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China's Shanghai Pharma group to buy Australian Vitaco pharma

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Singapore: Chinese drugmaker Shanghai Pharma and private equity firm Primavera capital recently announced their plans to buy Australia's Vitaco pharma for approx. $239 million. The deal will help Vitaco grow in China, where the market for vitamins and dietary supplements is expected to surge to around $20 billion by 2018, according to Euromonitor.

Vitaco said in a statement on Thursday the Chinese group would buy all of the firm at a valuation of A$2.25 per share, a 28 percent premium to their closing price on Wednesday, less than a year after it listed shares in Sydney at A$2.10 apiece.

The Australian vitamins group (VIT) said its board unanimously recommended the all-cash $313.7m offer from Shanghai Pharma and its partner, Chinese private equity firm Primavera Capital, in the absence of a superior bid coming forward.

Though China remains a major destination for Australian goods, the growing uncertainty in the Chinese market along with tightening of regulations on imports has affected the business outlook for some players. Uncertainty reigned in the vitamins market in April as new tax rules for cross border e-commerce were announced in the world's second-largest economy.

"The scheme represents attractive upfront and certain value for shareholders, particularly given ongoing volatile macroeconomic conditions and regulatory uncertainty in China," Vitaco chairman Mr Greg Richards said.

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Shanghai Pharma said in a filing on Thursday it would take a 60 percent stake of Vitaco for around 938 million yuan ($141 million) as part of a take-private deal with Primavera. It said the deal would combine its own networks and sales channels in China with Vitaco's high-quality healthcare brands.

Primavera chairman Mr Fred Hu said the Chinese market represented the primary growth avenue for Vitaco."We continue to be very bullish on the growth of middle-class consumption in China, and in particular the increasing demand for healthy, safe foods and nutritional products by Chinese consumers," he said.

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