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Lupin bids goodbye to Japan

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Lupin enters into agreement to divest its stake in Kyowa to Unison



Indian pharma major Lupin Limited (including its subsidiaries, together referred to as 'Lupin') announced that it has entered into a definitive agreement for the sale of its entire stake in its Japanese subsidiary Kyowa Pharmaceutical Industry Co., Ltd. ('Kyowa') to Unison Capital Partners IV, LPS and Unison Capital Partners IV (F). L.P. (collectively referred to as 'Unison'), a leading private equity fund in Japan with a strong track record of success in the healthcare sector. The Board of Directors of Lupin approved this transaction today. The transaction will be subject to customary closing conditions including approval by Lupin's shareholders.

Under the terms of the agreement, Lupin's subsidiary Nanomi B.V. will divest its entire stake (99.82%) in Kyowa to Unison's entity Plutus Ltd. for an enterprise value of JPY 57,361 million, subject to closing adjustments. The divested business recorded revenues of JPY 14,241 million in H1, FY 2020 (JPY 28,335 million in FY 2019).

The proposed transaction values Kyowa at an enterprise value of JPY 57,361 million (~INR 37,024 million) and will generate post tax net cash inflow of approximately JPY 32,596 million (~INR 21,039 million). The transaction is expected to be EPS accretive and will significantly strengthen the consolidated balance sheet of the Company. The post transaction impact on the consolidated balance sheet is as follows:

- Net debt of the Company will stand at INR 11,290 million compared to INR 43,618 million as on September 30, 2019
- Net debt to equity ratio shall improve to 0.08 as compared to 0.32 as on September 30, 2019

Vinita Gupta, CEO, Lupin speaking on the proposed divestiture commented, "We are very pleased to partner with Unison, a leading healthcare focused private equity player. This transaction will build upon the strong foundation our team has established in Japan. We acquired Kyowa in 2007 and since then have made a material difference to the Japanese healthcare system with the affordable medicines we brought to market. This transaction is aligned with our vision to focus on our key markets and strategic priorities to achieve sustainable growth in the mid to long-term. The deal proceeds will be utilized to strengthen Lupin's balance sheet as well as provide growth capital to support organic and inorganic initiatives for

our focus markets".

Nilesh Gupta, Managing Director, Lupin said, "Driven by the incentives provided by the Japanese government to increase generic utilization and our R&D, manufacturing and commercial strengths, we grew the Kyowa business multifold in the last 12 years to emerge as the 5th largest generic company in Japan. This transaction leverages Kyowa's strong position in CNS generics, long-listed and specialty products with Unison's investments in healthcare to create a leading CNS healthcare player. We believe that the partnership with Unison will enable Kyowa to leverage its strong platform and human capital to achieve its full potential. We remain committed to advancing our complex generics, biosimilars and specialty portfolio globally, including Japan".

Tatsuya Hayashi, Founding Partner of Unison, said, "We are delighted to welcome Kyowa into our portfolio and support its next phase of growth, both in its existing business, as Kyowa continues to center its strategy of strengthening its hybrid (brand/generics) pharma model in Japan, and in expanding its influence in the CNS space to beyond drugs. We look forward to actively working with Kyowa to leverage our unique set of resources in the healthcare market – including our own portfolio companies, and our network of experienced health care advisors and strategic partners – to enable Kyowa's vision of growth. We also look forward to supporting Kyowa's partnership with Lupin and exploring opportunities for Unison to collaborate further in the healthcare sector with Lupin and its unparalleled global network in the healthcare industry."

Nomura International (Hong Kong) Limited is the sole financial advisor to Lupin for the proposed transaction.