresholds

- Introduction of value-based threshold designed to fill an « enforcement gap »
  - allow the review of potentially problematic transactions that are not caught by revenue based thresholds
  - In the pharma sector: acquisition of pipelines that do not generate revenues but may still be competitively significant

- Added value of new thresholds is questionable, in particular in the pharma space
  - No experience of a significant deal that would have stayed below the radar (very few examples given by the Commission)
  - Increased burden and costs for the companies: need to file many deals with no competitive impact, complicates the initial assessment of whether the deal is reportable
  - Ultimately a question of proportionality as all thresholds are „imperfect“: filling a tiny gap by creating a huge burden is not appropriate
  - Burden and complication also for the authority (relevant market; specific market conditions, etc.)

This presentation has been prepared based on the experience of the author **and represents the author's own opinions not necessarily the company position**

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Thank you

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