

U.S. Pharma Firm Abbott to Buy Drugmaker Veropharm for up to \$495 Million

By [The Moscow Times](#)

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Shares in Veropharm, one of Russia's biggest drugmakers with a market capitalization of \$300 million, shot up 34 percent to a three-year high by early afternoon trading in Moscow.

U.S. healthcare firm Abbott Laboratories is to buy Russian drugmaker Veropharm for up to \$495 million, giving it a manufacturing presence in a country where it has been operating for nearly 40 years, Abbott said Tuesday.

The deal bucks a drought in Russian M&A activity this year due to the country's faltering economy and the Ukraine crisis. U.S. companies have been particularly stymied from investing here, with Washington advising top executives to steer clear of a major Russian investment forum in May.

Abbott's purchase is the largest acquisition by a U.S. company in Russia since Philip Morris

International and Japan Tobacco in December announced plans to buy stakes in cigarette distributor Megapolis for \$750 million each, according to Thomson Reuters data.

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"Russia's middle class is growing and when the middle class grows the sector that grows is healthcare," said one trader. "There is an aging population and it is a country that really needs good pharma. If you want to get a part of that market, you have got to be a local producer and this is a way for Abbott to be locally producing."

It is the latest foray by Abbott into emerging markets, following a \$2.9 billion deal earlier in the year to buy Chile's CFR Pharmaceuticals SA.

Abbott, which sells healthcare devices and branded generics in 150 countries, last year split into two businesses and spun off its blockbuster rheumatoid arthritis drug in a new company, AbbVie. It has said it plans to focus the branded generics business on about 14 or 15 fast-growing emerging markets.

Under the deal, Abbott will buy Garden Hills, a holding company which owns a controlling interest in Veropharm, for a range of \$395 million to \$495 million, depending on Garden Hills' ownership of Veropharm at the time of closure, Abbott said.

Garden Hills currently owns more than 80 percent of Veropharm but is expected to own more than 95 percent when the deal closes, Abbott said.

Abbott will assume net debt of \$136 million and plans to fund the transaction with cash on the balance sheet, it said.

It expects the deal, to close in the fourth quarter, to add \$150 million in sales in 2015.

The Illinois-based company, which has been operating in Russia since 1978, said the deal would allow it to establish a manufacturing presence in the country. Veropharm has three pharmaceutical manufacturing sites in Pokrov, Belgorod and Voronezh.

Abbott employs 1,400 staff in Russia in research and development, logistics, sales and marketing, according to its website.

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