Merger will take Litha to healthy heights

LITHA Healthcare envisions its pharmaceuticals division becoming the fifth-largest generic medicines player in the local market after acquiring Pharmaplan for R590 million. At the release of financial results yesterday, Litha chief executive Selwyn Kahanovitz said Pharmaplan's expertise would help the firm build a pipeline of new medicines. Litha's pharma division grew its turnover by 61 percent in the half-year to June as it finalised the acquisitions of Paladin Labs and Pharmaplan in preparation for the merging of the drug business from July. After the Pharmaplan purchase, the drug unit's product offering would swell from 46 to 123 brands, Kahanovitz said. Gert Hoogland, the founder of Pharmaplan, would build Litha's pipeline in the originator medicine space where he had expertise and Canadian-based CPoint would assist in generics. CPoint has worked with Litha to boost its generics portfolio since 2010. A large percentage of Pharmaplan's business is in the innovative medicine space, thus bringing balance to Litha's pharmaceutical portfolio. Litha said this would grow the group's basket of products and ensure a healthy pipeline in future. The group doubled its products awaiting registration with the Medicines Control Council to 101 after the Pharmaplan acquisition. Kahanovitz said the pharmaceutical division was likely to move up to fifth position as per the IMS Health list within the South African generic market. IMS Health provides data and analysis on the global health industry. Litha expected the fruit of the Pharmaplan merger to start reflecting in the third quarter of the 2012 financial year. Turnover for the group rose seven percent to R949 million in the six months to June, mainly due to increased sales in Litha's biotech division, which were boosted by the government flu campaign and the demand for rabies vaccines. Operating profit rose 201 percent to R238m on the once-off profit realised on the deconsolidation of Biovac Institute.

Earlier his year Litha and the Department of Health reached an agreement to run the Biovac facility as a joint venture after working together for some time to make vaccines. Excluding the once-off profit from the deconsolidation, Litha's operating profit lost 12 percent because of lower sales in the medical unit, once-off costs relating to the Pharmaplan deal and costs of investment in the drugs unit. Earnings a share advanced 308 percent, also fuelled by the once-off profit. Headline earnings slipped to R42.8m from R43.77m and headline earnings a share shed three percent to 11.5c. Martin Kahanovitz, Litha's financial director, said the Biovac deconsolidation would not affect Litha's earnings. Dimitri Mitropapas, an analyst at PSG Konsult, said the results were good, though much boosted by the deconsolidation of Biovac. If not for the deconsolidation, he said, Litha's profit would have been under more pressure from the medical unit. He said the group was looking good as one of the biggest biotech companies in South Africa. Litha also revealed that it was in talks with an undisclosed party to secure a technology transfer for flu vaccines. If the technology transfer agreement on the table goes ahead, the company expects to be able to make pandemic and seasonal flu vaccines by 2015. It already has technology transfer agreements for several other vaccines, including one that protects infants against six childhood diseases.

Londiwe Buthelezi: Business Report, 31 August 2012

Tamar Kahn: Business Day, 31 August 2012