

ASPEN RECOVERY

Sale of non-core assets keeps Aspen on track for debt target

Tamar Kahn & Karl Gernetzky: Business Day 12 November 2019

Aspen Pharmacare says it is on track to meet its debt reduction targets by the end of its financial year, after agreeing to sell its Japanese business to Novartis's generic division Sandoz for as much as €400-million (R6.5-billion). It has also entered into a five-year manufacturing and supply agreement with Sandoz for the portfolio of divested brands. The move is part of its strategy to sell off non-core assets and reduce its debt and follows its sale in May of a portfolio of drugs to generic drug maker Mylan for as much as A\$188-million (R1.9-billion), and the €635-million sale of its infant milk business to French dairy company Lactalis. Investors greeted news of the latest transaction with some relief, pushing Aspen's share price up almost 4 percent to close at R117.70, its biggest gain in more than a month. Aspen's debt stood at R39-billion at the end of June, down from R53.2-billion at the end of December. The company accumulated its debt pile through a series of acquisitions that saw it re-orientate its business from commoditised generics to niche products with high barriers to entry. These included a 2016 deal to buy British drug giant AstraZeneca's anaesthetics portfolio and the acquisition of GlaxoSmithKline's thrombosis drugs in 2013.

CEO Stephen Saad said Aspen is still on the hunt for a potential European commercial partner to deepen its reach in the region. Sasfin equity analyst Alec Abraham said Aspen's debt is still high but the sale of its Japanese business would go some way to pacifying investors. The fact that it had retained the manufacturing side of the business was positive, and played to its strengths, he said. Vestact's Michael Treherne said Aspen had negotiated a good price for its Japanese business, but until investors saw more growth coming from its underlying assets, its share price was likely to remain flat. Sandoz CEO Richard Saynor said the acquisition of Aspen's Japanese operations would significantly strengthen the company's position in that country, which he described as a "stable but growing generics market". The deal is subject to competition approval by the Japan Fair Trade Commission and is expected to be complete to be concluded in the first half of calendar year 2020.