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01 Feb 2024 | **News**

For Sale, Buyer Sought: Teva Confirms API Unit Is On The Block

'Pretty Neutral With Regards To Margins,' Teva Says; H1 2025 Deadline Forecast

by Dean Rudge

Teva had told investors last year that it believed it was stymying its API unit's growth by not allowing it to stand taller on its own two feet. Now the Israeli firm has confirmed that the business, TAPI, is up for sale.

Amid a concerted push towards a "new era" focused especially on biosimilars and novel products, *Teva* has put its increasingly independent active pharmaceutical ingredient business, TAPI, on the chopping block, matching up with reports from last year that suggested the Israeli firm was seeking around $2bn for the "world-leading provider" of small molecule APIs.

For now, Teva is seeking out a buyer. The firm hopes to complete a deal in the first half of 2025, subject to customary approvals and closing conditions, but underlined that it could offer no assurances on the timing or structure of a potential deal – "or that a divestiture will be agreed or completed at all."

Should a deal materialize, Teva believes it will be able to "maximize current and potential revenue streams, focusing on capital reallocation towards growth and innovation, and better serve patients," while also creating value for Teva's shareholders and other stakeholders "by allowing Teva to better address distinct, growing markets with Teva's leading product offerings."

"It will also allow the divested company to pursue new growth strategies, enabling it to maximize an array of opportunities in the $85bn global API market," Teva commented.

Teva Responds To API Unit Selloff

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Serving more than 1,000 clients globally, including both biotechnology and pharmaceutical players, TAPI currently offers 350 products covering a "diverse range of both generic and innovative therapeutic areas."

It employs around 4,300 people worldwide, which drive a "sophisticated supply chain, focused innovative manufacturing, regulatory and quality excellence and a commitment to sustainability."

Rumors

By David Wallace

07 Jul 2023

Amid rumors that Teva is mulling a potential sale of its APIs business, TAPI, the Israeli firm has underlined the strength of the unit while acknowledging that it continuously reviews such opportunities.

Read the full article here

"The divestiture of TAPI will play an important role in the execution of our Pivot to Growth strategy in this new era for Teva," the firm said, "as it will allow us to increase the focus on our core business, continue to invest in our growth drivers, accelerate our innovative and biosimilar pipeline, and position our generics portfolio and pipeline to drive growth for the future."

Fielding questions from investors on Teva's 31 January annual financial results call, company president and CEO Richard Francis was asked about TAPI's profitability and its overall importance to Teva's margins, especially how that was leading the firm to a valuation.

"On the whole, I think it's pretty neutral with regard to what it does to margins," Francis said, without offering a potential valuation. "So we don't think of it impacting our margins in a positive or negative way. That's probably the simplest way to think of that one."

Handing over to chief financial officer Eli Kalif for further comment, he said: "I don't have anything to add."

Francis Had Said Margins Were High

Bloomberg had led with reports in the middle of last year that, with deliberations in the early stages, Teva valued TAPI at around $2bn. However, the finance magazine also noted that Teva could still decide to retain the business (*see sidebar*).

A Teva spokesperson told *Generics Bulletin* at the time that TAPI was a "strong business with incredible capabilities, and that it can grow – and as such can be contribute directly to the 'Pivot To Growth' strategy" unveiled by Francis and his team earlier in 2023.

As part of that strategy, Teva had committed to adopting a greater standalone approach to TAPI, allowing it to benefit from the "growing market and the growing demand in API globally, which is growing at 6% to 7%."

"This API business is the second largest in the industry," Francis had highlighted. "It focuses on high-value API. So its margins are high. This is accretive to Teva's business from a margin point of view. Its resource is around manufacturing and R&D. It has those standalone R&D and manufacturing capabilities. And it's not vertically integrated within Teva."

At the same time, he reminded investors that Teva "does not rely on the TAPI business," which gave the firm an opportunity to "maximize this business going forward to drive growth on this business to allow us to grow the top and bottom line."

Francis concluded: "What we've realized through our strategic analysis of the organization is that we've probably not done it any favors by keeping it under the sort of the arm of the broader Teva organization. And if we create that stand-alone, it's going to grow."