

Infant milk prices in China entice Aspen

CAPE TOWN: Africa's biggest generic drug manufacturer, Aspen Pharmacare, is still cautiously eyeing the infant milk market in China despite its growth slowdown, company CEO Stephen Saad said Wednesday, 9 September 2015.



Stephen Saad.

Image credit: [Financial Mail](#)

"There was a bubble in China's infant milk market and the valuations were extreme. We continue to look, but we are aware of the market dynamics," said Saad, as the company released its results for the year to 30 June.

Aspen was previously in talks to expand its infant nutritional business, and while these discussions had not yielded fruit Aspen would continue to investigate the scope for building this part of the business, he said. China was a particularly attractive infant milk market to be in because its prices had been among the world's highest, said Saad.

Sasfin equity analyst Alec Abraham said the infant nutrition business was strategically important to Aspen because it provided a buffer against the margin squeeze facing pharmaceutical companies as regulators around the globe put pressure on prices. Infant nutrition products do not face price regulation. Aspen is primarily in the pharmaceutical business, selling branded and generic medicines in 150 territories, but it has a considerable infant nutrition business too.

Last year it acquired a 50% interest in New Zealand Milks, which holds regulatory approval to sell infant milk formula to China. Aspen also holds licences to sell Nestlé's S26 infant formula in several territories.

Aspen reported a 13% increase in diluted headline earnings per share to R11.50, up from R10.16 last year. Revenue rose 22% to R36.13bn compared with R29.52bn the year before.

Saad said the company's results were attained despite unfavourable exchange rate moves that affected its principal trading currencies, particularly relative to the US dollar, which increased the cost of goods and devalued revenue flows.

The biggest contributor to group revenue came from Aspen's international business, including Latin America and Europe,

which generated R18.6bn. The South African business generated revenue of R8.6bn, up 16% on last year, driven by increased sales in the private and public sector.

Private sector sales rose 12%, while public sector sales grew 14%, primarily due to increased demand for HIV/AIDS drugs. Aspen's domestic consumer division grew revenue by 23% due to a strong performance in its infant nutrition business.

Profits in the domestic business were damped by the steadily weakening rand relative to the US dollar, wage inflation as well as increased energy costs, said Saad.

Aspen had begun restructuring, selling off non-core assets to focus on key therapeutic areas. A wide range of products had been divested in the first quarter of the new financial year, he said.

Source: Business Day

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