

WuXi PharmaTech, Drug Researcher, Plans \$171.5 Million U.S. IPO

By Bei Hu

July 25 (Bloomberg) -- WuXi PharmaTech (Cayman) Inc., China's largest drug research contractor, plans to raise an estimated \$171.5 million in a U.S. initial public offering, according to a regulatory filing last night.

The company, investors and family trusts may sell close to 13.2 million American depositary receipts at \$11 to \$13 apiece, said a document on the U.S. Securities and Exchange Commission's Web site. A 20.8 percent stake in the Shanghai-based company will be sold, with each ADR quoted on the New York Stock Exchange to be equal to eight shares.

WuXi PharmaTech seeks to benefit from growing demand among global drugmakers for outsourcing research and development to cut costs and expedite drug development. U.S. drug companies may outsource 41 percent of research and development in 2009, worth about \$24 billion, according to medical research publisher Kalorama Information.

Outsourcing accounted for 33 percent of U.S. drugmakers' research and development spending, or \$13 billion, in 2005, compared with 10 percent in 1997, Kalorama said in a report last year. Asia's lower costs have enabled it to win some of those contracts, market researcher Frost & Sullivan said in a document provided to Bloomberg.

WuXi PharmaTech is selling 10 million of the ADRs itself to build a new drug safety evaluation center, to finance potential acquisitions and to expand a plant that produces a new drug being tested by Vertex Pharmaceutical Inc. in human clinical trials. It employs more than 1,340 scientists and technicians.

Credit Suisse Group and JPMorgan Chase & Co. are arranging WuXi PharmaTech's share sale.

Biggest Clients

WuXi PharmaTech's largest clients are Pfizer Inc., the world's largest drugmaker, and New Jersey-based Merck & Co. They accounted for 29.1 percent of its net revenue last year, which more than doubled to \$69.9 million. The company's loss widened last year to \$35.1 million from \$0.1 million on dividend costs to preferred shareholders, the filing said.

Fidelity Asia Ventures and General Atlantic LLC, a Greenwich, Connecticut-based private equity firm, have invested in WuXi PharmaTech. They won't sell shares in the IPO and will see their combined stake fall to 24.9 percent after the public share sale from 29.7 percent, the document said.

Venture capital firms controlled by Singapore's United Overseas Bank Ltd. will sell ADRs equivalent to 3.3 million shares, reducing their stake to 12.7 percent from 15.9 percent, the document said.

The initial public offering may be expanded by 15 percent to meet demand and stabilize the share price, bringing the total fundraising to \$197 million.