



Current Agreements

Dealdoc

Asset purchase agreement for drug manufacturing business

Aspen Holding
Sigma Pharmaceuticals

Aug 16 2010

Asset purchase agreement for drug manufacturing business

Companies:	Aspen Holding Sigma Pharmaceuticals
Announcement date:	Aug 16 2010
Deal value, US\$m:	804.0 : deal value in cash
Related contracts:	Acquisition agreement for Sigma - terminated

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Details

Announcement date:	Aug 16 2010
Industry sectors:	Bigpharma Generic pharma Pharmaceutical
Technology types:	Equipment Facilities
Deal components:	Asset purchase Manufacturing

Financials

Deal value, US\$m:	804.0 : deal value in cash
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Termsheet

Key Deal Terms Summary

1. Agreement Overview

- **Aspen Pharmacare (South Africa)** agreed to acquire the **drug manufacturing arm of Sigma Pharmaceuticals (Australia)** for **USD 804 million in cash**.
- The transaction gives Aspen control of around **25% of Australia's generic drugs market**.
- This deal replaced Aspen's earlier plan to fully acquire Sigma for AUD 648 million, instead focusing only on the **drug manufacturing assets**—the part of Sigma it valued most.
- **Sigma will retain its drug distribution and pharmacy business**, exiting the manufacturing side.

2. Financial Terms

- **Purchase Price:** USD 804 million (approx. AUD 900 million at the time).

Advisors:

Aspen was advised by **Investec**.

- Sigma was advised by **Lazard**.
- Proceeds from the sale exceed Sigma's debt, providing funds for deleveraging and positioning for future growth.

3. Development & Commercialization Plans

Aspen:

Gains a significant manufacturing base in Australia, reinforcing its **global generics expansion strategy**.

- Consolidates its position in the **Asia-Pacific generics market**.

Sigma:

Retains a streamlined business focused on **distribution and pharmacy operations**.

- Expected to use sale proceeds to **pay down debt** and **return capital to shareholders**.
- Plans to rebuild under **new management**, led by CEO Mark Hooper, following executive turnover.

4. Strategic Impact

For Aspen:

Major international expansion, cementing its position as a leading **emerging markets generics player**.

- Access to established Australian generics brands, manufacturing capacity, and market share.

For Sigma:

Provides financial relief following **writedowns, profit warnings, and lender pressure**.

- Sale stabilizes the company, enabling it to restructure and focus on a smaller but healthier distribution business.

For Shareholders:

Seen as a fair deal given Sigma's weakened position; key investors like **Orbis Investment Management** backed the transaction.

- Some analysts noted the price was on the "low side" relative to fair value but acknowledged Sigma's limited bargaining power.

Overall Summary

Aspen Pharmacare acquired **Sigma's drug manufacturing arm for USD 804 million**, securing roughly **25% of Australia's generics market**. The deal, financed by cash and loans, allows Aspen to expand globally while enabling Sigma to reduce debt and refocus on distribution. Though some analysts considered the price below fair value, the agreement was welcomed by investors as a de-risked outcome that stabilized Sigma and gave Aspen the manufacturing foothold it sought in the Asia-Pacific region.

Press Release

South Africa's Aspen to buy Sigma drugs arm for \$804 million

16 August 2010

South Africa's Aspen Pharmacare (APNJ.J), in a recrafted deal, has agreed to buy the drugmaking arm of Australia's Sigma Pharmaceuticals (SIP.AX) for \$804 million cash, giving it control of about a quarter of Australia's generic drugs market.

Aspen had offered A\$648 million for all of Sigma earlier following a share price slump. But instead of a full takeover, it opted for the drugs manufacturing arm, the asset it coveted most, leaving Sigma with its drug distribution and pharmacy business.

Sigma's shares jumped as much as 7 percent on the deal, in a broader market that was down 1.1 percent, as the sale moved it closer to resolving its debt woes.

Sigma's second-largest shareholder, Orbis Investment Management, gave a thumbs-up for the sale.

"I think it's a good price," Simon Marais, chief investment officer at Orbis, which owns 9.25 percent of Sigma, told Reuters.

"Could they have turned the (drugs) business around? There's a chance, but this takes all the risk out of the thing, and it leaves a huge margin of safety for current investors."

Other suitors had been circling, looking at Sigma's generics business, as well as its Orphan specialty drugs arm and its Herron over-the-counter pain killers and vitamins business.

Sigma's shares later trimmed some of the gains to be up 4 percent at A\$0.52. Volume, at 11.4 million shares, was nearly a fifth more than the 90-day average.

'LOW' PRICE TAG

"The A\$900 million gets the ball rolling. If this transaction goes ahead, it's likely to force the hand of any other potential suitors," said David Arter, an analyst at broker Wilson HTM.

Sigma hopes to put the deal to a shareholder vote at the end of October.

Arter said the price tag appeared to be on the low side, estimating fair value in the mid-A\$900 million range.

Sigma, however, is in a weak bargaining position after taking a big writedown on its generic drugs business earlier this year due to tough competition, issuing two profit warnings since then, and facing pressure from its lenders to sell assets.

Sigma, advised by Lazard (LAZ.N), said the sale to Aspen exceeded the group's debt and would position the company to grow again.

"Sigma will emerge after the sale in a financially powerful position for future growth and business improvement under the company's new management team, led by Mark Hooper," Chairman Brian Jamieson said in a statement.

Aspen is being advised by Investec.

Sigma's biggest shareholder, Lazard Asset Management, with a 9.5 percent stake, declined to comment on Aspen's offer.

Orbis' Marais said he wants Sigma to use the funds from the sale to pay down debt and return capital to shareholders, then focus on running its distribution operation well.

"The only thing we would not want them to do at all is to use the money to go and buy things again. They've got to recognize that it is a smaller business now," he said.

The group's long-time chief executive Elmo de Alwis is about to step down, while its chairman and chief financial officer also quit.

Aspen first approached Sigma in May, offering A\$0.60 a share, then cut its offer in July to A\$0.55 a share.

Filing Data

Not available.

Contract

Not available.