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STRATEGY | M&A | TRANSFORMATION



# COVID-19 | goetzpartners' Pharma Industry Assessment

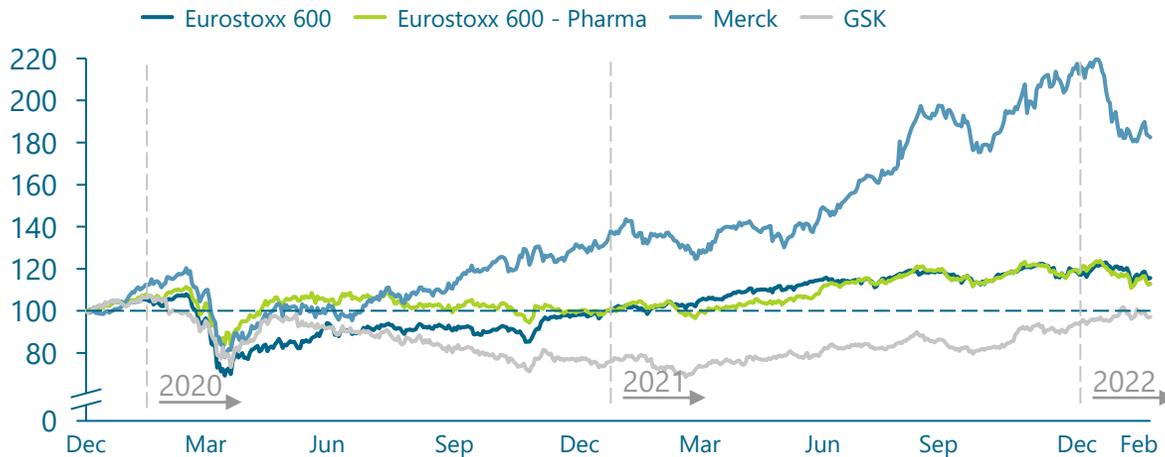
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# Pharma Industry | Shareholder Sentiment

Pharma companies are capitalizing on the pandemic by taking an active role in its containment and by transforming into digital sales, marketing, and communication innovators, building eHealth partnerships and closed-loop ecosystems

## INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 2<sup>nd</sup>, 2019 = 100)



**!** **New technologies and online channels** enable digital drug marketing, telemedical patient care and awareness raising as well as remote adherence/ monitoring; the **value of patient data** as well as **proximity to prescribers and patients** further increases

- Continuous **high demand for Covid vaccines, production capacity and for diagnostics and reagents** drive revenue for respective pharma players (Moderna, Merck & Co., Pfizer)
- **Changing consumer/ patient demands** shake up the industry and require pharma players to position themselves along the **entire value chain**, mainly by **acquisitions** or **strategic partnerships**

## COMPANY CRISIS MANAGEMENT

SELECTION

### "Positive impact": Merck KGaA



- Supporting **>80 Covid-19 related vaccine projects**, several **Covid-19 test kit solutions** as well as a number of **therapeutic approaches** through collaborations, consortia, and by providing manufacturing capacity
- **Strengthening Life Sciences division:** positioned for future growth
- **Acquisition activities:** to build its presence in promising fields for the future e.g., biopharma and mRNA
- **Investments in future markets:** start-ups via Merck Ventures Investment Fund and Accelerator programs

**82%** increase in stock price<sup>[1]</sup>

Outperformed Eurostoxx 600 - Pharmaceuticals by **64%**<sup>[1]</sup>

### "Negative impact": GlaxoSmithKline



- **Unfavourable spin-off & divesture processes:** after a protracted process, GSK's consumer health business will finally be spun off in second half of 2022
- **Covid-19 vaccine:** despite being a top-3 vaccine player, GSK failed to develop its own vaccine and collaborations with CureVac and Sanofi have not yet yielded approved products
- **Innovation/ future pipeline on trial:** seven potential drugs to be evaluated this year

**7%** decrease in stock price<sup>[1]</sup>

Underperformed Eurostoxx 600 - Pharmaceuticals by **25%**<sup>[1]</sup>

# Pharma Industry | The CEO's Agenda

The pharma industry has been essential in the fight against the Covid-19 pandemic – CEOs should take the opportunity to become a strong and pioneering player in an increasingly digitalized pharma industry

## LESSONS LEARNED FROM COVID-19 CRISIS



**Product portfolio** planning and diversification **minimize risk exposure**



Forming of **strategic partnerships** **accelerate R&D** efforts



**Future oriented investments** in start-ups enables insourcing of digital competence



**Flexible ramp-up of production capacity** to respond to alternating production levels



**Rethink traditional product life cycle (PLC)** concepts to consider shorter and asynchronous PLCs



**Changing patient demands** require to build digital ecosystems to keep up with other industries



## STRATEGIC CONSIDERATIONS

**DEFENSIVE**  
(FINANCING,  
MARKET CATCH-  
UP)

- Do the investors fit the **strategic focus**? Can they bring **additional value** to the company?
- Is the **business model** built safely and **reluctant** to **negative macroeconomical impact** (e.g., interest rates)?
- Is the **new digital patient journey** considered in the future **corporate strategy**? Are the **right partnerships** set up?
- How can **patient data be capitalized** most? Can new business models be created?

**OFFENSIVE**  
(ACQUISITION,  
CARVE-OUT)

- Is the **portfolio strategy** living up to its expectations in terms of risk **diversification, synergies, a balance of cash generation** and **investment opportunities**?
- Which **product areas** are expected to **spike** (e.g., vaccines and antivirals) and is the company well prepared for **demand increases**?
- Which other players offer **sustainable future growth potential** and are they **complementary** to the **current business**? Can they be **acquired**?

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