BIOBUSINESS BRIEFS

MARKET WATCH

Pharma industry performance metrics: 2007–2012E

Using consensus investment research processed to allow systematic analysis (see [Supplementary information S1](#) (box)), AVOS Life Sciences has analysed the performance of the top 14 pharmaceutical companies as a group. The analysis focuses on each company's major prescription 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. Here, we present several forecasted metrics from this peer-group analysis with the aim of capturing the industry's performance from 2007–2012E (see [Supplementary information S2](#) (table) for a summary for each company).

First, the total MRDP portfolio value of the group increases from \$18.48 billion to \$18.78 billion (FIG. 1a). This anaemic 1.1% compound annual growth rate (CAGR) is primarily a consequence of loss of exclusivity for major products such as Pfizer's Lipitor (atorvastatin), Wyeth's Effexor (venlafaxine), Johnson & Johnson's Risperdal (risperidone) and Eli Lilly's Zyprexa (olanzapine).

Second, the proportion of peer-group revenue derived from biologics rises considerably, from 23% of MRDP sales in 2007 to 36% in 2012E (FIG. 1b). The companies with the largest percentage of MRDP revenue coming from biologics in 2007 were Amgen (96.7%, \$13.6 billion), Roche (70.8%, \$16.9 billion) and Wyeth (39.6%, \$5.3 billion). The forecasted growth is driven by products such as Roche's Avastin (bevacizumab) and Abbott's Humira (adalimumab); new products anticipated to launch during the forecast

period such as Amgen's denosumab and Johnson & Johnson's golimumab; and vaccines, in particular GlaxoSmithKline's Cervarix, Merck's Gardasil and Wyeth's Prevnar.

Third, the peer group overall has a 4.4% drop in MRDP revenue derived from internally developed ('organic') products, with products from in-licensing and acquisition rising correspondingly (FIG. 1c). Companies with the highest proportion of organic product-derived revenue in 2007 include Novartis (93.4%), Eli Lilly (84.2%) and GlaxoSmithKline (80.3%), whereas those with the lowest proportion include Roche (15.1%), Schering-Plough (11.8%) and Sanofi-Aventis (8.4%).

Fourth, in 2007, the peer group generated \$0.77 of revenue from new products (launched within the previous 5 years) for every dollar lost from declining products, compared with 2012E, in which the peer group is forecasted to generate only \$0.26 in new product revenue for every dollar lost (FIG. 1d). This 'replacement ratio' is a measure of R&D sufficiency; the 65% drop in peer-group replacement ratio from 2007–2012E reflects the industry's failure to replace former blockbusters with new revenue drivers. Two companies are projected to maintain a replacement ratio above 1.0 in 2012E: Schering-Plough (\$1.58) and Amgen (\$1.46) ([Supplementary information S2](#) (table)).

Finally, in 2007, the therapeutic area with the highest MRDP revenue for the peer group was cardiovascular-other (a category of cardiovascular drugs excluding antihypertensives; 14% share), which shifts to oncology (17% share) by 2012E. The fastest growing therapeutic area in these terms over the forecast period is vaccines, with a 2007–2012E CAGR of 15%, followed by metabolic (11% CAGR), immunology (10% CAGR) and oncology (6% CAGR). The fastest deteriorating therapeutic area in these terms is gastrointestinal (–12% CAGR), followed by neurology (–8% CAGR).

Figure 1 | Selected pharma industry metrics 2007–2012E.

Michael Goodman is at AVOS Life Sciences, 1600 Perimeter Park Drive, Suite 225, Morrisville, North Carolina 27560, USA. e-mail: MGoodman@avoslifesciences.com

SUPPLEMENTARY INFORMATION

See online article: [S1](#) (box) | [S2](#) (table)

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