

DEMAND FOR PHARMA-RELATED ADVICE SOARING AS SECTOR INVESTMENT TOPS €1.4BN

Posted on 15/11/2018



Category: [Archive](#)



Pharmaceutical and biotech companies are refocusing their business models in order to specialise in niche areas, with investments and divestments made according to assets' 'strategic value'

Spanish law firms are benefitting from a boom in investment in the country's pharmaceuticals and healthcare sectors, as investors eye the potential profits in a sector that is heavily backed by Spain's public healthcare system. Figures from Spain's Ministry of Economy and Competitiveness show that foreign direct investment (FDI) in the nation's pharmaceuticals, medical, healthcare and biotechnology sectors increased five-fold to €1.4 billion in 2017, up from €279 million the previous year.

One of the key attractions of these industries for investors is the fact that they offer a steady return on their investment, says Jorge Robles, partner at Cuatrecasas. "The main appeal of the pharmaceutical, medical, healthcare and biotechnology sectors is that they offer stable profitability for investors," Robles comments. He adds that this is due to two key factors: "On the one hand, the cost of products and treatments is supported by the public healthcare system and on the other, technological innovations and breakthroughs have the potential to completely change the market,

thus allowing investors to obtain even higher profits.”

Pricing is complex

However, while the strong links between these industries and the public healthcare system are beneficial in many respects, they also pose challenges for investors. “Regulatory requirements are complex and not easy to become familiar with,” says Francisco Aránega, partner at boutique pharmaceutical firm Faus & Moliner Abogados. “In the last few years we have witnessed changes to the system regulating the public funding of medicines, and pricing is also a complex issue as it is based on value, and establishing mechanisms to assess the value of the products they provide is a challenge for the life sciences sector.”

Robles says regulatory issues are the most significant challenge facing the industry. “Changes in the current regulation of the public healthcare system, as well as the sustainability of the system in its current form are the biggest challenges to face the sector,” he remarks. However, in spite of these difficulties, Aránega believes that the growth in pharmaceuticals-related legal work will continue in the coming years, as the sector adapts to this changing environment. “Many companies still need to consolidate their restructuring processes, and adjust to the change in paradigm – the re-configuration of the sector will continue for a few more years,” he says.

Spain: A world leader

The structural changes in the pharmaceutical sector are driving an increase in demand for legal advice. Aránega points out that many pharmaceutical and biotech companies are refocusing their business models in order to specialise in niche areas. “A global trend, which has been evident in Spain too, is the reorganisation of the pharmaceutical sector, with labs that had a multidisciplinary portfolio choosing to specialise in certain areas or very specific therapies,” he remarks. “This means that companies and funds actively search for deals and the market is highly dynamic, with investments and divestments of areas according to their strategic value.” In one example of this trend, Deloitte recently advised Spanish pharmaceutical group Ferrer on the €100 million sale of German medicine and food supplement manufacturer Trommsdorff to Dermapharm. Meanwhile, in February this year, Garrigues advised Qiagen on the €118 million acquisition of STAT-Dx, a Spanish healthcare company that develops diagnostics for analysing diseases and infections.

One partner at a Barcelona-based law firm says that Spain's robust healthcare system and research capabilities are other factors that are helping to attracting international investors to the life sciences sector. “The quality of our healthcare system and the know-how of our scientific community have allowed Spain to become a world leader in clinical trials, which are frequently conducted in public hospitals,” he says. Investment in research and development in the pharmaceutical industry is also very substantial, he says. “The biotech sector has grown exponentially, as it offers very attractive valuations, which are highly competitive compared with other countries.”