



goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Pharma Industry Assessment

MUNICH, MAY 2020

Pharma Industry | Shareholder Sentiment

The pharma industry outperformed the global stock market since the discovery of COVID-19 by 16.6%. But within the pharma industry, some public companies clearly outperform their peers based on common patterns

INDUSTRY STOCK PERFORMANCE

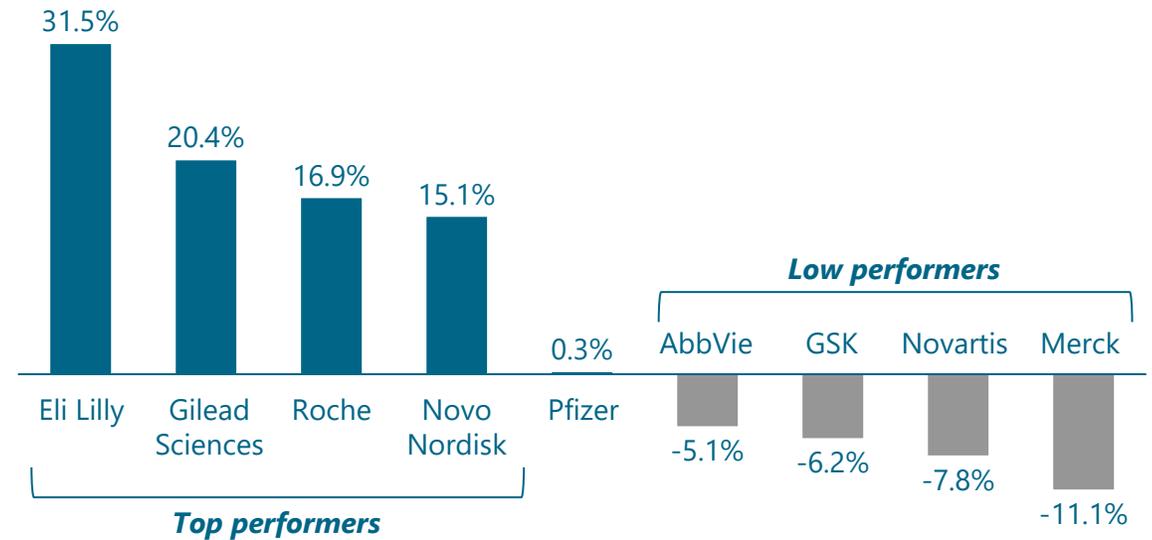
Index (Stock price on December 1st = 100)



COMPANY STOCK PERFORMANCE¹⁾

Relative stock price change since December 1st in %

SELECTION

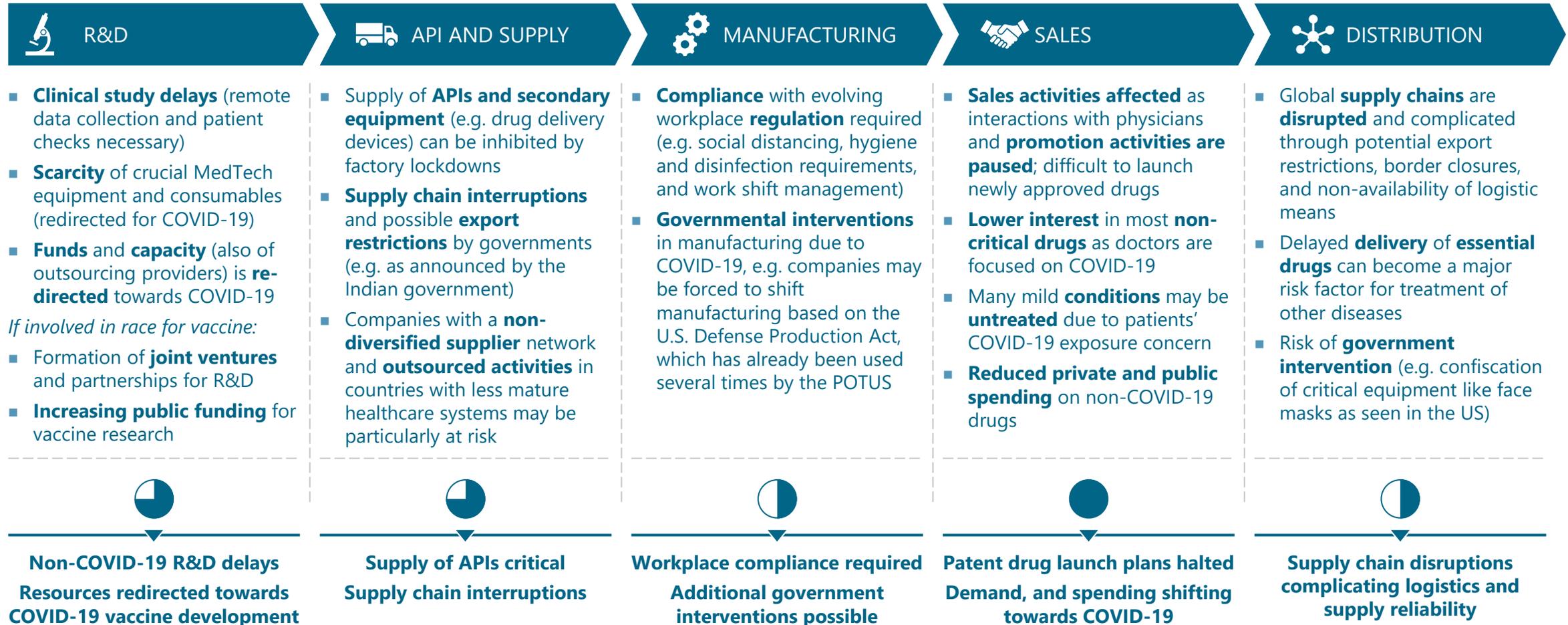


- Gilead Sciences' share price driven by trials of its drug Remdesivir which is seen as a possible treatment for COVID-19
- Increasing level of collaboration of big pharma with academia and biotech companies, such as Pfizer's mRNA vaccine program with BioNTech

1) Showing the four best and worst performing companies as well as Pfizer from the fifteen largest pharma companies within the MSCI World Health Care Index
Source: Investing.com, goetzpartners

Pharma Industry | COVID-19 Impact along the Value Chain

The complete pharma value chain is affected by the COVID-19 pandemic. Companies are reallocating their resources, cope with supply chain disruptions, and may be subject to government interventions



Impact: ○ Low ● High

Source: goetzpartners

Pharma Industry | Imperatives

The COVID-19 pandemic currently requires to effectively mitigate the associated risks, but also reveals opportunities to improve stakeholder collaboration, establish partnerships, and improve operations

- **Digitize interactions with** crucial industry **gatekeepers** for **sales** activities, including doctor offices and thought leaders, to create a more scalable and robust go-to-market approach
- **Digitize R&D processes** in order to enhance capabilities and capacities at the same time
- **Maintain public goodwill** through active participation (if possible) in the fight against COVID-19, such as Bayer's free provision of chloroquine tablets in Germany
- **Leverage** the currently **improved pharma company perception** to improve subsequent collaboration with stakeholders, incl. regulatory entities and governments and potential high-skilled employees
- **Leverage** current **trend towards joint ventures** during COVID-19 crisis in the pharma and biotech industry to **establish long-term partnerships** that may improve the firm's positioning
- **Secure existing partnerships** along the value chain through proactive communication and offering underutilized assets or capabilities where possible



- **Review** product **portfolio** and **pipeline** in view of the short and long-term medical needs due to Covid-19
- Even if not involved in large-scale drug development, firms can provide **supplies or capacities** for supporting the development of COVID-19 treatments, diagnosis tools, or other related equipment and supplies
- Implement measures to **mitigate risks** stemming from the current **supply chain disruption**
- This includes a **diversification** of **production** facility locations and supplier landscape as well as a ramp-up of emergency stock of crucial supplies
- **Anticipate stricter workspace hygiene regulation** to ensure operations in upcoming months
- **Rethink** new drug **launch plans** to **ensure fast monetarization** of new drugs under patent, despite restrictions in physical sales practices due to COVID-19
- Consider pricing adjustments where required in order to meet amortization goals during patent periods
- If necessary, **secure outsourcing** partners' **capacity** and/or **re-prioritize** planned development **projects**

Pharma Industry | The CEO Agenda

Translating current industry changes and trends into the agenda of company leaders implies asking the right question about internal and external damage assessment as well as defensive and offensive strategic repositioning



DAMAGE ASSESSMENT

INTERNAL (*BM RESILIENCE, LEARNINGS*)

- How does COVID-19 affect the clinical tests for a company's drug candidates?
- Which of my new and my direct competitors' product launches are affected?
- To what degree are a company's API supply chains into China and India impaired?
- To what extent and in which areas does a company lack relevant supplies (e.g. masks)?

EXTERNAL (*MARKET, CUSTOMERS, SUPPLIERS, COMPETITORS*)

- To what extent can a company access new funding opportunities, either from public or private sources such as business angels and larger pharma companies?
- How are a company's shipping and distribution activities disrupted and which alternatives exist for effective supply chains?
- Are key customers sufficiently covered and managed by account managers?

CONTINUOUS FINANCIAL IMPACT ASSESSMENT (AGILE)



CONTINUOUS DIGITAL AND BUSINESS MODEL TRANSFORMATION

FIREFIGHTING

- Firefighting will be necessary to reduce immediate impact of new occurring damages
- Ensure continuously employee health and safety, liquidity, and operations



STRATEGIC REPOSITIONING

OFFENSIVE (*ACQUISITION, MARKET CATCH-UP*)

- Are there any products which could be reactivated in the wake of the COVID-19 crisis?
- Should capacities at CRO and CDMO companies for flexible research and production ramp-up be secured?
- Should you engage on digital platforms (e.g. BioM-COVID-19)?
- Should you pursue collaborations with peers, NGO, biotech sector, and academia?

DEFENSIVE (*FINANCING, CARVE-OUT*)

- How can a company's balance sheet resilience be improved?
- Is the portfolio strategy living up to its expectations in terms of risk diversification, synergies, and a balance of cash generation and investment opportunities?
- Which product areas are expected to spike (e.g. seasonal flu vaccines and antivirals) and is the company well prepared to demand increases?

*See other
gp publications*

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