

Big Pharma Performance Before, During and Beyond the Global Recession

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Abstracts

Introduction

This report assesses the performance of the leading 15 pharmaceutical companies up to, during and beyond the recent global recession. It places the pharma sector in the context of other major industry sectors and analyzes the internal dynamics behind pharmaceutical companies' performance.

Scope

- *Cross-sector sales analysis before, during and beyond the global recession
- *Assessment of high- and low-growth sectors of the prescription pharmaceuticals market
- *Discussion of pharma's possible responses to slowing pharma sales growth rates
- *Ranking of the top 15 pharma companies over 2005 to 2014

Highlights

The pharma landscape is being reshaped by expiries. This trend has already begun with expiries wiping -3.7 percentage points off the sector's 2005-08 sales growth rate, turning pharma into one of the slower-growing industry sectors.

The recession has provided some respite for pharma, giving it a stock market boost as it lived up to its defensive reputation and stood as the only sector to achieve positive

sales growth. Nevertheless, this only masked the continual expiry-driven decline of pharma sales growth rates.

Between 2009 and 2014, the expiry burden will reach a tipping point, sending year-on-year pharma sales growth rates negative in 2012 and 2013. If pharma is to avoid a continuation of the 200508 stock market revaluation of its worth, it must take action.

Reasons to Purchase

- *Assess pharma's sales and stock market performance in relation to other major industry sectors

- *Evaluate the strategic shifts within the prescription pharmaceutical market and identify the high- and low-growth sectors of the industry

- *Quantify the historical and forecast impact of generics on pharma's sales growth rate

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Key findings

Insulated from the wider economy, pharma recorded the highest growth of any sector during the recession, but this masked the continuing decline of sales growth rates as expiries take their toll

Expiries will shape pharma's corporate landscape...

...as the division between high- and low-growth molecule type/therapy area sectors widens

Pharma must reposition, diversify and cut costs to maintain stock market performance...

Reposition: licensing, restructuring and acquisitions improve biologics, vaccines and rest of world presence

Diversify: acquisitions build presence in other sectors

Cut costs: restructuring and using acquisitions to achieve economies of scale

...or ready itself to a return to the historic trend of market underperformance

Company rankings, 2005-08, Q208-Q209, 2009-14 and post-M&A 2009-14

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Pharma's growth rate has fallen from double-digit figures to below the cross-sector average

Leading up to the recession, pharma has underperformed the S&P 500

Expiries have already begun to take their toll on pharma

In an expiry-less world, pharma's 2005-08 sales CAGR would have stood at 10.2%

Pharma analysis

The uneven burden of expiries determines company-by-company performances

Combining molecule type with therapy area identifies high- and slowing-growth areas of the industry...

...and goes some way to explaining different company performances

Exchange rates have helped dollar-reporting pharma companies' performance

Acquisitions have driven some companies' sales growth

Adjusting for exchange rate fluctuations and M&A alters the pharma landscape

Company rankings

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Pharma was the only sector to record positive sales growth during the worst of the recession

Correspondingly, it has outperformed the wider stock market...

However, within pharma's bubble, the narrative of expiries eroding year-on-year sales growth rates continues

...in an expiry-less world, its performance relative to other sectors would have been even more impressive

Pharma analysis

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A significant strengthening of the dollar has benefitted euro- and sterling-reporting companies...

There has been relatively little completed M&A activity

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Dragged down by expiries, six companies are forecast negative 2009-14 growth

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Company rankings

Pharma must resort to rest of world expansion, diversification, cost-cutting and M&A to bolster its performance

Move out of low-growth commoditized markets and into high-growth biologics and vaccines

With traditional markets slowing, rest of world expansion looks attractive

Contributions from ex-Pharma business units can come at a cost

Cost-cutting will make a significant contribution to operating profit growth

Mergers can contribute sales growth, cost-cutting opportunities and diversification

Except in the event of a double-dip recession, pharma is expected to return to underperforming the market

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