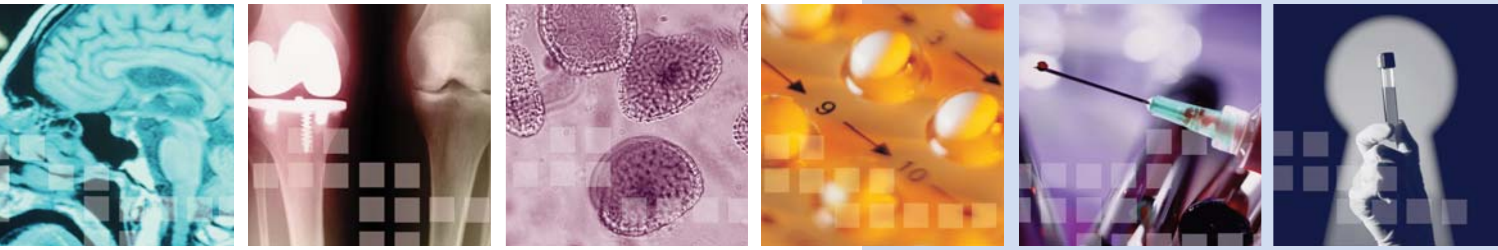

A Datamonitor report

Generic Series: An Introduction to the Canadian Generics Market – Key trends and leading companies shaping the market

Published: May-07 Product Code: DMHC2294

Providing you with:

- **Overview** of the size of the Canadian generics market
- **Assessment** of the key drivers and resistors affecting the Canadian generics market
- **Profiles** of the leading companies in the Canadian generics market

Use this report to...

Assess the size of the Canadian generics market relative to the other major markets globally

tel: 877/437-4276 fax: +781/639-0179
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Introduction

The Canadian pharmaceutical market is the 8th largest globally and as such represents an important market for generics manufacturers. Although historically dominated by domestic generics companies, mergers and acquisitions over the last five years have increased the dominance of foreign players.

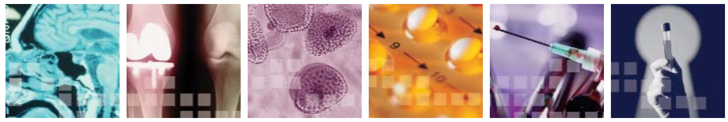
As well as the size of the pharmaceutical market in Canada, global generics companies have also been attracted by other factors including the lack of regulations on generic pricing. However changes such as the new market exclusivity laws will present new challenges in this expanding generics market.

Key findings and highlights

- The Canadian generics sector has recorded steady growth over recent years to become one of the more mature generics markets compared to the other major pharmaceutical markets. However a number of issues impacting the market make it a very different operating environment compared to the neighboring US market.
- Domestic generics manufacturers have historically had an advantage in this market however overseas players have increased there presence through acquisitions over recent years to enable them to benefit from the same advantages.

Reasons to buy

- **Assess** the size of the Canadian generics market relative to the other major markets globally
- **Examine** the growth drivers and resistors that are shaping this significant generics market
- **Benchmark** the key companies operating in the Canadian generics market



Sample pages from the report

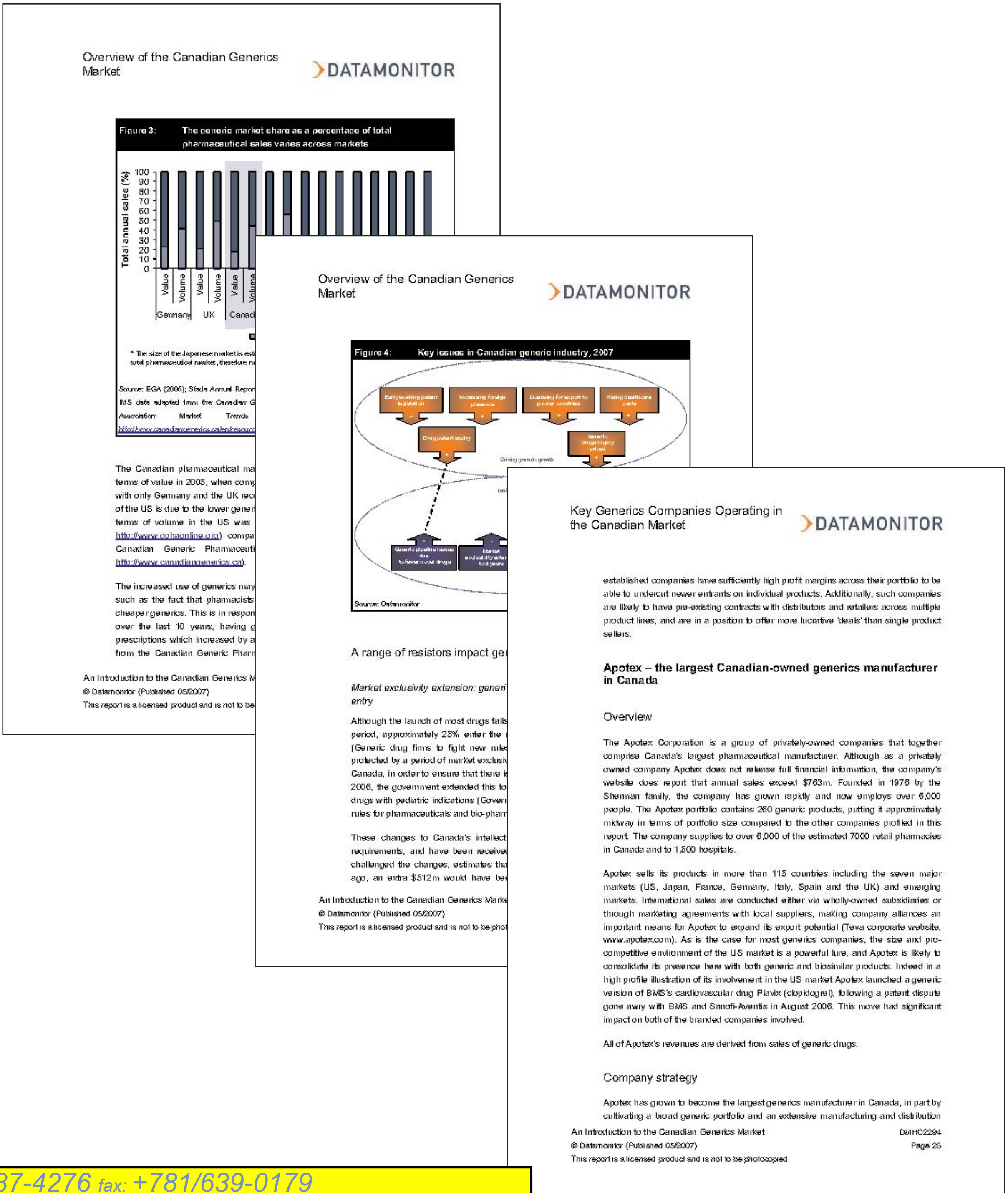

Overview of the Canadian Generics Market
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Figure 3: The generic market share as a percentage of total pharmaceutical sales varies across markets

Overview of the Canadian Generics Market
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Figure 4: Key issues in Canadian generic industry, 2007

Key Generics Companies Operating in the Canadian Market
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established companies have sufficiently high profit margins across their portfolio to be able to undercut newer entrants on individual products. Additionally, such companies are likely to have pre-existing contracts with distributors and retailers across multiple product lines, and are in a position to offer more lucrative 'deals' than single product sellers.

Apotex – the largest Canadian-owned generics manufacturer in Canada

Overview

The Apotex Corporation is a group of privately-owned companies that together comprise Canada's largest pharmaceutical manufacturer. Although as a privately owned company Apotex does not release full financial information, the company's website does report that annual sales exceed $763m. Founded in 1976 by the Sherman family, the company has grown rapidly and now employs over 6,000 people. The Apotex portfolio contains 260 generic products, putting it approximately midway in terms of portfolio size compared to the other companies profiled in this report. The company supplies to over 6,000 of the estimated 7000 retail pharmacies in Canada and to 1,500 hospitals.

Apotex sells its products in more than 115 countries including the seven major markets (US, Japan, France, Germany, Italy, Spain and the UK) and emerging markets. International sales are conducted either via wholly-owned subsidiaries or through marketing agreements with local suppliers, making company alliances an important means for Apotex to expand its export potential (Teva corporate website, www.apotex.com). As is the case for most generics companies, the size and pro-competitive environment of the US market is a powerful lure, and Apotex is likely to consolidate its presence here with both generic and biosimilar products. Indeed in a high profile illustration of its involvement in the US market Apotex launched a generic version of BMS's cardiovascular drug Plavix (clopidogrel), following a patent dispute gone awry with BMS and Sanofi-Aventis in August 2006. This move had significant impact on both of the branded companies involved.

All of Apotex's revenues are derived from sales of generic drugs.

Company strategy

Apotex has grown to become the largest generics manufacturer in Canada, in part by cultivating a broad generic portfolio and an extensive manufacturing and distribution

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tel: 877/437-4276 fax: +781/639-0179
email: epharm@hcpro.com

"...Differences in healthcare environment and cost-containment initiatives between provinces increase the complexity of operating in the Canadian generics market..."

Pam Narang, Report author

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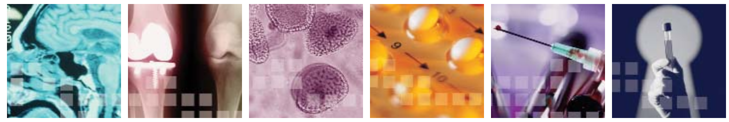
"...Recent consolidation in the Canadian generics sector, including that involving foreign companies, has increased the concentrationof market share among the leading players..."

Pam Narang, Report author



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tel: 877/437-4276 fax: +781/639-0179
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Case study and trend analysis of branded sales and volume erosion of pharmaceutical products in the US, and 5EU markets (France, Germany, Italy, Spain and UK), during the first two years of generic competition.
Published: Apr-07 *Product code: DMHC2290*

Global Generics Guide: Part 2 – Benchmarking country markets and strategic issues
An overview of generics in the seven major markets, with a review of policies and strategies being implemented to promote generic use. Also examines key strategic issues in the market, including M&A, authorized generics, and an update on biosimilars.
Published: Jun-06 *Product code: DMHC2216*

Global Generics Guide: Part 1 – Benchmarking the key players
Provides profiles of the leading companies in the generics industry, with an overview and assessment of the various business model structures, and analysis of the leading companies' performance in 2005 using a number of benchmarking measures.
Published: Apr-06 *Product code: DMHC2169*

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Generic Series: An Introduction to the Canadian Generics Market

Key trends and leading companies shaping the market

The size and steady growth of the Canadian generics market have attracted global generics players to expand their presence here resulting in only a handful of domestic companies remaining.

Changes in market exclusivity present new challenges for generics companies in Canada, but opportunities for growth remain.

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Datamonitor USA
245 Fifth Avenue
4th Floor
New York, NY 10016
USA

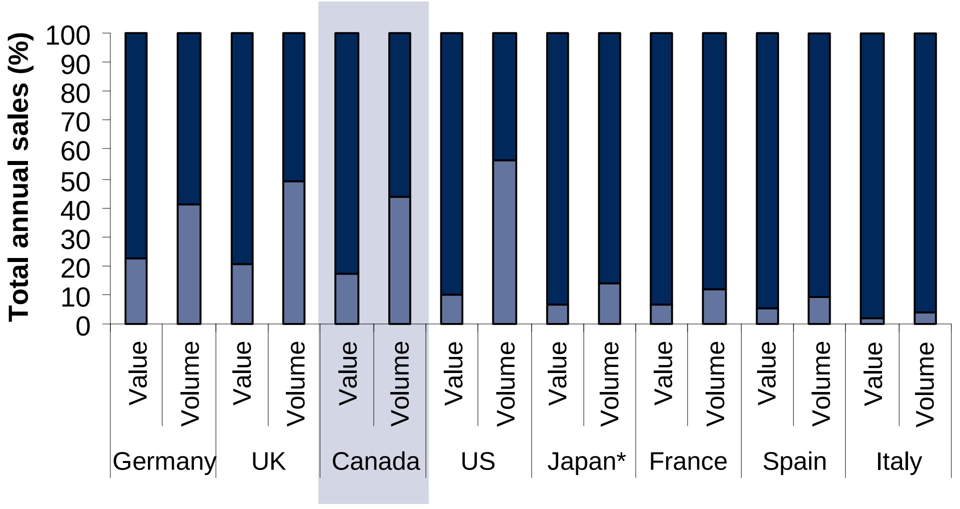
Datamonitor Europe
Charles House
108-110 Finchley Road
London NW3 5JJ
United Kingdom

Datamonitor Germany
Kastor & Pollux
Platz der Einheit 1
60327 Frankfurt
Deutschland

Datamonitor Asia Pacific
Darling Park
Tower 2, Level 21
201 Sussex Street
Sydney NSW 2000
Australia

Datamonitor Japan
Wakamatsu Bldg 7F
3-3-6 Nihonbashi-Honcho
Chuo-ku
Tokyo 103-0023
Japan

Figure 3: The generic market share as a percentage of total pharmaceutical sales varies across markets



* The size of the Japanese market is estimated at 5-8% of the value and 12-16% of the volume of the total pharmaceutical market, therefore median values of 6.5% and 14%, respectively, have been taken

Source: EGA (2005); Stada Annual Report (2005); GPhA (2006); IMS data adapted from the Canadian Generic Pharmaceutical Association Market Trends web page, http://www.canadiangenerics.ca/en/resource/market_trends.shtml

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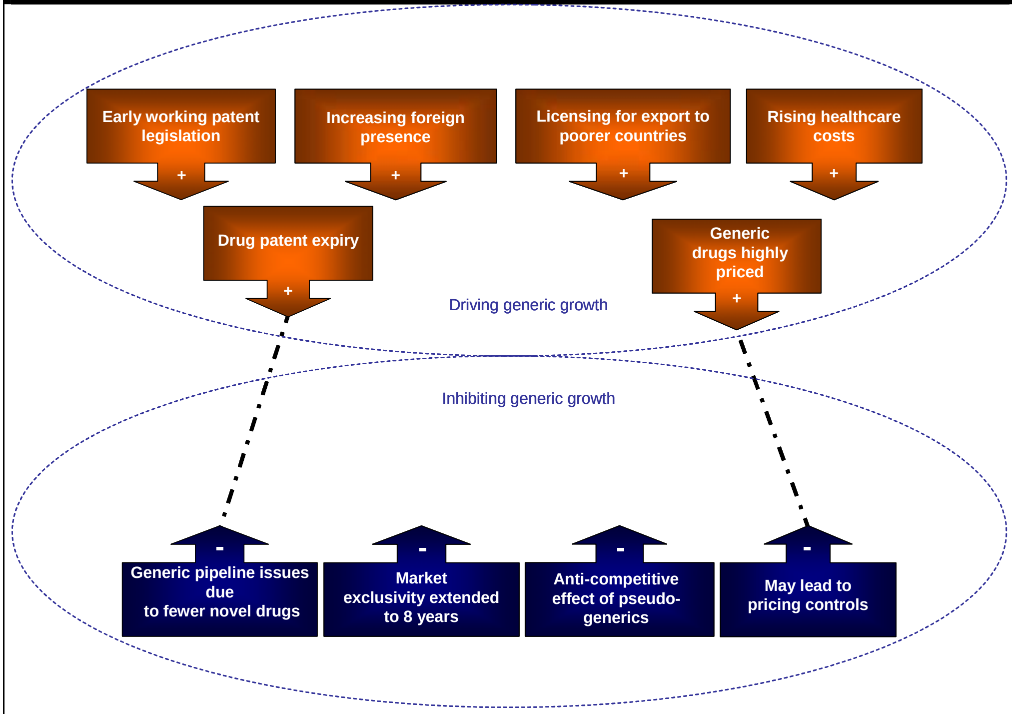
The Canadian pharmaceutical market had the third-highest generic penetration in terms of value in 2005, when compared to the eight largest pharmaceutical markets, with only Germany and the UK recording higher value penetration. Its position ahead of the US is due to the lower generic prices in the US, although generic penetration in terms of volume in the US was higher in 2005 at 56% (GPhA FAQ web page, http://www.gphaonline.org) compared to 43.4% in Canada (IMS data from the Canadian Generic Pharmaceutical Association Market Trends web page, http://www.canadiangenerics.ca).

The increased use of generics may be a consequence of cost-containment measures such as the fact that pharmacists are encouraged to substitute branded drugs for cheaper generics. This is in response to the rising cost of branded drug prescriptions over the last 10 years, having grown by 79% to $54.50, compared to generic prescriptions which increased by a more modest 46%, to $21.40 in 2005 (IMS data from the Canadian Generic Pharmaceutical Association Market Trends web page,

Figure 4: Key issues in Canadian generic industry, 2007



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A range of resistors impact generic market growth

Market exclusivity extension: generics companies must wait longer for generic entry

Although the launch of most drugs falls squarely within the 20-year patent protection period, approximately 25% enter the market after patent expiration, or just before (Generic drug firms to fight new rules, 2006, www.canada.com). Such drugs are protected by a period of market exclusivity, which until recently had been five years in Canada, in order to ensure that there is an incentive to launch. However, in October 2006, the government extended this to eight years, with an additional six months for drugs with pediatric indications (Government of Canada amends intellectual property rules for pharmaceuticals and bio-pharmaceuticals, 2006, www.digital-copyright.ca).

These changes to Canada's intellectual property legislation exceed international requirements, and have been received with mixed feeling. The CGPA, which has challenged the changes, estimates that had the extension been in place five years ago, an extra $512m would have been added to prescription costs, with generic established companies have sufficiently high profit margins across their portfolio to be able to undercut newer entrants on individual products. Additionally, such companies are likely to have pre-existing contracts with distributors and retailers across multiple product lines, and are in a position to offer more lucrative 'deals' than single product sellers.

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