

## Dow Jones Investment Banker

### **THE REMEDY: Invida's Asian Remedy, Ready For Export**

**Dow Jones Investment Banker | 18 January 2011 18:10 | By Robert Armstrong**

NEW YORK (Dow Jones Investment Banker)--There are many pharmaceutical companies in the developed world that have global aspirations but can't afford global operations. Privately held Invida Group Pte Ltd. takes advantage of this, providing an Asian partner to smaller Western companies looking for exposure to emerging markets.

Based in Singapore, Invida is owned by three big-name investors: contract research and consulting giant Quintiles, Asian health-care distributor Zuellig Pharma and Temasek, the investment company owned by the Singapore government.

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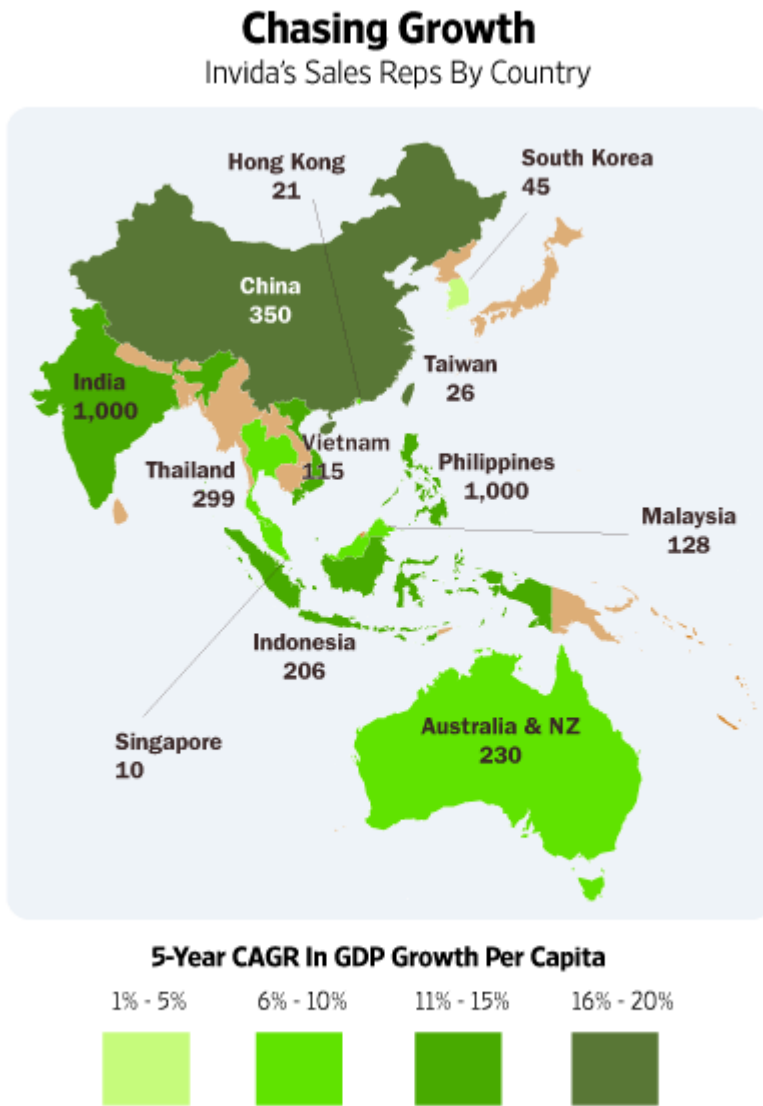
Until recently, Invida had a contract sales force model. They would promote products across Asian markets in exchange for a fee. Its customers included global giants like Pfizer Inc. and GlaxoSmithKline.

Recently, the company has moved to a higher-margin business, becoming a pan-Asian specialty pharmaceutical company in its own right. It sources its products from other companies, either through product acquisitions or long-term licensing agreements with small and mid-cap pharmas from the developed world. The company puts these products into the bags of its sales forces in 13 Asian countries, from India to Malaysia.

Invida purchased the Asia-Pacific operations of Valeant Pharmaceuticals International in 2008. Since then, it has made licensing agreements with companies including Amdipharm, Ipsen and Sinclair Pharma.

The company has been buying individual products as well -- with a particular focus on dermatology. CEO John Graham says the company looks in particular for products that are already approved in a national market but have only been promoted locally; Invida's sales force can then take them national. Graham says valuations for local brands in Asia are very high at present, but because Invida can also fill its portfolio through partnerships, the firm can be selective and patient.

So far, the two-part model has worked. The company has revenues of roughly \$200 million and a five-year revenue CAGR of about 25%.



Sources: Company disclosures, World Bank

A look at the way the company's sales force is distributed across Asia highlights its opportunism. Every global pharma is throwing capital at China, leading to a competitive environment and wild valuations. Yet only about 10% of Invida's 350-member sales force in that country, small compared to the 1,000-member forces in India and the Philippines. The approach is not to win in the biggest, fastest-growing markets. Rather, Invida builds scalable infrastructure in markets where it can establish its brands and quickly start earning returns on invested capital.

Graham is quick to point out that Asia is heterogeneous -- sales, regulatory and manufacturing operations are very different across countries. This limits the amount of leverage Invida will

enjoy as it grows. Nonetheless, the model makes excellent sense for the simple reason that smaller Western companies will be eager to work with a "one-stop shop" partner that can help them realize Asian profits from their portfolios.

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From the point of view of the capital markets, however, the most interesting question is who will raise capital to reproduce the Invida model for other regions of the developing world. Pharma firms have the same needs in the Middle East, Africa and Latin America as they do in Asia. Someone will surely profit by giving them an efficient way to access those markets.

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