

Pfizer's Upjohn and Mylan – Together Creating a New Champion for Global Health

(Sources: An article by Jessica Merrill for Scrip and an article by Angus Liu for FiercePharma)

Pfizer Inc. and Mylan are poised to shake up the world of generics with their announcement that Mylan will merge with Pfizer's Upjohn off-patent branded and generic medicines business. The merger will establish the top generic drug company in the world based on consolidated revenues (ahead of the current leader Teva Pharmaceuticals), with expected 2020 pro forma revenues of US\$19 billion to US\$20 billion.

Teva also grew into its current top spot also through its acquisition of Allergan PLC's generic drug business to the tune of US\$40 billion. Unfortunately for Teva, the merger did not culminate as it had hoped, and is currently forecasting only flat to slightly higher sales in 2019.

Mylan's board of directors has been conducting a strategic review of the business for the last year while Pfizer has explored the possibility of breaking up its innovative and generics businesses for many years since the expiration of the patent for its blockbuster drug *Lipitor* in 2011. And while the announcement isn't one that is surprising to industry analysts, it does pose questions about how the new company will deliver long-term growth.

The new company will operate under a new name (to be announced upon finalization of the merger) and will be led by Upjohn CEO Michael Goettler. Mylan's current chairman, Robert Coury, will serve as executive chairman of the new company and Mylan President, Rajiv Malik, will serve as the President. Longtime CEO Heather Bresch will leave the company upon the close of the deal, and the new management team will institute a search for a new CFO.

Mylan's current business includes both branded and generic versions of *EpiPen*, a small molecule drug business, and a portfolio of injectable and x generics and biosimilars, including *Fulphila*, a biosimilar of *Neulasta* (*pegfilgrastim*) and *Wixela Inhub*, a generic version of *Advair* (*salmeterol/fluticasone*). Mylan maintains its biggest presence in the U.S. and Europe. The combined footprint will be far more balanced and will allow it to absorb volatility in any one market, according to Goettler. About 55% of the combined revenue will come from North America and Europe, and 45% from Asia and emerging markets.

"Combining Mylan with Upjohn gives us a unique opportunity to create something entirely different in a pharma company with a truly unique financial profile that does not correlate to any of the pharma industry peers," Goettler said.

By offloading Upjohn to Mylan, Pfizer will have US\$12 billion in additional cash in its coffers. It will also have a tighter focus on (and need for) innovation. Will this equate to Pfizer stepping back into the world of M&A?

(continued on page 2)

In Brief...

◆ U.S. wholesaler and distributor **AmerisourceBergen** (ABC) delivered third quarter fiscal 2019 earnings per share of US\$1.76, surpassing analysts' expectations. Revenues for the pharmaceutical distribution segment totaled US\$43.53 billion, an increase of 4.7% year-over-year, and operating income totaled US\$411.7 million, up 4.9% year-over-year. ABC's **Consulting Services, World Courier** and **MWI Veterinary Supply** segment came in at US\$1.73 billion, up 8.6% year-over-year. The company attributed this upside to growth in Canada and its MWI business unit.

◆ **McKesson Corporation** announced earnings with revenues of US\$55.73 billion for the quarter ended June 2019, up 6% year-over-year. "McKesson is off to a strong start in fiscal 2020, and our first-quarter earnings performance exceeded our expectations," said *Brian Tyler*, chief executive officer. "Based on the momentum from our first-quarter results and our confidence in the full year outlook, we are raising our previous guidance range for fiscal 2020 and now expect Adjusted Earnings per diluted share of \$14.00 to \$14.60."

◆ Japanese wholesaler **Medipal Holdings** announced that it will launch a stock buyback after its largest shareholder, **Takeda Pharmaceutical**, offered to give away its 5.12% stake in the company. Medipal will buy back 12.5 million shares through a tender offer, which will last from August 1st to August 29th. Takeda currently holds a total of 11.4 million shares. Medipal said that the two companies' favorable partnership will continue even after Takeda's share ownership declines.

◆ **Exact Sciences** announced that it will acquire **Genomic Health** in a combined cash and stock deal valued at US\$2.8 billion. The deal will create a single diagnostics company with at least US\$1.6 billion in annual revenue by the end of 2020. Focus areas include Exact Sciences' *Cologuard* DNA test for colorectal cancer and Genomic Health's *Oncotype DX* assays for breast and prostate cancer, all of which collectively

(continued on page 2)

The Internet of Things' Influence on the Future of Supply Chain

(Source: Supply Chain Brain)

It has become quite commonplace to talk about the Internet of Things (IoT) in our fast-paced changing world. Once a term used only by tech-savvy experts, the IoT continues to expand in unexpected ways, and is forecasted to reach US\$745 billion by the end of 2019 – an annual increase of almost US\$100 billion.

Priority spends lean toward businesses looking to improve operational efficiency as well as develop new revenue opportunities. Rising demand also deems necessary ways to support a growing ecosystem of more than 4,500 IoT technology developers around the globe.

(continued on page 2)

Pfizer and Mylan (cont.)...

According to Pfizer CEO, Albert Bourla, the short answer is no but with a caveat. “We’ll never say never,” Bourla said during a conference call with industry analysts. “I still do not see the need to do a large deal right now,” he added, “because that can only create disruptions.” This was a reiteration of his words during Pfizer’s third-quarter 2018 analysts’ conference call last October. And while Pfizer’s acquisition of Array Pharmaceuticals is certainly considered large-scale, it is by no means a megamerger.

Bourla said that the new Pfizer will be a “smaller, more focused, science-based company with a singular focus on innovative pharma.”

Without generics and the burden of *Lyricea’s* patent cliff, Pfizer now expects to deliver revenue growth in the next five years at the high end of the mid-single digits, on a risk-adjusted, non-M&A basis.

“Our product portfolio and pipeline will more easily move the needle in terms of growth impact given the smaller size, which will also make the growth more sustainable,” Bourla said.

Internet of Things (cont.)...

One of the biggest opportunities for companies is in the IoT-enhanced supply chain. By connecting goods, assets and people, companies can improve supply chain efficiency and unlock new revenue streams.

The IoT-enhanced supply chains are driven by three improved capabilities that come from integrating objects and devices into a multi-connected network:

Improved asset-condition monitoring. IoT solutions can incorporate detailed insights into the precise condition of an inventory item through the use of smart sensors which monitor any object. By reporting both on physical aspects, such as spoilage or damaged packaging, and environmental conditions (including humidity, temperature, and acidity) companies can gain an overview of the state of cargo in the warehouse and after it is deployed. Additional problems can be detected in transit, such as spills, unusual motions, and even the transport medium. The level of visibility directly addresses one of the biggest challenges in maintaining the supply chain – ensuring that the product arrives intact and in good condition.

Improved asset-location tracking. IoT systems can also track the product’s location throughout the entire supply chain process. This capability ensures that misplaced inventory and lost shipments become a thing of the past. The impact becomes even more significant as the supply chain continues to grow, connecting all carriers’ vehicles and equipment.

Additionally, IoT can provide an overview of the fleet, enabling stricter control over product movement. This will help companies avert complications such as traffic jams and bad weather, all while improving the planning of routes and transit modes. It also allows for the arrangement of multi-leg shipments and guarantees product availability with minimal lead time.

Advanced analytics. The unprecedented volume of data that the IoT systems generate provides companies with specific insights into operations using advanced analytics. Real-time performance monitoring is accompanied by opportunities for predictive analytics. Not only does it empower companies to make more informed decisions that would otherwise only be available through manual methods, but this information could be accessed more

rapidly, which significantly cuts down supply chain cycles.

One of the premier benefits of the IoT is enhanced quality control including spoilage and fraud, both of which are top of mind for today’s supply chain managers. Nearly 30% of perishable cargo is destroyed in the transit process, mainly due to unregulated temperatures and poor storage conditions. IoT-powered condition monitoring constantly monitors storage conditions and alerts the appropriate individuals whenever these conditions are compromised.

Likewise, big warehouses have long struggled with visibility which manifests in stolen and misplaced product. Beyond eradicating this serious problem, IoT presents the opportunity to optimize production schedules. With a clear picture of inventories, companies can confidently carry out orders. Once the order leaves the warehouse, they can monitor conditions during shipping in order to predict and prevent issues that are often associated with the logistics process. They can also alert the customers with this information, giving them greater transparency to the supply chain.

All of this is part of the wider benefit of better understanding vendor relations and identifying those that are unprofitable. This creates incentives for companies to pay closer attention to how vendors are handling supplies that are sent to the customer.

The IoT makes the invisible visible by transforming supply chains to be more efficient, shorter and increasingly transparent. It also serves as a springboard for future development and innovations, such as automation, while offering opportunities for creative approaches and closer connections to the customer.

In Brief (cont.)...

represent 40% of all new cases of solid tumors.

- ♦ South Korea’s **Ministries of Science and ICT, Health and Welfare** have outlined the “*National New Drug Development Research Project*” which will invest US\$2.9 billion over the next ten years beginning in 2021. The project is a government-funded plan to provide financial support major new drug development research, as current projects are set to end from 2019 to 2021.

- ♦ Cardinal Health reported Q4 2019 revenues of US\$37.4 billion, an increase of 6% from a year earlier. GAAP operating earnings were US\$307 million and non-GAAP operating earnings were US\$507 million in the quarter. Full-year revenues were up 6% to US\$145.5 billion. “The fourth quarter capped off a year of progress for Cardinal Health,” said Mike Kaufmann, CEO of Cardinal Health. “During fiscal 2019, we delivered on our overall commitments and made significant strides on key initiatives that position us for growth in an evolving healthcare environment. While we still have work to do, we look forward to building on this foundation in the coming year and continuing to enhance the value we provide to our customers and their patients.”

- ♦ U.S. manufacturer, **Amneal Pharmaceuticals** announced that its co-founders, *Chirag Patel* and *Chintu Patel* have been named co-CEOs effective immediately. Additionally, *Paul Meister* will serve as Chairman of the board of directors, and *Paul Bisaro* and *Rob Stewart* have resigned from their positions as executive chairman and president and CEO.

(Sources: BioPharma Dive, Company Press Releases, Drug Store News, Fierce Biotech, Pharma Japan, Scrip and Yahoo Finance)