

Aspen seeks new formula

Aspen Pharmacare is conducting a review of its global nutritionals business, with a view to entering into a strategic partnership or possibly a sale.



©picsfive [123rf.com](https://www.123rf.com)

Aspen Nutritionals manufactures and markets infant milk and has a presence in Latin America, Africa and the Asia Pacific. It has a growing business in the Middle East and Asia.

Aspen said in mid-January that its infant milk formula brand Alula had been registered by China's Food and Drug Administration, an important development that paves the way for it to be sold in the world's biggest infant milk market.

The company received an unsolicited approach from a suitor in 2017 and was investigating a number of options, including a strategic partnership to leverage another company's distribution platform or a sale, said Aspen's head of investor relations, Zihle Mgcokoca. She declined to name the suitor or discuss Aspen's valuation.

"Asia is the greenfields opportunity," she said.

Aspen Nutritionals has manufacturing sites in New Zealand, SA and Mexico and generated R3.2bn in revenue in the year to June 30 2017.

Group revenue for the period came in at R41.2bn.

Aspen has previously been in talks to expand its infant nutritional businesses, but they failed to yield fruit.

Despite its relatively modest contribution to the group the business is strategically important because it offers a buffer against the margin squeeze confronting its pharmaceutical business, as regulators around the world put pressure on prices. The South African Department of Health, for example, has permitted pharmaceutical companies to hike their private sector prices by no more than 1.6% in 2018.

Infant nutrition products are not subject to price regulation and Aspen CEO Stephen Saad has told *Business Day* that China's milk prices are among the world's highest.

Vestact portfolio manager Byron Lotter speculated that the potential suitor could be a large global brand such as Nestl. A strategic partner with a large, established distribution network could be very attractive to Aspen, he said.

Alternatively, if the company sold a stake, it would get a "nice cash injection" it could set into its debt level, Lotter said.

"I think it is positive news, and maybe the brand [Alula] approval in China sparked that interest [from a suitor]," he said.

Source: *Business Day*

For more, visit: <https://www.bizcommunity.com>