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# Down But Not Out: Nichi-Iko Hives Off Sagent, Exits North America

*Japanese Firm In Process Of Delisting In Tokyo; Purchase Price To Be Decided*

by **Dean Rudge**

Seven years after it paid almost three quarters of a billion dollars for US-based Sagent, troubled Nichi-Iko is offloading the struggling business.

After weighing up the viability for a rebuild, Japan's [Nichi-Iko](#) is throwing in the towel on its heavily impaired operations in North America. Through an equity purchase agreement, Nichi-Iko will transfer all shares in its US [Sagent Pharmaceuticals](#) and Canadian Omega Labs businesses to a company in Singapore controlled via the asset management firm of former Gland Pharma executive Ravi Penmetsa.

A final transfer price for buyer Ellimist Singapore Pte is yet to be decided. Nichi-Iko noted that it would be determined after implementing a price adjustment based on a combined enterprise value of just \$100m for both Sagent and Omega.

In 2016, just as the M&A frenzy that gripped industry was beginning to run out of steam, Nichi-Iko paid \$736m in cash for Wyoming-based Sagent, a 40% premium to Sagent's previous day closing price.

At the time of closing, Nichi-Iko expected the deal to raise its profile internationally and help it become one of the top 10 generics leaders worldwide (*see sidebar*).

Sagent was expected to become a more competitive player in the US with the

## ***Nichi-Iko Buys Sagent To Strengthen US Biosimilars Presence***

By **Mandy Jackson**

addition of Nichi-Iko's biosimilars and other products to Sagent's portfolio of injectable generics.

In its most recent financial disclosure, Nichi-Iko revealed that it had written down the value of the Sagent group by a total of ¥49.8bn (\$366m) during the first nine months of its financial year ending 31 March 2023, leaving Sagent with negative equity of ¥52.1bn.

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Nichi-Iko Pharmaceutical Co. Ltd. will pay \$736m in cash for Sagent Pharmaceuticals Inc. in a deal that will further expand the Japanese company's biosimilars business beyond Asia and diversify the US generics firm's injectable medicines portfolio.

[\*Read the full article here\*](#)

Sagent had registered a ¥48.7bn impairment charge up to the previous quarter ended 30 September, based on declining business conditions, as well as forecasted future business operations in the US market.

In the six months to 30 September, Sagent delivered revenues of ¥21.8m on top of a ¥3.4m operating loss, in part due to the Warning Letter issued in July last year to Sagent's 503B outsourcing facility in Plattsburgh, New York, that it acquired from SterRx.

The Japanese firm also noted that production volumes were lower than anticipated at Sagent's Raleigh plant, alongside a delay in deliveries from its manufacturing subcontractors.

Struggling Nichi-Iko is in the process of delisting from the Tokyo Stock Exchange, saddled by debt and with its operations ravaged by internal and external forces, not least the high-profile quality and supply issues at its core Namerikawa plant in the Toyama prefecture. (Also see "[\*Nichi-Iko Set To Delist In March As Tamura Steps Down As CEO\*](#)" - Generics Bulletin, 6 Dec, 2022.)

In the final days of 2022, the Japanese player announced that it was eligible for debt forgiveness of up to ¥98.5bn from all 15 of its creditors, through its May 2022 'business turnaround' plan. (Also see "[\*Nichi-Iko Secures Up To ¥98.5bn Debt Relief As ADR Pushes Ahead\*](#)" - Generics Bulletin, 6 Jan, 2023.)

Having reviewed Sagent's unfavorable prospects under its business turnaround plan, Nichi-Iko has opted against any rebuild and pushed through with a sale, "in order to establish a firm earnings structure and fundamentally improve the company's financial condition for its future re-growth and its sustained growth."

In conjunction with the sale, Nichi-Iko anticipates that a combined share transfer loss of approximately \$124m for both Sagent and Omega will be accrued in the final quarter of its financial year ending 31 March 2023.

Headed up by Peter Kaemmerer since December 2016, the Sagent Pharmaceuticals business had consolidated net assets of \$362m as of 31 March 2022, delivering a mammoth \$243m annual operating loss for the period on revenues of just \$312m.

Former DKSH Japan CEO Kaemmerer currently sits on the board of US off-patent advocacy group, the US Association for Accessible Medicines.

Quebec-based Omega, meanwhile, had net assets of CAD124m (\$91m) and generated revenues of CAD68m in the 12 months to 31 March, on top of a CAD3m operating profit.

Sagent bought Omega for around \$85m in cash in October 2014, creating what it described as a “premier generic injectable company with a robust product portfolio, deep development pipeline and strong global presence.”