- Paladin Labs becomes Litha's largest shareholder and international strategic partner

The Associated Press

(http://www.paladin-labs.com)

Paladin Labs Inc. (TSX: PLB) ("Paladin") today announced that it has entered into a strategic partnership whereby Paladin will accelerate its buy-out of the remaining 55.01% of Pharmaplan (Pty) Limited ("Pharmaplan") and merge the Pharmaplan business with the pharma division of Litha Healthcare Group Limited. (JSE: LHG) ("Litha") ("the transaction").

This represents the most significant strategic corporate expansion initiative to date for Paladin and is a decisive move to build critical mass and competitive differentiation in the South African pharmaceutical market which is currently valued at over $3.3 billion (25.3 billion South African Rand ("ZAR")), an increase of 10% over 2010(1).

"This strategic partnership with Litha creates a stronger and more diversified commercial platform from which to extend our footprint in Sub-Saharan Africa," said Mark Beaudet, interim President and Chief Executive Officer of Paladin Labs Inc. "The combination creates a locally empowered business with the commercial breadth to be a leader in the rapidly growing African healthcare markets of interest to us. Our combined focus on business development, sales and marketing and broad healthcare interests via pharmaceuticals, vaccines and medical

devices will make us a formidable competitor for the long run on the African continent."

Litha currently operates within the pharmaceutical, vaccine and medical device markets and the enlarged company will now possess enhanced commercial capability, portfolio breadth and local empowerment. The merged group will look to solidify its business model in South Africa, as well as to further expand its African footprint in the sub-Saharan African healthcare market.

The strategic partnership between Paladin and Litha will build scale and open up further direct international licensing opportunities for the Litha Pharma Division, increasing deal flow and product acquisition opportunities. Moreover, with the combination of Pharmaplan, the Litha Pharma Division will become the Litha Healthcare Group's second largest division by revenue and most profitable by earnings.

"Pharmaplan is one of the fastest growing specialist pharmaceutical companies in South Africa, with an enviable market position in the private specialist and niche generics markets. The merging of our pharma division with Pharmaplan will not only boost our current product portfolio revenues, but also broaden our access to international pipelines and improve our current platform for expansion into new markets including biotech, oncology and aesthetic medicine." said Selwyn Kahanovitz, Chief Executive Officer of Litha Healthcare Group Limited.

Under the terms of the transaction, Paladin will acquire the 55.01% of Pharmaplan which it does not currently own. Litha will then acquire 100% of the share capital of Pharmaplan from Paladin in exchange for cash and the issuance of 169,090,909 shares in Litha at ZAR2.75 per share. Paladin has also agreed to acquire an additional 72,989,078 shares of Litha from the Blackstar Group at ZAR2.75 per share. Paladin will deploy an anticipated $48 million in cash and issue 88,948 shares at $44.97 per share to complete the combined transactions. As a result Paladin will own 44.52% of Litha, making it Litha's single largest shareholder upon closing.

Dr. Gert Hoogland, founder and CEO of Pharmaplan will head up the Litha Pharma Division, reporting to the Litha Healthcare Group CEO Selwyn Kahanovitz. In order to leverage strategic synergies and intra-company collaboration, Litha has also asked Dr. Hoogland together with Paladin's interim President and CEO, Mark Beaudet, and its VP of Business and Corporate Development, Mark Nawacki, to join Litha's Board of Directors effective the closing date.

The transaction is expected to be accretive to Paladin's EBITDA(2) immediately upon closing. For perspective, had the transaction taken place effective January 1, 2011, Paladin would have reported at least an additional $25 million dollars in EBITDA for 2011. The transaction is subject to certain regulatory approvals including South African competition review and approval by shareholders of Litha and is expected to close on July 2, 2012.

Conference Call Notice

Paladin will also host a conference call to discuss this announcement on Tuesday February 21, 2012 at 9:00 a.m. EST. The dial-in number for the conference call is 1-888-225-7937 or (416) 981-9070. The call will be audio-cast live and archived for 15 days at www.paladinlabs.com(http://www.paladinlabs.com).

About Paladin Labs Inc.

Paladin Labs Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and world markets. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. Paladin's shares trade on the Toronto Stock Exchange under the symbol PLB. For more information about Paladin, please visit the Company's web site at www.paladinlabs.com(http://www.paladinlabs.com).

About Pharmaplan (Pty) Ltd

Pharmaplan is a fast growing pharmaceutical company which represents small to medium sized international Principals in South Africa and other selected sub-Saharan territories. The company offers a full service of registering, importing, promoting and distributing the products of its Principals exclusively to all wholesalers, hospitals and clinics in South Africa and selected neighbouring countries. The Company employs 75 people, and according to IMS data(1), is ranked the 8th top generic company in South Africa.

Pharmaplan has been a registered importer and distributor of niche speciality/biotechnology medicines since 1996 and sells products from the US, Europe, India and New Zealand. Pharmaplan markets products in a range of therapeutic areas which include oncology, dermatology, nephrology, paediatrics, gynaecology, surgery, radiology, neurology, cardiology and psychiatry.

Pharmaplan has a solid market base in the originator, specialist prescription medicine market and does not directly compete with 'commodity' generics.

For more company information please go to:

www.pharmaplan.co.za(http://www.pharmaplan.co.za)

About Litha Healthcare Group Limited

Litha Healthcare Group Limited is a JSE-listed integrated healthcare company with a varied product offering in: biotechnology/vaccines, pharmaceuticals, medical devices and cold chain logistics. The group holds 46 international agencies and has extensive contracts in both the public and private healthcare sector. LHG has seen its share price rise from 45c in March 2009 to its current price of 288c. Litha Healthcare Group also has a significant stake in The Biovac Institute which is a Public Private Partnership (PPP) between the SA Government and The Biovac Consortium to produce vaccines in South Africa and is currently the sole supplier of vaccines to the public healthcare department under the Extended Programme of Immunisation (EPI).

Litha Pharma is a Division of Litha Healthcare Group Limited and comprises two business units: Branded/detailing doctor business unit -

Pharmafrica (Pty) Ltd and a Generic/pharmacy/dispensing doctor business unit - Goldex Healthcare (Pty) Ltd and recently acquired OTC Pharma SA (Pty) Ltd. The current product portfolio comprises 117 product line items with 34 of them owned by Litha. The extended product portfolio includes cold and flu preparations, NSAIDS/analgesics, cardiovascular agents, anti-histamines, ophthalmic agents, anti-microbials, anti-psychotics, anti-depressants, nutritional supplements, homeopathic remedies, skin and anti-ageing creams. All media releases and other company information is available at: www.lithahealthcare.co.za(http://www.lithahealthcare.co.za)

Forward-Looking Statements Related to Paladin

This press release may contain forward-looking statements and predictions. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions that these assumptions regarding the future events, many of which are beyond the control of the Company and its subsidiaries, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations, are discussed in the annual report as well as in the Company's Annual Information Form for the year ended December 31, 2010. The Company disclaims any intention

or obligation to update or revise any forward-looking statements whether as a result of new information or future events and except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly fillings, annual report and Annual Information Form and other fillings found on SEDAR at www.sedar.com(http://www.sedar.com).

(1) IMS Health MAT Dec 2011

(2) EBITDA - Non-IFRS Financial Measures

The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other companies. The Company defines EBITDA as earnings before interest expense, other finance (income) expense, taxes, amortization, foreign exchange gains (losses), share of net income in an associate and unusual items; such as write-downs and gains (losses) on intellectual property and investments. EBITDA is calculated and presented consistently from period to period and agrees, on a consolidated basis, with the amount disclosed as "Earnings before under-noted items" on the consolidated statements of income. The Company believes EBITDA to be an important measurement that allows it to assess the operating performance of its ongoing business on a consistent basis without the impact of amortization expenses. The Company excludes amortization expenses because their level depends substantially on non-operating factors

such as the historical cost of intangible assets. The Company's method

for calculating EBITDA may differ from that used by other issuers and,

accordingly, this measure may not be comparable to EBITDA used by

other issuers.

Source URL (retrieved on *11/21/2014 - 7:24pm*):
http://www.mdtmag.com/news/2012/02/paladin-labs-becomes-lithas-largest-shareholder-and-international-strategic-partner