

# THE HEAL THING

An outbreak of new treatments  
a prescription for growth in 10  
health sectors. **Report: Agnes King**

The \$200 billion health sector is made up of a bewildering variety of specialisations and technologies, many evolving at great speed. They offer opportunities for investors and new entrants, albeit often at some cost and risk. The numbers can be compelling. Flu vaccines are expected to see compound growth of 10 per cent by 2016. A quarter of Australia's population will be aged over 65 by mid-century, requiring a rise in retirement accommodation. Day surgeries are a rapidly growing sub-category of the hospital sector, drawing wealthy private backers as well as corporate investors. Other sectors are growing in parallel with the recession. Non-surgical cosmetic treatments are coming in place of costly cosmetic surgery. RW looks at 10 sub-sectors of the health business and the opportunities they offer.

## Vaccines

At GlaxoSmithKline Biologicals, one of the world's largest vaccine manufacturers with a market share of about 20 per cent, were up 5 per cent last year as global vaccine sales totalled £10 billion (\$15.5 billion). It says its vaccine business will drive 40 per cent of new growth over the next few years. By 2015, it will account for almost 20 per cent of turnover. The growth in vaccines has delivered a windfall for locally listed drug companies too. CSL launched its flu vaccine in the United States last year, having secured US Food and Drug Administration approval. It has since upgraded its production facility in Melbourne to keep up with demand. The recession has failed to dent CSL's profits, and for flu vaccines will rise from a 10 per cent annual growth rate of 4.4 per cent in 2006 to 10.3 per cent in 2016, international consulting firm Oliver Wyman says.

## Complementary medicines

The annual retail market for vitamin, herbal and mineral supplements in Australia is estimated to be more than \$1 billion and is growing at 10 per cent a year, Aztec scan data shows.

**Windfall: CSL researchers at work in Melbourne**



"The industry is not yet mature," Blackmores chairman Marcus Blackmore says. "There is a plethora of ideas for growth and innovation."

Consumers are taking a more pro-active attitude towards health care, particularly through complementary and preventative treatments.

Add to this product innovation, such as new ranges of vitamins for children, and better distribution through large pharmacy groups such as My Chemist and Priceline.

Demand for complementary medicines appears to defy economic conditions. While most companies are downgrading profits, Blackmores has reconfirmed guidance of \$19 million net profit after tax for 2008-09.

In the United States, projected growth in sales of vitamin, herbal and mineral supplements for 2010 has not been downgraded from 5-6 per cent, the same level as this year.

"This is consistent with the suggestion that health is not considered a discretionary-spend category," Blackmore says.

## Skin

There is growing interest in the administration of drugs through the skin, often referred to as medical dermatology products.

Australian companies such as Peplin, which is working on a treatment for pre-cancerous sunspots, and Acrux, which has conducted

preliminary trials of a contraceptive skin spray and is looking for a global marketing partner for its testosterone-deficiency lotion for men, are yet to hit their stride.

If and when they do, the market potential looks impressive.

Global sales in testosterone therapy increased by 20 per cent to about \$900 million in the 12 months to March last year, with testosterone gels comprising \$600 million. The global contraceptive market, valued at \$US7.2 billion in 2007, is expected to almost double in three years.

Acrux listed at \$1 a share in 2004, reached a high of \$1.70 before the market crashed, went as low as 40¢ but has risen steadily to 68¢ in the past few months.

When Acrux shares neared their low point in January, health-care sector investment fund IB Australia Bioscience Fund bought 7 million shares.

"They're obviously sitting on a significant profit already," Acrux chief financial officer Jon Pilcher says. The company hopes to turn a profit next year.

## Cosmetic enhancement

Demand for non-surgical cosmetic enhancement such as Botox, collagen injections and laser treatments has paralleled the recession, cosmetic plastic surgeon Dr Kourosh Tavakoli says.

Demand for non-surgical procedures has increased by up to 100 per cent at his Sydney practice in the past two years.

"People see it as more cost-effective to spend \$1000 on Botox than \$20,000 on a facelift," Tavakoli says.

The Australian cosmetic surgery market is starting to consolidate. Listed eye-care provider Vision Group approached a number of private practices with a view to acquiring them last year.

"We are looking at bringing in aligned specialities," chief executive Craig Stamp says.

The other beneficiary of growth in cosmetic surgery are Botox drug manufacturers such as Allergan.

Listed on the New York Stock Exchange, Allergan shares have slipped from a high of \$US68 in December 2007 to \$US48.