

AmerisourceBergen (U.S.) and Profarma (Brazil) Form a Joint Venture

(Source: Company Press Release)

AmerisourceBergen Corporation announced that it has reached a definitive agreement to acquire a minority stake in Profarma Distribuidora de Produtos Farmacêuticos S.A. (Profarma), a leading pharmaceutical wholesaler in Brazil. In addition, AmerisourceBergen and Profarma will establish a joint venture for specialty distribution and services. The Company expects to invest approximately US\$100 million, and the transaction is expected to close in the June quarter of 2014. AmerisourceBergen does not expect the transaction to have a meaningful impact to its adjusted earnings per share from continuing operations for fiscal 2014.

“We are very excited to partner with Profarma as we continue to expand our reach into growing international markets,” said Steven H. Collis, President and Chief Executive Officer of AmerisourceBergen [also an IFPW Director and Chairman of IFPW’s charitable and education foundation]. “With its long-term macroeconomic growth outlook, favorable demographics, and increasing access to healthcare services and specialty pharmaceuticals, the Brazilian market affords us a tremendous opportunity to expand our international offerings. Profarma’s success in the wholesale distribution, chain and independent retail, and specialty markets, combined with our expertise in specialty distribution and manufacturer services provides a compelling

A New Purchasing Model Emerges In Japan

(Source: Edited excerpts of an article published by Pharma Japan)

A group purchasing organization called ICK was established in Japan – to avoid government penalties for failing to reach timely price agreements with wholesalers – by Qol Co. Ltd., a leading Tokyo-based dispensing pharmacy chain operator, and other dispensing pharmacy chains to purchase drugs through joint open tenders. ICK has completed its first tender offer with each member company having to negotiate with wholesalers selected as qualified bidders to quickly reach final agreements on prices and other business conditions.

Tender offers were made by area and by manufacturer, with 40 manufacturers participating in each of the five designated regions. Drugs were classified into three categories: drugs granted premiums for new drug development, patented drugs (original drugs), and long-listed drugs.

Prior to receiving tender offers, ICK presented the discount rates (price reductions from NHI prices before tax) it desired to wholesalers. In all areas, the overall discount rate for the three categories combined was 13.6%, with the rate being 11% for drugs granted premiums for new drug development, 15% for patented drugs (original drugs), and 18% for long-listed drugs. These desired discount rates were met by all manufacturers in all areas, and qualified bidders (wholesalers) were selected.

With the goal to reach final settlements with wholesalers by the end of May, individual dispensing pharmacy chains will begin negotiating detailed business conditions including payment methods with qualified bidders (wholesalers) to reach final price settlements. Negotiations will start based on the discount rates

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opportunity to shape the delivery of healthcare in Brazil.”

Sammy Birmarcker, Chief Executive Officer of Profarma (and an IFPW Director), highlighted the positive effects that the association with AmerisourceBergen should bring for the operations of Profarma Specialty, such as access to new medicines, equipment, services and practices that currently do not exist in Brazil. “We hope the country will soon be able to benefit from the technological advances that are already available to the specialty pharmaceutical distribution industry in more evolved markets abroad,” emphasized Birmarcker. “We believe that the experience acquired by Profarma over the course of its 52 years of activities, combined with the technology and expertise of AmerisourceBergen in rendering new services, will provide a favorable environment for the development of Profarma Specialty in Brazil,” he concluded.

AmerisourceBergen will purchase up to a 19.9% minority stake by offering R\$22.50 (US\$9.68) per share for shares offered in a primary offering by Profarma. The specialty distribution joint venture will include Profarma’s existing specialty businesses and an equity investment from AmerisourceBergen, and each company will own a 50% stake in the joint venture.

Betty Jane Ford

1927 – 2014



IFPW’s first, First Lady passed away last week after a long illness. She is survived by her four sons, Robert, David, James and Richard, their wives and children.

In 1977 IFPW was founded under the leadership of Bill Ford, Betty’s husband, and five international industry leaders: Mr. Watanabe of Japan, Mr. Frerichs of Germany, Mr. Autrey of Mexico, Mr.

Lawson of Australia and Mr. Clifton of the United States. It was a much different industry at the time, highly fragmented with private companies, cooperatives and very few public companies. IFPW served, as it does today, as an international network platform.

During IFPW’s formative years, Betty led IFPW’s social programs, which were extremely important at the time. She influenced and participated in spouse programs that fostered personal relationships, international understanding and goodwill. She made sure that no spouse was omitted from IFPW’s programs due to either language or culture. She encouraged all spouses to participate in meeting activities and to become acquainted with each other. It was through her caring and congenial personality that IFPW’s social network segment was successful in supporting IFPW’s primary mission: the establishment of a meaningful international business network platform.

She was 87 and leaves many long-time international friends.

New Purchasing Model . . . (cont.)

offered and accepted in the tender offer. Details of final settlements reached will be reported to ICK.

Delivery of drugs to be purchased will begin in April. Drugs will be delivered to each ICK members' pharmacies. "I suspect that wholesalers were somewhat uncomfortable about offering prices in March as they have never done so before, but this was a great step forward toward the improvement of drug distribution practices. I am confident that all ICK members will reach final settlements by the end of May," said an ICK spokesperson. Settled purchase prices and conditions will be valid for products delivered between April 1 and June 30. Tender offers will be invited four times a year on a quarterly basis. The next tender offer will be in June. At present, 19 pharmacy chains are affiliated with ICK.

FDA Initiates Secure Supply Chain Pilot

(Source: *Drug Store News*)

The U.S. Food and Drug Administration (FDA) announced the initiation of the Secure Supply Chain Pilot Program to enhance the security of imported drugs. In August 2013, the FDA published a notice to solicit companies to voluntarily submit applications for participation in this two-year program. Thirteen prequalified companies have now been designated to take part, and will receive expedited entry for the importation of up to five selected drug products into the United States.

The goal of the program is to enable the FDA to evaluate resource savings that will allow the agency to focus imports surveillance resources on preventing the entry of high-risk drugs that are the most likely to compromise the quality and safety of the U.S. drug supply. "By creating incentives for manufacturers to adopt best practices for supply chain integrity, we can enhance the quality and safety of imported drugs," stated Carol Bennett, acting director of the Office of Compliance in the FDA's Center for Drug Evaluation and Research. "The program also allows the FDA to focus resources on the areas with the greatest potential risk to consumers."

During these next two years, the FDA will evaluate the program's effectiveness at enhancing imported drug compliance with FDA regulations and the security of the drug supply chain. If the FDA determines the program to be effective, a more permanent program may be established and possibly extended to additional participating companies. The prequalified companies accepted into the program that will receive expedited entry, are the following: AbbVie; Allergan; Astellas U.S. Technologies; Bristol-Myers Squibb Company; Celgene Corporation; GE Healthcare; GlaxoSmithKline; Merck Sharp & Dohme Corporation; Mylan Pharmaceuticals; Novartis Pharmaceuticals; Pfizer; Teva Pharmaceuticals USA; and Watson Laboratories.

In Brief . . .

♦ The Supervisory Board of **Mediq** (Netherlands) has appointed *Arthur de Bok* as the company's new CEO and Chairman of the Management Board. *Arthur de Bok* (1962) has extensive international experience and has held several executive positions at Goodyear Tire & Rubber Company and Procter & Gamble, most recently serving as President of Goodyear EMEA.

♦ US wholesaler and healthcare service provider **Cardinal Health** is acquiring privately-held **AccessClosure Inc.**, a leading manufacturer and distributor of extravascular closure devices in the United States, for US\$320 million.

♦ Spain's largest cooperative pharmaceutical distributor, **Cofares**, is diversifying into the sale of optical products and cosmetics.

♦ Pharmaceutical manufacturer, wholesaler and retailer **Sigma Pharmaceuticals Limited** (Australia) will purchase **Central Healthcare Pty Ltd.** for US\$22.7 million, with the potential for additional performance-based payments. With annual revenues of approximately US\$185 million, Central Healthcare is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies in Victoria, NSW, ACT and Queensland and also owns and manages the Pharmasave retail brand. Central Healthcare and Sigma will continue to operate as stand-alone businesses.

♦ **Mallinckrodt** and **Questcor Pharmaceuticals** have entered into a definitive merger agreement under which Mallinckrodt will acquire Questcor in a transaction valued at approximately US\$5.6 billion. "We believe this transaction will substantially increase the scale, diversification, cash flow and profitability of our business, while expanding and enhancing the breadth and depth of our specialty pharmaceutical platform," said *Mark Trudeau*, Mallinckrodt president and CEO, adding, "With Questcor, combined with our recently completed acquisition of Cadence Pharmaceuticals, the new Mallinckrodt will have a significant, established presence with prescribers, payers and hospitals. We will also have an increasingly diversified specialty pharmaceuticals portfolio, which will include novel therapeutics for pain management, as well as central nervous system, renal, rheumatologic and other autoimmune and inflammatory disorders."

♦ **Sun Pharma** will acquire 100% of **Ranbaxy** in an all-stock transaction valued at US\$3.2 billion. The combination of Sun Pharma and Ranbaxy creates the 5th-largest specialty generics company in the world and the largest pharmaceutical company in India. The combined entity will have operations in 65 countries, 47 manufacturing facilities across 5 continents, and a significant platform of specialty and generic products marketed globally.

♦ US drugstore chain **Rite Aid** has acquired **Health Dialog Services Corp.** (US), a provider of health coaching, shared decision making and healthcare analytics from **Bupa**, a UK-based international healthcare services group. The acquisition of Health Dialog will also support and advance *Rite Aid Health Alliance*, a health management collaboration among various healthcare providers who deliver comprehensive care and support to individuals with chronic and poly-chronic health conditions.

♦ **Sanofi** recently created a position of chief patient officer, commenting, "The appointment of a chief patient officer at Sanofi, the first for a top 10 biopharmaceutical company, shows our commitment to go further in meeting the needs of patients." Interactions with patients are a source of strength for the company, and will help ensure the patient perspective advances its approach to meeting the unmet needs of patients.

♦ **Pfizer** announced that **The US Food and Drug Administration** has approved over-the-counter **Nexium 24HR** (esomeprazole 20mg). "Switching medicines, whenever appropriate, from prescription to non-prescription status improves access, empowers consumers to care for their own health and is an important strategy for Pfizer," stated *Paul Sturman*, president, Pfizer Consumer Healthcare. "The FDA approval of Nexium 24HR is a significant milestone in executing against our plan."

(Source: *Cardinal Health, Cofares, Drug Store News, Mediq, PR Newswire and Sigma*)