BIOBUSINESS BRIEFS

MARKET WATCH

Pharma industry strategic performance: 2007–2012E

Using processed consensus investment research, AVOS Life Sciences has analysed the performance of the top 14 pharmaceutical companies as a group (see Supplementary information S1 (box)). The analysis focuses on each company's major Rx drug portfolio (MRDP; the collection of branded drugs each of which is projected to achieve at least US$500 million in annual sales) as a key measure of overall performance. This article considers the aggregate MRDP performance of the group against six strategic performance metrics, as summarized in FIG. 1.

This analysis indicates that the group will undergo significant deterioration in strategic performance from 2007 to 2012, with the aggregate of the scores for the six metrics projected to decline 18% from a score of 64 in 2007 to 54 in 2012E (FIG. 1; Supplementary information S2 (table)). The largest decline is a 68% drop in the '5-year MRDP sales CAGR' score; this metric quantifies aggregate MRDP sales growth.

Loss of market exclusivity is the single greatest driver of the decline, with 9 out of the 14 companies in the group projected to lose patent protection on their highest-revenue drug of 2007. Because most of the patent expirations occur in the 2011E–2012E time frame, the decline in performance may continue beyond the forecast period. In the most telling metric, the average MRDP sales of the group are projected to fall from $20.5 billion in 2011E to $19.3 billion in 2012E, as more than half of the peer-group companies individually experience negative year-on-year MRDP growth. Also of interest is a drop in the number of products in the MRDP of the peer group from 186 in 2007 to 180 by 2012E.

It is noteworthy that the top three performers in the group — Roche, Johnson & Johnson and Bristol–Myers Squibb — all derive a considerable majority of MRDP revenue from specialist products, such as bevacizumab (Avastin), infliximab (Remicade) and aripiprazole (Abilify), respectively. Eli Lilly's acquisition of ImClone and recent announcements by the heads of Merck and Bristol–Myers Squibb to accelerate growth through biotech-focused acquisitions and deals signals a future group of major pharmaceutical companies that will be organizationally trimmer and more focused, particularly on higher-margin specialty markets.

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SUPPLEMENTARY INFORMATION
See online article: S1 (box) | S2 (table) | S3 (box)
ALL LINKS ARE ACTIVE IN THE ONLINE PDF

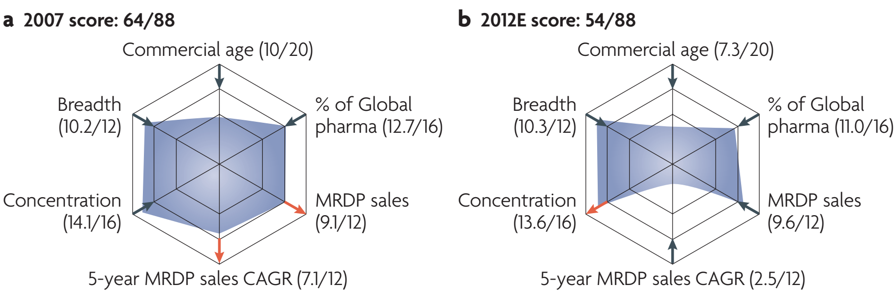

Figure 1 | **Portfolio performance average radars for six metrics for the group of the top 14 pharmaceutical companies: 2007 versus 2012E.** Red arrows indicate improvement in the metric over the previous year, grey arrows indicate deterioration. 'Commercial age' rewards younger portfolios; '% of Global pharma' rewards businesses that derive a larger share of total sales through high-revenue major prescription drugs; 'MRDP sales' rewards higher portfolio sales; '5-year MRDP sales CAGR' rewards higher-growth companies; 'Concentration' penalizes a higher percentage of sales attributable to a company's two largest products; and 'Breadth' rewards scale and product/therapeutic diversification. For full definitions of each metric, see Supplementary information S3 (box). CAGR, compound annual growth rate.