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Shanghai Pharma buys drug distribution unit of US-based Cardinal Health

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In addition, Shanghai Pharma and Cardinal Health have reached a strategic cooperation agreement to explore business development in the U.S., as well as collaborate in developing the global market for medical equipment and service innovation.



Shanghai Pharma has announced that it has agreed to purchase Cardinal Health's pharmaceutical and medical products distribution business in China. With the deal, Shanghai Pharma will become one of the largest importers of foreign drugs in China, as demand for medicines surges with an aging population where chronic diseases such as cancer and diabetes are commonplace.

According to media reports, David Liu, head of mergers and acquisitions at Shanghai said that the company is interested in acquiring specialty drugs as well as branded generics. Liu noted that the drugmaker will pursue deals in the US and some EU countries such as Germany and Sweden.

Shanghai Pharma has said that it expects its final cash outlay for the Cardinal China deal, excluding any debt assumption, will be about $557 million, reports Bloomberg. That price values the target at about 28 times its net income for the year ended June, according to a Hong Kong exchange filing. Shanghai Pharma also plans to create a new direct-to-pharmacy chain, combining its own outlets with Cardinal China's, to distribute imported drugs.

In addition, Shanghai Pharma and Cardinal Health have reached a strategic cooperation agreement to explore business development in the U.S., as well as collaborate in developing the global market for medical equipment and service innovation, according to the statement.

Shanghai Pharma beat out private equity firms FountainVest Partners Co., Warburg Pincus and PAG Asia Capital for the target. Cardinal's China business is the 8th largest pharmaceutical distributor in China, with a network covering 322 cities and 11,000 medical institutions, the filing shows. Cardinal China also controls 14 direct sale companies, 17 distribution and operation centers and 30 direct-to-pharmacy outlets.

The sale does not include Cardinal Health's remaining businesses in China, such as its medical sourcing team and Cordis business, according to a separate Cardinal Health statement.