

Big Pharma Predicting A Busy 2025 For Dealmaking

(Source: An article by Kevin Grogan for Scrip Citeline)

The business development (BD) heads of GSK, Novo Nordisk and Amgen have laid out their views on the state of biopharma, pointing out that dealmaking has not been as sluggish as some players may claim and noting that mid-sized companies may drive partnerships and M&A in the next year.

Chris Sheldon, head of BD at GSK, told attendees at the Jefferies London Healthcare Conference that he found it perplexing that the perception is dealmaking has been slow in 2024 because the volume of deals has been high, although the value has been relatively low. He contributes that to biotechs, particularly single-asset ones, have been staying private for longer and de-risking their assets up to the clinical stage which makes these companies particularly enticing to larger companies.

Sheldon added that “nobody really wants to do things which are indigestible, which is why I don’t think we’ll see complex, large-scale M&A in 2025.” Next year, he expects to see more mid-cap acquisitions.

The increasing number of potential buyers means there is going to be more competition for deals, Sheldon and Rachna Khosia (head of BD at Amgen) noted. Khosia also said that the number of opportunities was on the rise given the emergence of new modalities. “The pace of innovation is happening at a speed that I just have never seen, and I’ve been in this business for three decades,” she said, adding that “what’s also different is that this innovation is truly global in a way that I’ve also never seen.”

When asked about the prospects for 2025, Khosia said: “I try never to go into the deal prediction business, because I start every January saying I’m not sure how many deals will get done. Since 2019, we’ve spent over US\$50 billion on BD on seven acquisitions and over 150 collaborations, and a couple of years we’re super busy and super intense, and a couple of years we’re average busy, so I’ve given up trying to predict it.” However, she stressed that “we view BD as one of our core strategic pillars, not to solve gaps but finding the best set of external innovation that we can find that will complement what we are already doing.”

John McDonald, head of BD and M&A at Novo Nordisk, said that when it comes to dealmaking, “we would prefer proof of concept or earlier. There’s a belief at Novo that if you buy Phase III or marketing programs, the ultimate return to shareholders may not be what you want.” He added that the strategy was to “take what’s been created by people in the audience, add our own expertise and make something much better [and] I’m at least optimistic about 2025.”

All the panelists concurred that the days when their BD teams would focus much of their efforts on the US and Europe were long gone. Sheldon said that “the innovation substrate has fundamentally changed. Nobody can ignore China as a source of innovation,” noting that to date the US Food and Drug Administration has approved five therapies from the country. McDonald also added Korea into that category of innovation.

In Brief...

- ◆ **Cencora** has entered into an agreement to acquire **Retina Consultants of America**, a management services organization of retina specialists, from **Webster Equity Partners**. “The acquisition will allow Cencora to broaden our relationship with community providers in a high growth segment and build on our leadership in specialty,” said *Bob Mauch*, President and CEO of Cencora. Cencora said the proposed transaction will build on Cencora’s strategic imperatives and areas of focus.

- ◆ The Japanese government is expected to set aside roughly ¥100 billion (US\$ 662.7 million) in total budgets to bankroll a number of pharma-related measures that were embraced in its new economic stimulus package which was approved on November 22, 2024. The packages calls for multiple initiatives to support pharmaceutical innovation, facilitate the revamping of the generic industry, and to ensure stable generic supplies, but the specific amount of budgets for individual projects has not been disclosed. Separately, IQVIA reported that the Japanese pharma market is estimated to reach ¥12 trillion (US\$ 79.5 billion) in FY2029, driven by specialty medicines and biologics.

- ◆ Following in the footsteps of **Pfizer**, French pharma manufacturer **Sanofi** unveiled a major manufacturing outlay of roughly US\$1.04 billion to establish a new production facility based in the Beijing Economic and Technological Development Zone, according to Sanofi China. The new manufacturing site, which will become Sanofi’s fourth site in China, is being designed to ramp up local end-to-end insulin production and bolster the drugmaker’s production

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John Cullity Joins IFPW Board of Directors



IFPW is pleased to announce that EBOS Group CEO, John Cullity, has joined the IFPW Board of Directors as At-Large Director from the Asia, Australia and New Zealand region.

John Cullity was appointed Chief Executive Officer of EBOS on April 1st of 2018. Prior to this, John held the position of Chief Financial Officer at EBOS from July 1st of 2014 to March 31st of 2018. He has more than 25 years’ experience in senior management roles within publicly listed companies in Australia and the United States. John has worked on a number of corporate transactions involving acquisitions, business divestments and debt refinancing, and holds a Bachelor of Economics from Monash University.

John and the EBOS team have been strong supporters of IFPW for many years. The IFPW staff looks forward to working with John, and his participation as an IFPW director.

Japan's Top Four Drug Wholesalers See Rise in Operating Profit

(Source: An article by Tatsuya Otsuka for Pharma Japan)

Japan's four major pharma wholesalers—Alfresa Holdings, Medipal Holdings, Suzuken, and Toho Holdings—reported a combined 17.6% increase in operating profit for April-September 2024, driven by high-margin medicines and improved distribution efficiency. Their total sales reached ¥4,348.1 billion (US\$28.8 billion), a 1.9% year-over-year increase. Alfresa led in revenue, while Medipal regained the second spot from Suzuken. The average operating profit margin was 1.08%, with Suzuken achieving the highest margin at 1.26%. Despite a decline in COVID-19 product sales

The operating profit growth for Japan's four major pharma wholesalers improved, driven by several factors, including high-margin medicines, improved distribution efficiency, vaccines and streamlined distribution. These combined efforts led to the notable 17.6% rise in operating profit for the period.

Additionally, health ministry's revised guidelines positively impacted the wholesalers by improving their gross profit margins. The guidelines included thorough negotiations on unit prices and separate negotiations for designated categories.

These measures helped streamline distribution practices and contributed to the overall improvement in gross profit margins for the wholesalers.

What Will the Trump Administration Mean for the Pharma Industry?

(Source: An article by Fraiser Kansteiner for FiercePharma)

As the pharma industry braces for a second term under President-elect Donald Trump a smoother road ahead could be in the future for pharmaceutical manufacturers when it comes to drug pricing policies as well as mergers and acquisitions. Given Trump's main focus will likely be on matters beyond healthcare (such as immigration) combined with his hands-off approach to government regulation, there is not likely to be any major changes, at least in the near term. However, an administration friendlier to pharma is not a guarantee and the incoming Trump administration comes with a high degree of uncertainty for the pharma industry.

Drug manufacturers have a host of important issues that will be impacted by a change in administration and a Republican-controlled Senate, including drug pricing policies, M&A oversight, the fate of the Biosecure Act and the possibility of steep tariffs on imports, which could include active pharmaceutical ingredients (APIs). Other areas to watch as the new administration takes over include spending on Medicaid and the Affordable Care Act, as well as the fate of the Inflation Reduction Act. Also worth mentioning is the future of the Federal Trade Commission (FTC) and the Food and Drug Administration (FDA), and Trump's desire to lower interest rates, which could lead to improved biotech valuations.

Robert F. Kennedy Jr.'s appointment as possible head of the Department of Health and Human Services (HHS) is seen as a potential game changer, but major changes to vaccine policies

are not anticipated.

Trump has also selected Jay Bhattachary to head the National Institutes of Health, who is considered a "disruptor". During the COVID-19 pandemic, Bhattachary publicly called for an end to pandemic lockdowns, underscoring the power of herd immunity.

Additionally, the future of the Federal Trade Commission (FTC) and Food and Drug Administration (FDA) could see less restrictive policies, potentially encouraging more mergers and acquisitions. The FDA's approach to drug approvals, especially for rare diseases, is expected to remain flexible.

How Trump addresses drug pricing or the changes to the Medicare drug negotiation program remains unclear for now, but the topic could certainly remain a hot button issue for pharma.

"While this election has been to an extent, settled, it still is rife with some uncertainties," EY Americas Life Sciences Sector Leader Arda Ural said in an interview.

Drug pricing policies are among them but an economic issue that could have implications for pharma is how Trump executes on his plan to implement wide-reaching tariffs on imports. Trump has proposed tariffs of 10%-20% on imports generally, but tariffs of 60% or more on imports from China, where many active pharmaceutical ingredients are produced.

"Combine that effect with the Biosecure Act, the effect of regionalization will be compounded," Ural said. "Where do you bring in your API or semi-finished product?"

The Biosecure Act has been on hold on Capitol Hill but has bipartisan support. The proposal would prohibit federal contracts with certain Chinese companies, including contract manufacturers that pharma relies on, and the policy is one that smaller and mid-sized pharma companies have been concerned about.

In Brief (cont.)

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- ◆ **CVS Health** announced that *Len Shankman* will be president of pharmacy and consumer wellness. Shankman will oversee the front store and retail pharmacy businesses across 9,000 CVS pharmacy locations. In addition, the company announced the appointment of *Lucille Accetta, RPh, MPH, MBA* as chief pharmacy officers. Both appointments are effective immediately and both will report to *Prem Shah*, group president of CVS Health.

- ◆ A rule requiring Medicare and Medicaid to cover obesity drugs has been proposed and would involve a "reinterpretation" of the current law, motivated by recent advances in obesity treatments. **The Centers for Medicare and Medicaid Services** estimates that the proposed rule, released November 26, 2024, would increase federal and state spending by US\$40 billion over ten years, although Medicare Part D could define the disease for coverage decisions. The policy long sought by manufacturers and patient groups is part of the *2026 Policy and Technical Changes to the Medicare Advantage and Medicare Part D programs* proposed rule.

(Sources: Company Press Releases, Drug Store News, FiercePharma, Pharma Japan, and Scrip Citeline)