



Teva Pharmaceutical Industries, Ltd., DVD



Business

Why are we interested in Teva Pharmaceutical Industries?

- Acquisition of major competitors
- Order developing capability
- Unleveraged company assets

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FX Hedging Activities

FX Hedging Activities

Company Overview

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Company Weaknesses

- High debt
- Dependence on generic drugs
- Overvalued stock price

Steps to improve:

- Acquisition of assets
- Acquisition of emerging market growth
- Increase product growth

Key Drivers

- The company's success is dependent on its ability to grow its market share
- Increase market share

No Questions!?

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Operational and Financial Performance

Operational and Financial Performance

Crises

2007-2008 Financial Crisis

2011-2012 Sovereign Debt Crisis

- High prices paid for similar impact in the pharmaceutical industry
- Overall industry was impacted
- Recovery called for governments to pick up overvalued assets

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Teva Pharmaceutical Industries, Ltd., DVD

Company Overview

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- International organization for pharmaceuticals
- Established in 1901 in Jerusalem
- Number one in the world in generic drugs



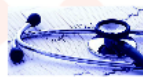
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Industry Overview

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Health Sector

- "glocalization"
- Trends:
 - Cost
 - Adaptation to Market forces
 - Transformation and Innovation
 - Regulation and Compliance



Pharmaceutical Sector

- Worth ~ US\$300 billion a year
- Generates a large amount of spending

Competitors

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Sandoz

- 2nd largest generic drug manufacturer
- medicines available in 90% of world
- 140 different countries
- 30 manufacturing sites
- US \$9.5 billion revenue (2014)



Actavis

- 3rd largest generic drug manufacturer
- 30 manufacturing facilities
- strategy to compete globally in biosimilars

SWOT Analysis

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Strengths

- #1 in generics
- widest molecule portfolio
- affordable product

Weaknesses

- 48% of revenue from outside of the United States

Opportunities

- growth of global health care spending
- generic drug market expansion

Threats

- new competitors entering the market
- lower prices than Teva

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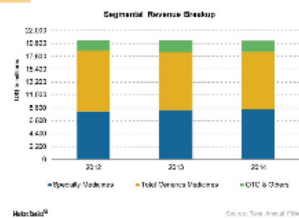
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3 Business Segments:

- Generic, 46%
- Specialty, 45%
- Over-the-Counter, 9%



Diversified Globally

- In 2014, Teva launched 22 generic products in the United States, 209 in Europe and 87 in the rest of the world.
- United States remains the largest market for Teva.
 - United States accounted for 57%,
 - Europe 25%
 - Rest of the world 18%, primarily Japan, Canada and Russia



FX Hedging Activities

Hedging Activities

- Teva operates its business substantially outside of the home region; thus, revenue and profit are exposed to the foreign exchange risk
- Majority of sales and operating costs recorded in U.S. dollar
 - 59% operating costs and 43% revenues reported in other currencies

Ex. Israeli shekel (NIS), the euro (EUR), the Swiss franc (CHF), the Canadian dollar (CAD), the Japanese (YEN), the British pound (GBP), the Hungarian forint (HUF), the Russian ruble (RUB), the Croatian kuna (HRK), the Czech koruna (CZK), other European currencies and Latin American currencies such as the Brazilian real (BRL) and the Mexican peso (MXN)

Major Foreign Exchange Risks

1. Balance Sheet Exposure

- refers to the change in value of foreign currency denominated assets due to the change in exchange rates
- \$1736 million in liability and assets exposed
- Teva minimizes the balance sheet exposure through natural hedging by matching the level of assets and liabilities in any given currency.



Cash Flow Exposure

- Teva's total revenues accounted for \$20.3 billion in 2014.
 - 55% of revenues were in U.S. dollars,
 - 39% in Euros
 - remaining revenues fell into other currencies

When natural hedge is not sufficient, Teva may choose to use alternative hedging techniques

- Ex. forward and option hedging to minimize the impact of the currency fluctuations on the operating results



Currency	Unit	Forward Rate	Option Premium	Option Strike	Option Expiry	Option Type
USD	1.00	1.00	0.00	0.00	0.00	Call
EUR	0.75	0.75	0.05	0.75	0.75	Call
GBP	0.60	0.60	0.05	0.60	0.60	Call
JPY	100.00	100.00	0.05	100.00	100.00	Call

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