



Update on the Pharmaceutical  
Markets in Mexico

*Business Insights*

*June 2016*

# Mexican Economy Overview

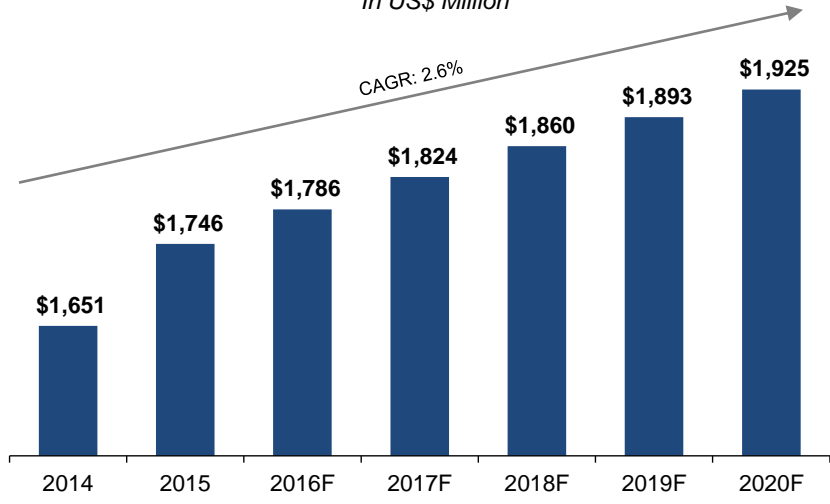
Mexican authorities recently revealed that GDP grew 2.5% in 2015. In a year full of economic and financial turmoil, influenced largely by China experiencing its lowest growth rate in 25 years and by a significant drop in oil and commodity prices, Mexico's growth is indicative of the country's stable macroeconomic fundamentals, especially when compared to similar emerging markets economies. In addition, with Brazil's current economic challenges, Mexico could see its position among emerging countries in Latin America improve, which could ultimately translate into increased foreign and local investment.

The Mexican pharmaceutical market has responded better than other domestic markets to the challenging economic environment. An aging population, a growing middle class, and better access to health care services are some of the factors responsible for the increasing consumer demand for pharmaceutical products. In addition, Mexico has been experiencing a transition from transmittable to chronic degenerative diseases among the population, resulting in new policies that support R&D for innovative medicines.

## Mexico's Position in the Pharmaceutical Industry

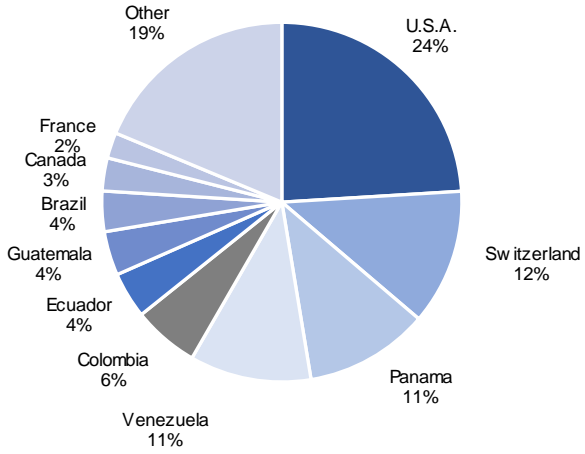
Since 2014, Mexico has been the largest exporter of pharmaceutical products in Latin America. Exports during 2015 totaled US\$1.74 billion, mainly destined to U.S., Switzerland, Panama, Venezuela, and Colombia, among others. Representative Mexican exports include therapeutic and prophylactic products, which represent more than 60% of total exports. As a member of NAFTA, the country has an opportunity to tap the well-established pharmaceutical markets in the U.S. and Canada, in addition to emerging pharmaceutical markets in Latin America.

**Historical & Forecasted Exports**  
In US\$ Million

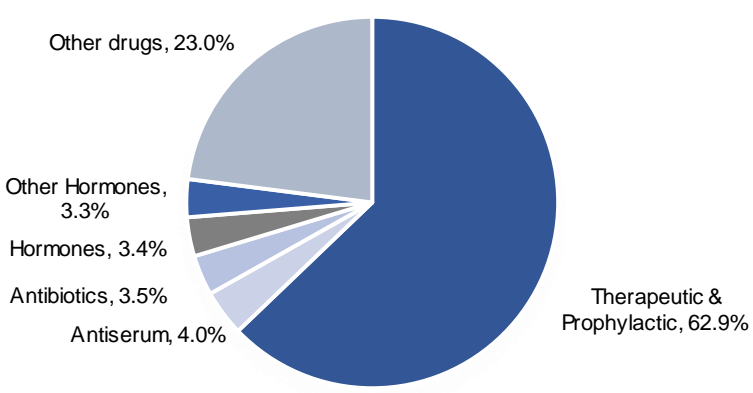


*Since 2014, Mexico has been the largest exporter of pharmaceutical products in Latin America*

**Exports by Country**  
2015 Sales – US\$1.74 Billion



**Exports by Product**  
2015 Sales – Total US\$1.74 Billion



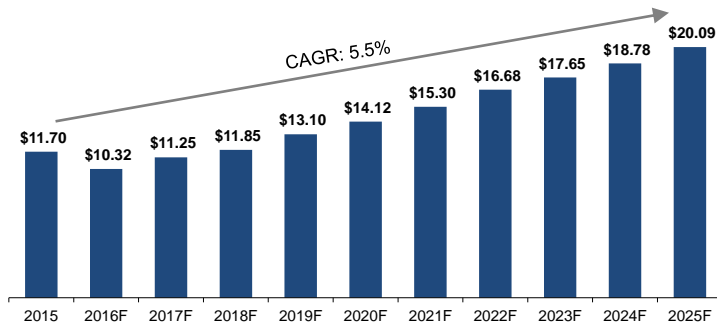
Source: Promexico – "Industria Farmacéutica en México", BMI Pharmaceuticals & Healthcare Report

\*Economic Units refers to offices, manufacturing plants, and distribution centers

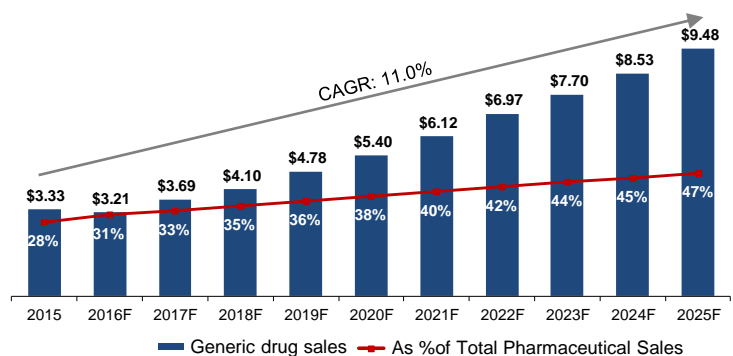
# Pharmaceutical Industry Performance in Mexico

Mexico is Latin America's second-largest pharmaceutical market, and a leading producer of high-tech medicines including antibiotics, anti-inflammatory drugs, cancer treatment procedures, and others. In 2015, Mexican pharmaceutical sales reached US\$11.7 billion, and are expected to grow to a level of US\$20.1 billion by 2025. Furthermore, Mexico has the largest penetration of generic drugs in the world, with more than 80% market share in recent years. It is projected that Mexican generics will grow at an 11% Compounded Annual Growth Rate (CAGR) between 2015-2025, reaching revenues of US\$9.5 billion (representing 47% of the total pharmaceutical product's sales in the country). Among other factors, this growth is expected to be supported by expiring drug patents, improvements in controlling the production of counterfeit drugs, and greater entry barriers for new products.

**Historical & Forecasted Sales in Mexico – Pharmaceutical Sales**  
In US\$ Billion



**Historical & Forecasted Sales in Mexico – Generic Drugs**  
In US\$ Billion



## Competitive Landscape in the Pharma Industry in Mexico

Competition in Mexico is highly fragmented with more than 200 pharmaceutical companies registered in the country; however, the 10 largest companies account for approximately 40% of total sales. Bayer leads the international player category, followed by Pfizer, MSD, Novartis and GlaxoSmithKline. Domestic players include Armstrong, Laboratorios Liomont, Laboratorios Sanfer, and Pisa.

As one of the largest consumers of generic medicines in the world, Mexico maintains a significant presence from generic drug manufacturers, including Teva from Israel, Mylan from the U.S., Perrigo from Ireland, and Genomma Lab, a domestic company. In the upcoming years, the growing consumer demand for more affordable medicines will contribute to the country's increasing rates of generic drug consumption.

Multinational companies should continue to grow in the Mexican market, taking advantage of a faster drug approval process and solid healthcare regulations implemented by Mexican authorities. Recently, Mexico's Federal Commission for Sanitary Risk Protection (COFEPRIS) reduced the pre-approval time for clinical trials from three months to just one. However, the challenge persists, as it still takes an average of 4.3 years for innovative drugs to enter Mexico's public market compared to a 1-year period in the U.S. and 3.4 years in Brazil.


***The growing consumer demand for more affordable medicines will contribute to the country's increasing rates of generic drug consumption***

# Public Companies Analysis – Pharmaceuticals

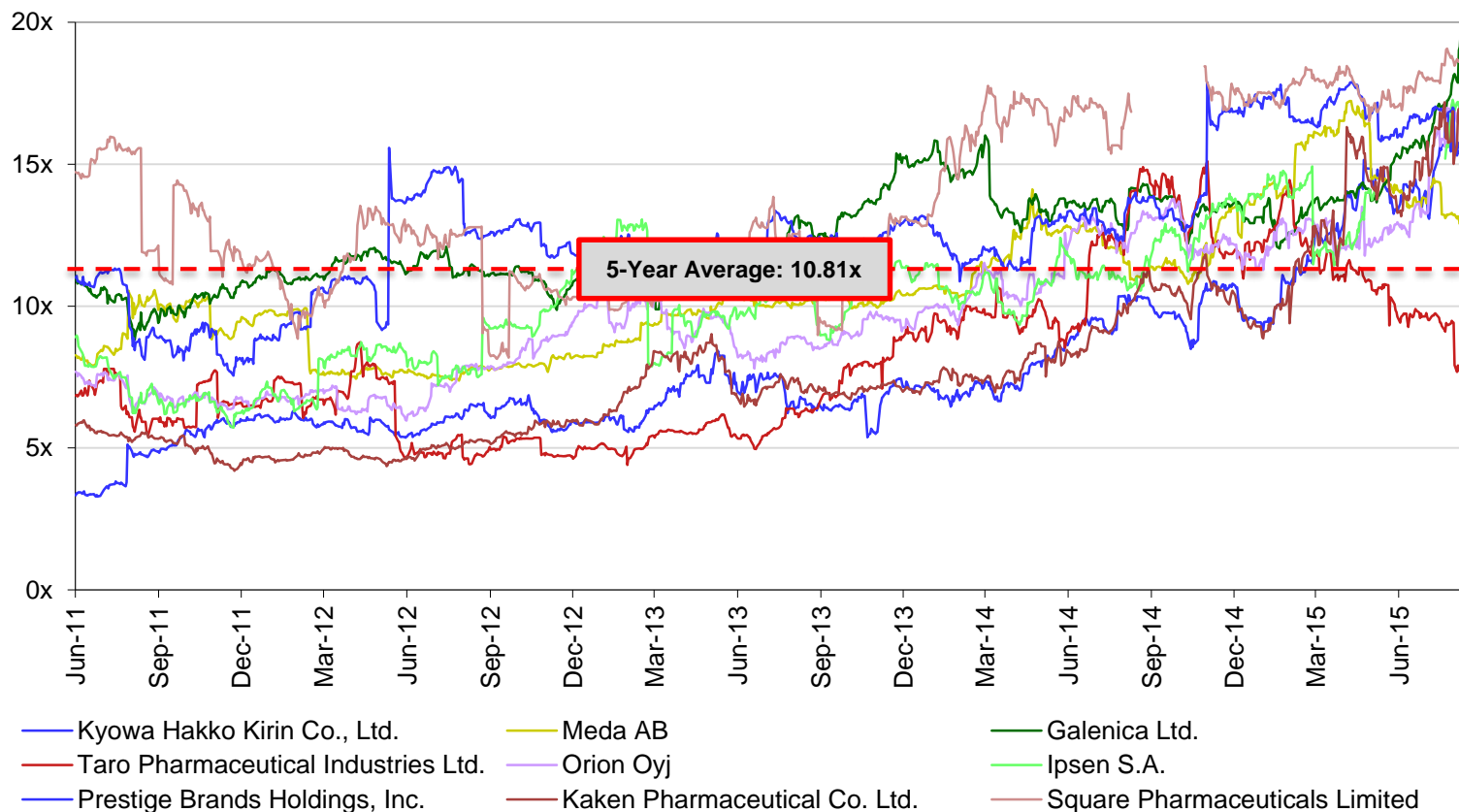
## Public Companies Analysis

The following section presents key financial and market value information for public companies in the pharmaceutical industry trading in different stock exchanges across the world.

## Public Comparable Companies – Pharmaceutical Mid-Cap Companies

Company	Country	Price 06/15/2016	Revenue US\$ MM	EBITDA Margin	Mkt. Cap US\$ MM	Enterprise Value	Annual Avg. EV / EBITDA					6/15/2016	
							2011	2012	2013	2014	2015	EV / EBITDA	EV / Sales
Kyowa Hakko Kirin Co., Ltd.  KYOWA HAKKO BIO CO., LTD.	JPN	\$17.67	\$3,232	21.9%	\$9,668	\$9,589	4.9x	6.0x	6.8x	8.8x	13.5x	13.4x	2.8x
Meda AB 	SWE	\$17.90	\$2,392	32.7%	\$6,542	\$9,304	9.4x	8.1x	9.9x	11.9x	13.4x	12.2x	4.0x
Galenica Ltd. 	SUI	\$1,309.44	\$3,891	13.6%	\$8,481	\$8,830	10.2x	11.2x	12.0x	13.8x	17.2x	16.0x	2.2x
Taro Pharmaceutical Industries Ltd. 	ISR	\$146.29	\$951	66.5%	\$6,256	\$5,034	6.6x	5.8x	6.4x	11.3x	10.0x	8.0x	5.3x
Orion Oyj 	FIN	\$36.35	\$1,159	30.2%	\$5,108	\$5,000	6.9x	7.5x	9.2x	11.7x	13.8x	14.5x	4.4x
Ipsen S.A. 	FRA	\$59.70	\$1,651	23.1%	\$5,012	\$4,804	6.9x	8.5x	10.4x	11.5x	14.9x	12.1x	2.8x
Prestige Brands Holdings, Inc. 	USA	\$52.47	\$806	35.9%	\$2,768	\$4,366	9.3x	11.9x	12.1x	13.3x	16.1x	15.1x	5.4x
Kaken Pharmaceutical Co. Ltd. 	JPN	\$60.84	\$977	34.1%	\$2,519	\$2,173	5.1x	5.1x	7.3x	9.0x	13.0x	6.2x	2.1x
Square Pharmaceuticals Limited 	BAN	\$3.30	\$379	35.9%	\$2,059	\$1,964	13.3x	11.2x	11.3x	16.6x	17.0x	13.3x	5.2x
<b>Mean</b>							<b>8.1x</b>	<b>8.4x</b>	<b>9.5x</b>	<b>12.0x</b>	<b>14.3x</b>	<b>12.3x</b>	<b>3.8x</b>
<b>Median</b>							<b>6.9x</b>	<b>8.1x</b>	<b>9.9x</b>	<b>11.7x</b>	<b>13.8x</b>	<b>13.3x</b>	<b>4.0x</b>

## Historic TEV/EBITDA Multiples – Pharmaceutical Mid-Cap Companies












# Public Companies Analysis – Pharmaceuticals

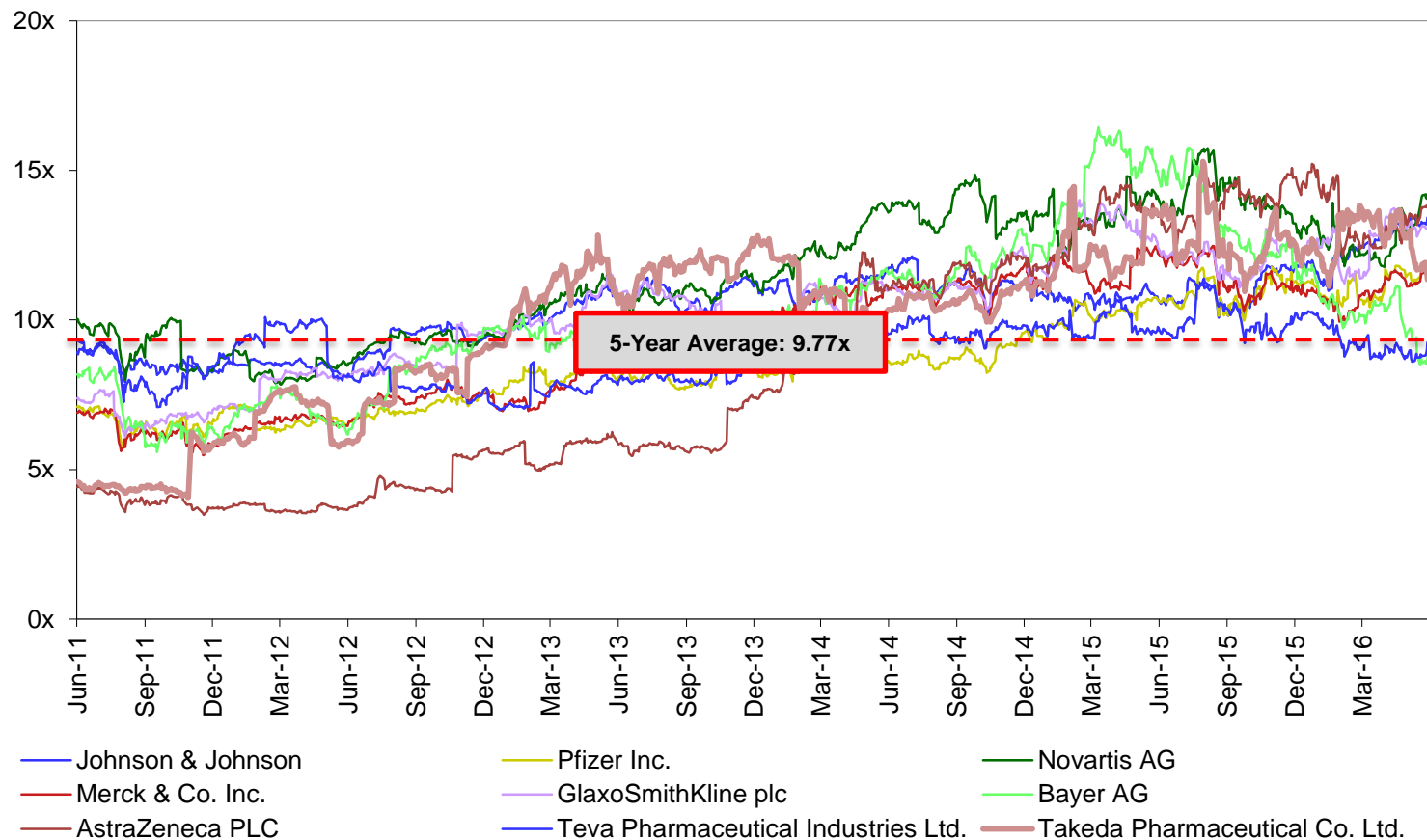
## Public Companies Analysis

The following section presents key financial and market value information for public companies in the pharmaceutical industry trading in different stock exchanges across the world.

## Public Comparable Companies – Pharmaceutical Large-Cap Companies

Company	Country	Price 6/15/2016	Revenue US\$ MM	EBITDA Margin	Mkt. Cap US\$ MM	Enterprise Value	Annual Avg. EV / EBITDA					6/15/2016	
							2011	2012	2013	2014	2015	EV / EBITDA	EV / Sales
Johnson & Johnson	 USA	\$117.12	\$70,182	31.7%	\$322,155	\$305,679	8.6x	9.0x	10.6x	11.2x	10.9x	12.6x	4.4x
Pfizer Inc.	 USA	\$34.99	\$50,992	38.4%	\$212,209	\$232,445	6.6x	6.9x	8.2x	8.8x	10.6x	11.2x	4.6x
Novartis AG	 SUI	\$76.52	\$49,967	29.7%	\$177,843	\$200,848	9.1x	8.9x	10.8x	13.2x	13.8x	12.8x	4.0x
Merck & Co. Inc.	 USA	\$56.25	\$39,385	36.9%	\$155,701	\$168,623	6.3x	7.0x	8.7x	10.9x	11.5x	11.0x	4.3x
GlaxoSmithKline plc	 GBR	\$19.86	\$35,331	27.0%	\$96,491	\$119,532	6.9x	8.4x	10.4x	11.0x	12.5x	12.7x	3.4x
Bayer AG	 GER	\$99.16	\$52,828	22.3%	\$82,002	\$101,525	6.8x	7.8x	9.6x	11.3x	13.9x	8.7x	1.9x
AstraZeneca PLC	 GBR	\$54.13	\$24,766	25.7%	\$68,445	\$82,363	4.0x	4.3x	6.0x	10.6x	13.7x	13.2x	3.4x
Teva Pharmaceutical Industries Limited	 ISR	\$53.37	\$19,480	32.8%	\$48,780	\$56,798	8.3x	8.5x	7.9x	9.5x	10.0x	9.1x	2.9x
Takeda Pharmaceutical Company Limited	 JPN	\$41.83	\$16,086	18.8%	\$32,775	\$35,333	4.8x	7.5x	11.5x	10.7x	12.5x	11.0x	2.1x
<b>Mean</b>							<b>6.8x</b>	<b>7.6x</b>	<b>9.3x</b>	<b>10.8x</b>	<b>12.2x</b>	<b>11.4x</b>	<b>3.4x</b>
<b>Median</b>							<b>6.8x</b>	<b>7.8x</b>	<b>9.6x</b>	<b>10.9x</b>	<b>12.5x</b>	<b>11.2x</b>	<b>3.4x</b>

## Historic TEV/EBITDA Multiples – Pharmaceutical Large-Cap Companies



# M&A Activity in the Pharmaceutical Industry

## Public Transaction Analysis

The following section presents relevant transactions of national and international companies in the pharmaceutical markets around the globe.

### Relevant Transactions – Global Middle-Cap Market

Date	Target	Country	Buyer	Size (US\$MM)	TEV/ EBITDA	TEV/ Revenue
May-16*	Renaissance Acquisition Holding -Topical Business	USA	Mylan N.V.	\$1,000	N/A	2.7x
Oct-15	Representaciones e Investigaciones Medicas, S.A. de C.V.	MEX	Teva Pharmaceutical Industries, Ltd.	\$2,300	N/A	10.1x
Sep-15	Amdipharm Mercury Company, Ltd	GBR	Concordia Healthcare Corp.	\$3,531	N/A	7.9x
Sep-15	Kremers Urban Pharmaceuticals, Inc.	USA	Lannett Company, Inc.	\$1,230	9.2x	3.0x
Aug-15	Therakos, Inc.	USA	Mallinckrodt, PLC	\$1,325	19.3x	7.1x
Aug-15	WuXi PharmaTech (Cayman), Inc. (95.5% stake)	CHN	Consortium led by Dr. Ge Li	\$3,431	21.6x	4.4x
Jun-15	The Harvard Drug Group, LLC	USA	Cardinal Health, Inc.	\$1,115	N/A	2.5x
May-15	Sigma-Tau Finanziaria S.p.A- Oncaspar portfolio	ITA	Baxter International, Inc.	\$900	N/A	9.0x
Apr-15	More Pharma Corporation, S. de R.L. de C.V.	MEX	Laboratorios Sanfer, S.A. de C.V.	\$143	N/A	N/A
Mar-15	Valeant Pharmaceuticals Int. (4.9% stake)	CAN	Pershing Square Capital Mgmt., L.P.	\$3,300	21.0x	10.0x
Mar-15	Covis Pharma Holding, S.a.r.l.	LUX	Concordia Healthcare Corp.	\$1,200	N/A	8.3x
Mar-15	Ikaria, Inc.	USA	Mallinckrodt, PLC	\$2,300	N/A	5.7x
Oct-14	Rottapharm, S.p.a	ITA	Meda AB	\$3,138	15.4x	4.1x
Oct-14	Auxilium Pharmaceutical, Inc.	USA	Endo International, PLC	\$2,322	N/M	5.5x
Sep-14	Kremers Urban Pharmaceuticals, Inc.	USA	Advent Int. Corp. & Avista Cap. Partners	\$1,525	9.2x	3.0x
May-14	Laboratorios Sanfer, S.A. de C.V. (27.5% stake)	MEX	General Atlantic, LLC	N/A	N/A	N/A
May-14	CFR Pharmaceuticals, S.A.	CHL	Abbott Investments Luxemburg	\$2,659	27.6x	4.3x
Apr-14	Grupo Farmaceutico Somar, S.A. de C.V.	MEX	Endo International, PLC	\$269	N/A	2.7x
Jan-14	Aptalis Pharma Inc.	USA	Forest Laboratories, Inc.	\$2,900	N/A	4.2x
				<b>Mean</b>	<b>17.6x</b>	<b>5.6x</b>
				<b>Median</b>	<b>19.3x</b>	<b>4.4x</b>

### Relevant Transactions – Global Large-Cap Market

Date	Target	Country	Buyer	Size (US\$MM)	TEV/ EBITDA	TEV/ Revenue
Feb-16*	Meda AB	SWE	Mylan N.V.	\$9,933	13.0x	4.3x
Jan-16*	Baxalta, Inc.	USA	Shire, PLC	\$36,220	16.7x	5.7x
Jul-15*	Allergan, PLC (Generics business)	USA	Teva Pharmaceutical Industries, Ltd.	\$40,500	N/A	6.8x
Jun-15	Baxalta, Inc. (80.5% stake)	USA	Baxter International, Inc.	\$17,383	10.1x	3.7x
May-15	Par Pharmaceutical Holdings, Inc.	USA	Endo International, PLC	\$10,388	21.7x	7.4x
Mar-15	Pharmacyclics, Inc.	USA	AbbVie, Inc.	\$19,950	N/M	23.4x
Feb-15	Salix Pharmaceuticals, Ltd.	USA	Valeant Pharmaceuticals Int., Inc.	\$14,039	N/M	11.9x
Feb-15	Hospira, Inc.	USA	Pfizer, Inc.	\$17,125	21.9x	3.7x
Jan-15	NPS Pharmaceuticals, Inc.	USA	Shire, PLC	\$5,200	N/M	21.7x
Dec-14	Cubist Pharmaceutical, Inc.	USA	Merck & Co., Inc.	\$9,500	41.3x	7.2x
Dec-14	Avanir Pharmaceuticals, Inc.	USA	Otsuka Holding Co, Ltd.	\$3,479	N/M	27.9x
Nov-14	Allergan, Inc.	USA	Actavis, PLC	\$72,915	29.5x	9.8x
Nov-14	Covance, Inc.	USA	Laboratory Corp. of America Holding	\$5,488	14.0x	2.3x
Jul-14	Abbott Laboratories Corp. (Specialty and branded generics business)	CAN	Mylan N.V.	\$5,721	8.8x	2.8x
Jun-14	Covidien, PLC	IRL	Medtronic, Inc.	\$48,056	16.8x	4.5x
Apr-14	Questcor Pharmaceuticals, Inc.	USA	Mallinckrodt, PLC	\$5,137	9.3x	5.4x
				<b>Mean</b>	<b>18.5x</b>	<b>9.3x</b>
				<b>Median</b>	<b>16.7x</b>	<b>6.3x</b>

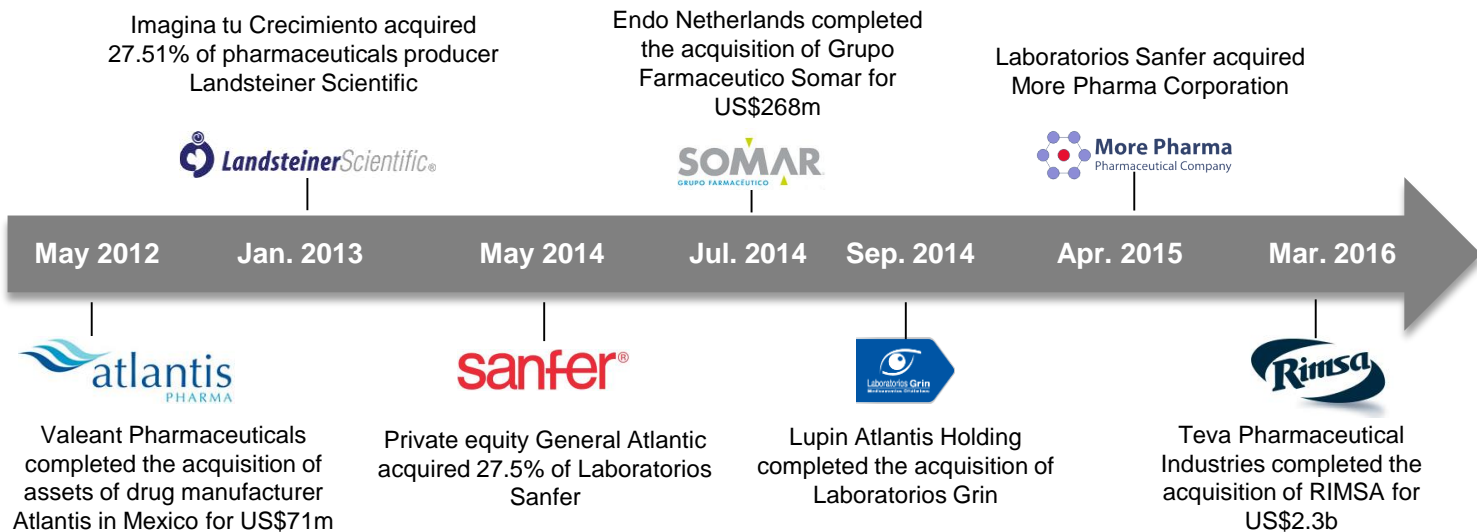
\*Announced

Source: Capital IQ

N/A = Not Applicable

N/M = Not Meaningful

# Pharma Representative Historic Timeline



## M&A Successful Case – TEVA Transaction Analysis

- Teva Pharmaceutical Industries Ltd. (“Teva”) announced on October 1<sup>st</sup>, 2015 that it signed a definitive agreement to acquire Representaciones e Investigaciones Medicas, S.A. de C.V. (“Rimsa”), a leading pharmaceutical manufacturing and distribution company in Mexico for **US\$2.3 billion** on a cash-free debt-free basis. The transaction closed on March 3, 2016.
- Rimsa reported 2014 revenue of **US\$227 million**, with an annual growth rate of 10.6% since 2011
  - Implied EV/Revenue multiple of **10.1x**
- Acquisition included a portfolio of products and companies, intellectual property, assets and pharmaceutical patents in Latin America and Europe
- Teva will become a leading pharmaceutical company in Mexico, the second largest market in Latin America, and one of the top five global emerging markets companies
- Deal expected to yield substantial, achievable synergies and offers a platform for growth in the region
- Transaction announced after Teva agreed to acquire the generic-drug business of Allergan Plc for **US\$40.5 billion** in cash and stock

### Buyer Overview

**Teva Pharmaceutical Industries Ltd.**  
 Petach Tikva, Israel  
[www.tevapharm.com](http://www.tevapharm.com)



#### Key Facts:

- World’s largest generic pharmaceuticals manufacturer
- Develops, manufactures, markets, and distributes generic, specialty, and other pharmaceutical products worldwide
- World-leading position in innovative treatments for disorders of the central nervous system
- Operates in 60 countries and employs more than 43,000 people worldwide
- 2015 Sales and EBITDA of US\$19.6 billion and US\$6.4 billion respectively

#### Relevant Quote:

• “This acquisition delivers on our strategy of increasing our presence in key emerging markets in order to position Teva for long-term growth in these markets. Rimsa will provide Teva with a significant platform for growth by combining the strong Rimsa brand, licensed portfolio of differentiated, patent-protected products, promising pipeline, significant relationships with physicians, patients and healthcare providers and its strong commercial presence” – **Erez Vigodman, President and CEO of Teva**“

### Target Overview

**Representaciones e Investigaciones Medicas, S.A. de C.V.**  
 Mexico City, Mexico  
[www.gruporimsa.com](http://www.gruporimsa.com)



#### Key Facts:

- Engaged in the development, production, commercialization and marketing of a wide range of prescription and OTC medications
- Products serve osteo-muscular, metabolic, gynecology, pain, gastroenterology and pulmonary care
- Significant supplier to Mexico’s national health system, including hospitals and government dependencies such as IMSS, ISSSTE and SSA
- 2014 Sales of US\$227 million and employs more than 2,000 people in Mexico

#### Relevant Quote:

• “For 45 years, Rimsa has operated as a leading pharmaceutical company in Mexico, the second largest healthcare market in Latin America, with a high growth, unique and diversified business model. We share Teva’s focus on providing quality healthcare and we are excited to become a part of Teva in meeting the needs of a population of 120 million” – **Luis Jorge Pérez Juárez, CEO of Rimsa**

## Representative Engagements

Buy Side



has acquired



Wise Foods, Inc.

Sell Side



has merged  
its Beverage  
Division with



Sell Side



has partnered with



a subsidiary of



Sell Side



has merged with



a business of



Corporate Finance Advisory



Corporate Finance  
Advisory

Sell Side



has sold

Sanitaryware business units



and  
VITROMEX

to



Sell Side



has sold



Tampico Altamira

to



Sell Side



has sold

Cosmolcel Química

to



a business unit of



Sell Side



has been acquired by



Sell Side



Grupo Galaz, S.A de C.V.

has been acquired by



Sell Side



has sold



to



Sell Side



has been acquired by



Sell Side



has sold



to



Buy Side



has acquired



Sell Side



has sold

Four of its Material  
Technologies Businesses

Buy Side



has acquired



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\* Multiple engagements

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