



DETERMINATION OF MERGER NOTIFICATION M/07/054 – NOVASEP/PHARMACHEM

Section 21 of the Competition Act 2002

Proposed acquisition of PharmaChem Technologies (Grand Bahama) Limited by Novasep Holding SAS

Dated 9/10/07

Introduction

1. On 19 September 2007, the Competition Authority, in accordance with Section 18(1)(a) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of the proposed acquisition of sole control of PharmaChem Technologies (Grand Bahama) Limited (“Pharmachem”) by Novasep Holding SAS (“Novasep”).

The Undertakings Involved

The Acquirer

2. Novasep, the acquirer, is a private French company, acquired in 2007 by private equity funds managed by Gilde Buy Out Partners (“Gilde”). Gilde is a private equity group specialising in acquiring mid-market companies. Currently, Gilde has no investments in companies headquartered on the island of Ireland. Novasep is the only business over which Gilde has sole or joint control, and which is involved in the pharmaceutical industry.
3. Novasep operates mainly in Europe, with subsidiaries in the U.S., China and Japan. Novasep operates through two complementary divisions: Novasep Synthesis and Novasep Process. Novasep Synthesis offers custom synthesis services utilising niche technologies to manufacture elaborate molecules for the pharmaceutical industry, as well as producing and marketing proprietary products. Novasep Process provides physical purification solutions to industrial biotech, pharmaceutical and bio-pharma industries. For the year ended 31 December 2006, Novasep and its subsidiaries had a global turnover of €[].
4. In the Republic of Ireland, Novasep, through its subsidiary Finorga, supplies [] with [], [] and [], which are products used in medicines for treating HIV infections, cholesterol and depression, respectively. Finorga also supplies [] with [], used in medicines for treating diabetes. Through its subsidiary DNES, Novasep also supplies [] and [] with [] and [], used respectively in medicines for treating blood pressure and weight disorders. For the year ended 31 December 2006, Novasep and its subsidiaries generated €[] in the Republic of Ireland.

The Target

5. PharmaChem, the target, is a private Bahamian company owned by PharmaChem Investments Incorporated and ICD Investments Limited. It manufactures Tenofovir, an active pharmaceutical ingredient ("API") for the HIV drugs manufactured by Gilead Sciences Incorporated ("Gilead Inc."), the second-largest player on the HIV treatment sector worldwide. Gilead Inc. invoices PharmaChem's products through its Irish subsidiary, Gilead Sciences Limited, which also distributes Gilead Inc.'s products in the EU and other international locations. PharmaChem operates out of a plant located in Freeport, Grand Bahama Island, the Bahamas, and has approximately 71 employees. In the year ended 31 December 2006, PharmaChem achieved a total turnover of USD\$[], (approximately €[]¹). [].

Analysis

6. Both parties manufacture APIs for pharmaceutical companies on a contract basis, without obtaining any of the associated property rights, except for a "licence to produce". In the State, both parties sell APIs to pharmaceutical companies for use in drugs for treating HIV infection. Novasep manufactures [] for [] for use in developmental batches of [], a HIV drug that is currently being tested and has not yet been marketed. As stated above, PharmaChem manufactures Tenofovir for Gilead Inc., for use in several of its HIV drugs.
7. The Authority considers that the proposed acquisition does not raise competition concerns in relation to the provision of goods or services in the State,² for the following reasons:
 - The APIs sold in Ireland by the parties are not substitutes, as each API targets a different aspect of HIV infection. [] acts at the level of a cellular receptor, inhibiting the HIV from infecting a cell. Tenofovir acts by inhibiting reverse transcriptase, thereby preventing HIV from reproducing. In addition, as stated above, [] is used in [], a chemical that is currently being tested and has not yet been marketed. Therefore, the APIs sold by the parties in the State are not in direct competition with each other.
 - The parties compete with many other chemical producers capable of manufacturing APIs. Pharmaceutical companies such as Pfizer, Roche, Novartis and Sanofi Aventis, who are large and well-resourced, can easily switch API manufacturers and usually have at least two suppliers for each intermediate or API. For example, [] itself is capable of manufacturing []. Alternatively, [] could switch to another manufacturer, such as BASF, Lonza and Aerojet Fine Chemicals. Novasep has not received any order or forecast from [] for manufacturing [] in 2008.
8. Given the differences between the APIs sold by the parties in the State and the levels of competition for the manufacture of APIs, the

¹ The euro conversion figure was provided by the parties.

² The Authority considers that it is not necessary to define the relevant product and geographic markets in the present case, since the proposed acquisition does not raise competition concerns in relation to the provision of goods or services in the State.

Authority considers that the proposed transaction does not raise competition concerns.

Determination

9. The Competition Authority, in accordance with Section 21(2)(a) of the Act, has determined that, in its opinion, the result of the proposed acquisition of PharmaChem Technologies (Grand Bahama) Limited by Novasep Holding SAS will not be to substantially lessen competition in markets for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority