Glaxo Focuses On Emerging Markets

By Jane Wardell, AP Business Writer;Manufacturing.Net - December 10, 2009

LONDON (AP) -- GlaxoSmithKline PLC said Thursday it plans to outpace its rivals in the race to emerging markets as revenue from traditional western pharmaceutical markets continues to slow.

Abbas Hussein, London-based Glaxo's head of emerging markets, said that the company will pursue acquisitions and alliances in the region, although he cautioned that targets are scarce and prices being demanded by some businesses are unreasonable.

Hussein said that Glaxo is focusing on a combined pool of branded generics, vaccines and traditional patented medicines to beef up its exposure to emerging markets, which currently account for 13 percent of group sales.

"I think it's very, very reasonable to say that my ambition is that we will beat the market growth rate," he told reporters ahed of an analyst and investor briefing.

Healthcare information group IMS Health has forecast 13-15 percent growth in pharmaceutical demand in emerging markets over the coming decade, compared to just 1-3 percent for mature markets.

Drug companies are battling to win a large piece of the pie as they look for substitute revenue in the face of increased competition for patented drugs in the United States and Western Europe.

Drug sales in emerging markets are expected to double by 2015 from the current 50 billion pounds ($81 billion) thanks to a number of factors including a high birth rate and a swiftly increasing middle class.

"By 2020 you are looking at emerging markets in size being equivalent to the U.S. market and the major five in Europe," said Hussein.

Increasing Glaxo's reach in the region would provide a key "third leg" to its existing U.S. and European businesses, he added.

Hussein said that Glaxo remained alive to acquisitions and tie-ups in the region following its purchase of assets from Bristol-Myers Squibb Co., Belgium's UCB S.A. and alliances with South Africa's Aspen Pharmacare Holdings Ltd. and India's Dr. Reddy's Laboratories Ltd.

But he stressed that Glaxo was unwilling to pay over the odds for any potential deals.

"I think the pace will continue," he said when questioned about mergers and acquisitions. "On the other hand, I think it's fair to say there are very scarce targets and some of the valuations of the promoters are very unreasonable."

Hussein said that alliances were a "great way to go as you are sharing the risk, and it makes good financial sense," while acknowledging they can be more complicated than a straightforward acquisition.

Glaxo expects operating margins in the region to remain at current levels of around 35 percent of sales.