

Ascendis Health expands operation with R345 million acquisition

Ascendis Health has expanded its operation into the manufacture and distribution of branded generic prescription, over-the-counter and complementary medicines, with the purchase of Akacia Healthcare for R345 million.



Ascendis Health CEO, Dr Karsten Wellner

Its product range includes probiotic brand Reuterina, which is ranked number one in the anti-diarrhoeal market with over 30% share, as well as Sinucon and Sinuend which are top three brands in the cold and flu market.

Ascendis Health CEO, Dr Karsten Wellner, said following the recent acquisition of Spanish pharma company Farmalider and 85 registered product dossiers from Sandoz, the Akacia acquisition would create significant scale for the Ascendis Pharma division.

"This will elevate our presence in domestic and international pharma markets, and create a strong platform for expansion. We will also gain access to lucrative new channels such as retail pharmacy and prescribing doctors, and add further well-established branded generics with strong margins to our portfolio.

The transaction includes Akacia Pharma's 23 000 m² manufacturing facility in Isando, Johannesburg, which is valued at R100 million. The facility is licenced by the Medicines Control Council (MCC) and certified as a Good Manufacturing Practice (GMP) site.

Dr Wellner said the manufacturing plant has significant spare capacity, which will enable the company to increase local production of its existing pharmaceutical and complementary medicine ranges.

"This aligns with our vertical integration strategy aimed at creating synergies between our businesses which will improve margins. Local manufacture will also reduce our foreign exchange exposure and enable us to tender for state contracts which favour local manufacture."

Akacia also manufactures pharmaceutical products for third parties under contract licencing agreements. In the year to July 2015, Akacia Pharma generated earnings before interest and tax of R38 million, from a net asset value of R215 million.

"Strategically this is an important acquisition as it will bring significant synergies and critical mass, and accelerate the growth of the company. Akacia has developed a strong reputation in the South African pharmaceutical market over the past decade.

"The combination of a suite of market leading brands, established trade relationships, new channels and enhanced pharmaceutical manufacturing capability should ensure that Akacia within Ascendis Pharma will become a sizeable contributor to the group's earnings," concludes Dr Wellner.

The acquisition is subject to regulatory and competition approvals.

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