



Yanai bows to Teva investors' pressure

COMMENTARY
• By SHIRI HABIB-VALDHORN

GLOBES

Why did Teva Pharmaceutical Industries Ltd. president and CEO Shlomo Yanai resign, and why now? According to Teva's official version, Yanai wanted to start a new chapter in his life as he reached 60, possibly public or political activity, after a decade at executive positions preceded by a glorious military career.

But there is another version that knowledgeable capital-market sources are relating, and which Teva vehemently denies: Yanai resigned under "market pressure," or at least under pressure from American investors, who own most of Teva's shares. These investors have been displeased by the value Teva created for its shareholders, despite the company's continued revenue and profit growth. For a long time, market rumors have persisted that Yanai was on his way out, but they were strongly denied by Teva spokesmen and executives.

If Teva's share price can be considered as an index of the popularity of its CEO, Yanai would win no awards. In October 2006, the day of the announcement of his appointment to replace Israel Makov as CEO, Teva's share price fell 4 percent, and on Monday, the day Yanai announced his resignation, the share price rose 3% on the TASE.

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In between, Teva's share price rose 21% to reach an all-time high of over \$60 in March 2010, following the acquisition of Germany's Ratiopharm. The share price has subsequently fallen 35%.

Some people interpreted this plunge to a crisis in shareholders' confidence in Teva's executives, headed by Yanai. Teva's investors stopped taking for granted the (optimistic) forecasts given by its executives and worried about rising competition against Copaxone, Teva's flagship treatment for multiple sclerosis.

Copaxone currently accounts for about one-fifth of Teva's revenue, and an estimated one-third to half of its profit. As competition intensifies, both from more convenient oral treatments and from generic versions, and in the absence of another blockbuster drug that would compensate for Teva's dependence on Copaxone, the result was a fall in the share price.

Teva heard the market's whispers and tried to improve communications with its investors. The guidance for 2012 included great detail about the contributions by business sectors and key drugs. At the same time, the company announced a share buyback.

This time, Teva made every effort not to repeat the mistakes that it made at the retirement of its previous CEO, Makov, in 2006. Then, Teva's announcement that Yanai was replacing Makov was perceived as earth-shattering, an unexpected and disorganized event. The result was an overworked rumor mill about disagreement between Makov and then-chairman Eli Hurvitz, now deceased.

On Monday, Teva called a press conference in which both the outgoing and incoming CEOs, and chairman Philip Frost, participated, along with all the directors and top executives. They all stood as one man at the press conference, perhaps in an effort to show unity and support for the change.

As was the case with Yanai, his successor, Dr. Jeremy Levin, was parachuted into Teva from outside. Was it not possible to find a worthy executive to promote to the top job from within Teva's ranks? The answer, based on the result, is no. Levin, a South African-born Jew who resides in the US, will immigrate to Israel. He spoke in Hebrew at Monday's press conference and promised that Teva would remain an Israeli company.

Teva's articles of incorporation stipulate that its administrative headquarters will stay in Israel and that its CEO will live here. But for the first time in company history, neither its chairman nor its CEO are Israeli. Was there not a single Israeli worthy of managing the flagship of Israeli industry?

Zvi Oren elected to head Manufacturers Association

• By YUVAL AZULAI

GLOBES

Amit Local Industry CEO Zvi Oren has been appointed the new Manufacturers Association of Israel president and will replace Shraga Brosh, who is completing seven years in the position. Oren was chosen on Sunday by a majority vote, beating ImageSat International NV chairman David Artzi. In the past, Artzi served as the Export Institute chairman and was considered the leading candidate.

"We are facing a difficult year ahead, during which many laws and decrees will affect the industry, and will make life difficult for us," Oren told *Globes* on Monday. "I consider this a great challenge..."

"We will need to deal with government intentions to lower tariffs and to expose the economy to imported products. Extensive environmental legislation has been carried out, such as laws to protect our country's clean air. These are all good laws, but when they are implemented at inconvenient times for industry, they become threatening."

Industrial renewal is also on Oren's agenda.

"We will incorporate more young people into the industry," he said. "We will make everyone understand that industry is the engine of the Israeli economy, so that they will want to be a part of it. They will help us expand it and make it more efficient, more competitive and more compatible with industry overseas, which will be beneficial in the long term."

European stocks rise to highest since August

SHARES

TEL AVIV
The TA-25 Index rose 0.3 percent to 1,110.42 at the 4:30 p.m. close in Tel Aviv on Tuesday. The measure dropped 18% last year. Investors traded about NIS 1.2 billion of shares and convertible securities.

Africa-Israel Investments, the holding company of billionaire Lev Leviev, advanced 3.1% after saying on Sunday it would buy back bonds for as much as NIS 1b. during 2012.

Can Fite Biopharma rose 6.7% after it said a phase I/II clinical trial of its CF102 drug for liver cancer had been successful.

Delek Real Estate gained 6.4% after its Series Dalet bondholders held a meeting in Tel Aviv on Tuesday to discuss a debt restructuring.

Elbit Medical Technologies surged 11%

after one of its units completed a Phase 1 clinical trial of its ExAblate 4000 system for the treatment of essential tremor showed a significant improvement in patients.

WALL STREET
Stocks climbed, sending the Standard & Poor's 500 Index to a two-month high, amid signs that manufacturing output is increasing from China to Australia and America.

The S&P 500 rose 1.6% to 1,277.87 as of 1:49 p.m. in New York. The Dow Jones Industrial Average jumped 195.04 points, or 1.6%, to 12,412.60.

EUROPE
Stocks rose for a fourth day, pushing the Stoxx Europe 600 Index to its highest level in five months, as a report showed that manufacturing in the US expanded in

December at the fastest pace in six months.

National benchmark indexes advanced in every Western Europe market except Greece. The UK's FTSE 100 Index climbed 2.3% to 5,699.91, Germany's DAX Index added 1.5% and France's CAC 40 Index gained 0.7%.

ASIA
Stocks rose as manufacturing growth from Australia, China and India added to optimism the region's economies will withstand Europe's sovereign-debt crisis.

Australia's S&P/ASX 200 Index rose 1.1%, Hong Kong's Hang Seng Index advanced 2.4%, India's Sensitive Index gained 2.7% and Singapore's Straits Times Index added 1.6%.

Markets in China, Japan, Thailand and New Zealand were closed for a holiday. (Bloomberg)

Israeli companies target China

• By NADAV SHEMER

By the end of this year, Israeli companies could be preparing to manufacture medical devices and electronic equipment for the Chinese market on a mass scale, and those products would be stamped "made in China."

That is the vision laid out by Stone Shi, director of the Wujin Economic Zone (WEZ) in the eastern province of Jiangsu, who met with *The Jerusalem Post* at a Manufacturers Association of Israel conference in Tel Aviv on Monday.

It was only last July that Israeli companies PTL Group and Elan Industries founded an industrial incubator in Wujin to cater to Israeli hi-tech firms looking to get a foot in the door in China. The Changzhou Industrial Incubation Initiative, a 13,000-square-meter area named for the city of 4.4 million people in which the Wujin Economic Zone is located, is already home to three Israeli firms, and agreements have been signed with another four.

But now the next two phases of WEZ's Israel project are already being planned: a 48,000-sq.-m. factory zone for mass production scheduled to open in the middle of this year, and an additional zone further down the track to house companies including Jerusalem's Kramer Electronics, which already have a China presence. The WEZ is also planning to build facilities for the growing Israeli population, including synagogues.

Shi said this was the right time for Israeli hi-tech companies to enter China, as economic worries in the United States and Europe threaten the flow of private investment to Israel, and as China's domestic market finds itself increasingly unable to keep up with the demands of its approximately 1.3 billion consumers.

"Now is the time for China to find more knowledge-intensive industries for our country," and this is an area for which Israel is famous, Shi said.

Chinese technology was still dominat-



STONE SHI (second from left), director of the Wujin Economic Zone, is flanked by (from left) Eric Zhao, deputy director of the WEZ's Investment Promotion Bureau; PTL Group CEO Zvi Shalgo, chairman of the Israel Trade Office in Shanghai; Dan Catarivas, director of the Manufacturers Association of Israel's Foreign Trade Division; and Israeli Consul to Shanghai Jackie Eldan at a business conference in Tel Aviv on Monday. (Courtesy)

ed by labor-intensive industries that produce low-end products, he added.

There are six million new university graduates in China every year, Shi said, and employing a university graduate in China would cost Israeli firms roughly the same as it would to employ a construction worker.

An added motivation for attracting Israeli companies to the region would be that local industry could learn from their example, he said.

In particular, Shi praised the incubator model, in which innovative ideas considered too risky for private investment are nurtured into viable start-ups capa-

ble of raising money from the private sector and operating on their own. Chinese companies still rely largely on government support, he said, and in the government sector "we spend money, but we don't ensure follow-up."

Large Israeli manufacturers that do not open a production plant in China are only hurting themselves, Israeli Consul to Shanghai Jackie Eldan said at the conference.

"There are 300 million people in Chinese cities today and another 300 million people about to move there," he said. "This vacuum will not stay open forever, but whoever enters the market

now will stake a permanent place for themselves there."

Israel is fortunate to already enjoy a good reputation among Chinese policy makers, Eldan said, adding that the last three Jiangsu Communist Party secretaries had all visited Israel and that the current secretary had instructed the Changzhou mayor to expand relations with Israel.

But there is still much work to be done to build the presence of Israeli companies there, he said, because "at the end of the day, [the Chinese] need to balance their own political interests."

Teva's new CEO may boost brand drugs as threat to top-seller Copaxone looms

• By NAOMI KRESGE

After helping Bristol-Myers Squibb Co. find new drugs to help offset the expected loss of revenue from its top-selling blood thinner Plavix, Teva Pharmaceutical Industries Ltd.'s chief executive officer-designate Jeremy Levin faces the same task at the Israeli drugmaker.

Levin, 58, will replace retiring Teva CEO Shlomo Yanai, 59, in May, the Petah Tikva-based company said Monday. Teva, the world's biggest maker of generic drugs, needs new sources of sales as its No. 1 drug, a branded multiple sclerosis medicine called Copaxone, faces competition from newer treatments.

Yanai is stepping down after Teva's shares last year plunged the most since 2006. A former IDF general with no previous pharmaceutical experience, he sought to broaden Teva's portfolio of innovative medicines with the \$6.5 billion acquisition of US biotechnology company Cephalon Inc. last year. Then he told investors in December that Teva might not meet its long-term target of \$31b. in sales by 2015.

"He's the perfect guy for this," Ori Hershkovitz, a Tel Aviv-based partner at Sphera Funds Management Ltd., said of Levin in a phone interview on Monday.

"If Jeremy can do one or two good product selections as he has done in the past for Bristol-Myers, that will be very, very good for Teva."

Sphera owns Teva shares.

Teva's American depositary receipts rose 4.2 percent to \$42.07 at 9:45 a.m. in New York on Tuesday. The ADRs gained as much as 5.7%, the biggest intraday advance since August 9. The receipts lost 21% in 2011 including reinvested dividends, compared with an 11% return for the Bloomberg EMEA Pharmaceuticals Index.

Levin, a Cambridge University-educated physician who worked at New York-based Bristol-Myers as senior vice president for strategy, will take a "deep dive" into Teva's sites, products and drug pipeline, he said Tuesday on a conference call with analysts.

"There are some parallels between Bristol-Myers from a few years ago and Teva," Les Funtleyder, a New York-based portfolio manager for Miller Tabak & Co., said Monday in an e-mail. "BMY had to come up with a new strategy to deal with slow sales and looming patents."

At Bristol-Myers, Levin helped oversee the so-called "string of pearls" policy of partnerships and smaller acquisitions to replace revenue that will be lost when Plavix, a blood thinner, faces generic

competition in the US this year.

Analysts predict the drug had \$7.2b. of sales in 2011, based on the average of three estimates compiled by Bloomberg.

Fruits of the policy include Yervoy, a skin-cancer drug gained in the 2009 acquisition of Medarex Inc., Hershkovitz said. The strategy has generated 17 acquisitions and agreements with smaller companies so far.

Levin also handed off drugs Bristol-Myers did not plan to develop itself to partner companies in emerging markets, in what he described as an "oyster plan" to build its partners into potential acquisition targets.

"The oysters are being seeded to help create innovation," Levin said in an interview last month, comparing the Bristol-Myers strategy to the process used to create pearls. "What you're hoping is that they'll create an engine of innovation, and then we can do a transaction. Over the years to come, we'll position ourselves as partners of choice."

Teva announced December 21 it would buy back as much as \$3b. of its shares to return money to investors. The \$31b. sales goal for 2015 is "aspirational," Yanai said then.

Analysts suggested the share buyback might herald a pullback from a streak of

acquisitions that in recent years included Germany's Ratiopharm GmbH and Barr Pharmaceuticals Inc. of the US. Teva said last month sales of Copaxone probably would peak this year at \$3.8b. The injected MS drug accounted for 24% of Teva's \$4.34b. in third-quarter sales.

Copaxone contributes as much as 40% of Teva's earnings, Alper said by phone. "The company will need to do something dramatic relatively quickly."

The medicine is already facing competition from Novartis AG's Gilenya, the first oral drug for MS. Biogen Idec Inc. reported that its own experimental MS pill, BG-12, is safe and reduces the risk of relapses in a late-stage trial in October.

BG-12 may generate as much as \$3b. in annual sales, according to analysts with RBC Capital Markets in San Francisco.

Meanwhile, Teva's own experimental MS pill, laquinimod, disappointed in two trials last year.

The South African-born Levin was global head of business development and strategic alliances at Novartis from 2003 to 2007. He has worked as a practicing physician and has a medical degree from Cambridge and a doctorate from Oxford University in molecular biology. Levin is a citizen of both the US and the UK. (Bloomberg)