

Bayer Seeks Better Than Growth in China

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China's dissemination of health care insurance throughout the country will power 20% annual growth in spending for medicines in the country, according to Liam Condon, who spearheaded Bayer AG's (BAYRY.PK) operations in China until the end of 2009. Bayer [XETRA: BAY] itself expects to produce returns that beat the 20% rate of growth.

"There's a lot of demand [in China] that's not being tapped at the moment," commented Condon. "The general medicine portfolio is the most attractive. Diabetes, cardiovascular, these types of indications which are no longer so attractive in the West," he added. Condon's comments were published in an interview published in BusinessWeek (see article).

Ironically, even though increased insurance coverage is the driver of China's healthcare growth, Bayer's biggest revenue producing drug, its diabetes drug Glucobay, is not covered by insurance. However, the company's venerable low-dose aspirin product, indicated for prevention of heart attacks, is.

Until Pfizer (NYSE: PFE) merged with Wyeth, Bayer was the proud owner of the number one ranking among China drug companies. Last summer, Condon bragged at the ChinaBio® Partnering Forum, that China was the only country in which Bayer was number one, despite its impressive \$50 billion in worldwide annual revenues.

In Condon's view, the loss of the number one ranking is not important. He believes Bayer must concentrate on sustainable growth in China and remain one of the top three China drug providers. As recognition of China's growing importance, Bayer could easily move the headquarters of a global business unit to the country "in the foreseeable future," he said.

Bayer's reported that its Q3 revenues in China were up 22% over the year-earlier period.

Glucobay, the diabetes drug, is an oral medication that treats patients with type 2 diabetes who have not progressed to insulin. The drug slows digestion of carbohydrates to prevent a surge in blood sugar following a meal. Bayer also sells Adalat for high blood pressure in China.