BIOBUSINESS BRIEFS

MARKET WATCH

Pharma industry strategic performance: 2008–2013E

Using processed consensus investment research, AVOS Life Sciences has analysed the performance of the top 14 pharmaceutical companies as a group for the period 2008–2013E ([Supplementary information S1](#) (box)). The analysis focuses on the major Rx drug portfolio (MRDP; the collection of branded drugs, each of which is predicted to achieve at least US\$500 million in annual sales) of each company as a measure of its overall performance. This article considers the aggregated MRDP performance of the group against six strategic performance parameters, as summarized in [FIG. 1](#).

Overall, patent expirations and inadequate launch activity are set to erode the performance of the peer group, as indicated by a reduction in the total score for these parameters from 67 out of 88 in 2008 to 53 out of 88 in 2013E ([FIG. 1](#)) (see [Supplementary information S2](#) (table)). Furthermore, each company in the peer group is forecasted to show a net decline in performance over this period.

Notably, during the forecast period, 9 of the 14 companies will lose patent exclusivity on their highest-revenue drug of 2008, with the bulk of losses occurring in the 2011–2012 time frame. Peer group average MRDP sales are accordingly predicted to experience sharp declines from \$20.6 billion in 2011E to \$18.7 billion in 2013E.

Roche is predicted to maintain the highest performing portfolio, driven by an oncology franchise that is forecast to grow to > \$27 billion in 2013E. However, despite outperforming its peers in 2013E, Roche's top-ranked score of 66 out of 88 is 15 points less

than its 2008 score of 81. Eli Lilly is forecasted to rank second in 2013E, with a score of 59, although by 2013E, it is expected to lose patent protection for products that accounted for \$10.2 billion (59% of portfolio sales) in 2008. Merck, in third position with a 2013E score of 58, is predicted to show relatively stable performance and rank throughout the forecast period, but beyond 2011E, Merck's scores for 'sales CAGR' and '% global pharma' steadily decline as revenues from Singulair and Cozaar/Hyzaar fade. Overall, in each case, high-ranked performance is largely due to showing less severe declines than other companies.

Several of the companies monitored have recently turned to major acquisitions

to address the deterioration in commercial performance. However, although Pfizer's pending acquisition of Wyeth and Merck's reverse-merger acquisition of Schering–Plough will probably be accretive to earnings initially, with specific benefits for each deal, their effect on longer-term strategic performance is less certain. Wyeth is experiencing many of the same portfolio problems as Pfizer: a difficult patent horizon and limited R&D productivity through to 2013; adding its portfolio to Pfizer's moves the start and end points of their 'patent cliff', but does little to offset the magnitude. Schering–Plough, with one of the best late-stage pipelines in the peer group, will help cushion the effects of Merck's patent cliff, but presents substantial first-time challenges in integrating a large company into Merck's operations.

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a 2008 strategic position: 66.9/88

b 2013E strategic position: 53.2/88

Figure 1 | Portfolio performance for the top 14 pharmaceutical companies as a group. Red arrows indicate improvement in the parameter over the previous year, whereas 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' (major Rx drug portfolio 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 or therapeutic diversification. For full definitions of each parameter, see [Supplementary information S3](#) (box). CAGR, compound annual growth rate.