Report
Roland Berger

MUNICH / GERMANY

Global pharma winners – focus and efficiency matter

HOW TO SUCCEED IN UNCERTAIN TIMES

Roland Berger

MANAGEMENT SUMMARY

The Roland Berger Global Pharma Study 2023 analyzes an industry that has traditionally outperformed leading stock-market indices. Pharma companies recently extended this run by transforming into leaner omnichannel organizations, significantly reducing selling, general and administrative (SG&A) expenses in proportion to revenues.

Increasing efficiency – a development driven by winning companies – has helped the industry withstand key challenges, both familiar and new. Some examples of these challenges are developing tailored medicines for smaller patient populations, ensuring supply chain security, augmenting sustainability efforts and coping with increased price pressure.

Our Winners Analysis of more than 150 of the largest stock-listed pharma and life-sciences companies forms the heart of this report. It identifies companies that achieved high revenue growth and high profitability in the four years between 2019 and 2022. Crucially, it also establishes the key differentiators that set these companies apart from competitors in the sector. Based on our analysis, pharma winners share four characteristics:

1. business leadership,
2. strategic coherence,
3. proven ability to execute, and
4. appropriate size and financial position.

Business leadership means consistently strong revenue growth – 68% of winners saw positive revenue growth between 2019 and 2022 compared with only 6% of "underperformers." Winners are focused thought leaders that set the agenda for the therapeutic areas on which they concentrate. Strategic coherence means a strong focus on specific diseases or therapeutic areas. This allows winners to realize portfolio synergies and encourages them to maintain focus through active portfolio management. Since 2019, winners have on average committed to 5.5 deals at a value of EUR 1,950 m each, while underperformers on average racked up 4.7 deals at an average value of only EUR 349 m each. Our study also shows that winners are more likely to lead in ESG and have more stable and experienced management teams. Winners' proven ability to execute shines through the industry's overall efficiency trend. Winners deploy resources extremely well. They have significantly more efficient SG&A expenditures, representing on average only 22% of revenues compared with 30% for underperformers. Winners also have lower cost of goods sold (COGS), with on average only 32% compared with 40% for underperformers.

Lastly, our analysis shows that size and financial position matter. Winners are significantly larger (>3 times) than underperformers in terms of median revenue size. Winners also have sound capital structures thanks to lower leverage ratios – their debt on average is only 1.7 times bigger than EBITDA, that of underperformers 4.7 times. Winners also have more of a global presence, on average operating 46 affiliates compared with underperformers' 22.

The Roland Berger Global Pharma Study 2023 ends with five essential questions for executives to assess the tasks ahead. By finding adequate responses and applying the best practices underlying the four winning characteristics, all companies in the industry can deliver superior shareholder returns in the future.

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1/ A growth champion faces five key challenges

Pharmaceutical ("pharma") companies research, develop, produce and/or market drugs to cure diseases, alleviate symptoms and increasingly also to prevent sickness. Crucial to the health and wellbeing of patients worldwide, the industry grew significantly over the last two decades thanks to product innovation (including ground-breaking treatments based on DNA and RNA therapeutics) and faster pharmaceuticals development.

But companies in the industry are also facing a number of challenges, many of which were heightened over the last three years by the COVID-19 pandemic and Russia's war on Ukraine. These include the need to develop tailored medicines for smaller patient populations, ensure supply-chain security, double down on environmental, social and governance (ESG) efforts, cope with increased price pressures, and transform toward omnichannel sales and marketing.
Our study takes a timely and comprehensive look at this industry and its segments. It analyzes pressing trends and issues and identifies the pharma sector's winners – companies with high revenue growth and high profitability – and their shared characteristics. It looks at the impact of the pandemic, the development of industry cost structures and the drivers of "winning" corporate performance.

Roland Berger analyzed more than 150 of the largest stock-listed pharma and life-sciences companies from around the world and grouped them into 10 key segments with distinct business models[1]:

1. Small molecule drug companies like Lundbeck, Organon and Eisai
2. Traditional biotech companies like Amgen, Biogen and Eli Lilly
3. New-modality biotech companies (e.g. cell and gene therapy), like BioNTech and Moderna
4. Blood-plasma therapy companies like CSL, Octapharma and Grifols
5. Consumer health companies like Reckitt Benckiser, Ajinomoto and Taisho Pharmaceutical
6. Digital health companies like Dexcom, HealthStream and Omnicell
7. Generics/biosimilars companies like Sun, Hikma and Teva
8. Contract development and manufacturing organizations (CMO or CDMO) like Lonza, Recipharm and Catalent
9. Diversified life-sciences-focused companies like Roche, Pfizer and Baxter
10. Diversified life-sciences-and-beyond companies like Bayer, Johnson & Johnson and Otsuka

Roland Berger assessed the financial performance of each company by compiling key performance indicators such as total shareholder return (TSR) and the compound annual growth rate (CAGR) of revenues. This allowed us to identify the drivers that enable some companies to do business more successfully, realize higher returns and face the future more optimistically than others. These companies can best focus on their strategic strengths to achieve or maintain pharma industry leadership.

1) As categorized by sales and portfolio focus observed during the analysis period between 2019 and 2022

2/ Efficiency gains drive strong investor returns

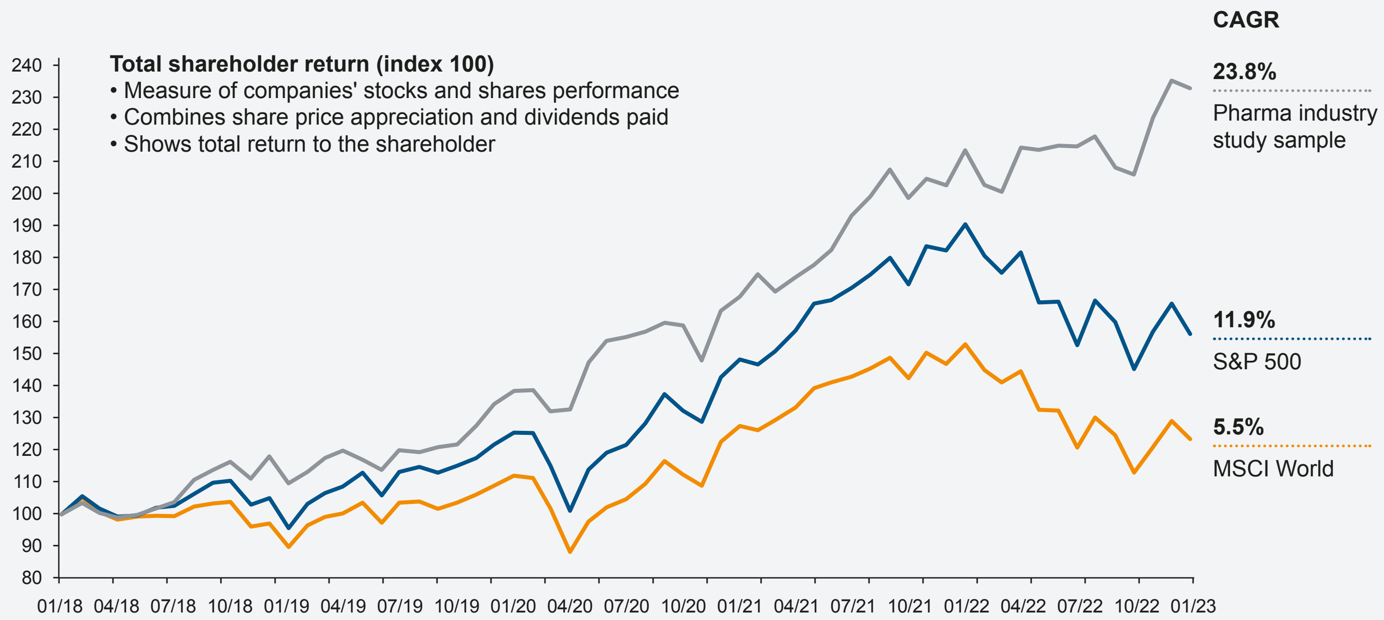
The pharma industry has traditionally enjoyed higher profit margins than other industries, which have translated into above-average TSR[2]. Our analysis shows that the largest 150 stock-listed companies generated an average TSR of 135% 2018-2022, easily outperforming global stock markets (the S&P 500 and MSCI World stock-market indices respectively generated TSR of 57% and 24%). → A

Although healthcare systems around the world have faced unprecedented uncertainties and challenges beginning with COVID-19, the pharma industry continued to perform strongly, even maintaining positive performance trends as the global economy suffered the effects of Russia's invasion of Ukraine.

This is because pharma companies continued to optimize operating income, mainly by cutting selling, general and administrative (SG&A) expenses to increase efficiency. A look back over the past 15 years shows that the industry started driving profitability in this way as far back as 2008 and doubled down on overhead optimization in the years of the COVID-19 pandemic as cost pressures increased. → B

2) Total shareholder return (TSR) defined as:
(Stock Price^{end} – Stock Price^{begin} + Dividends) / Stock Price^{begin}

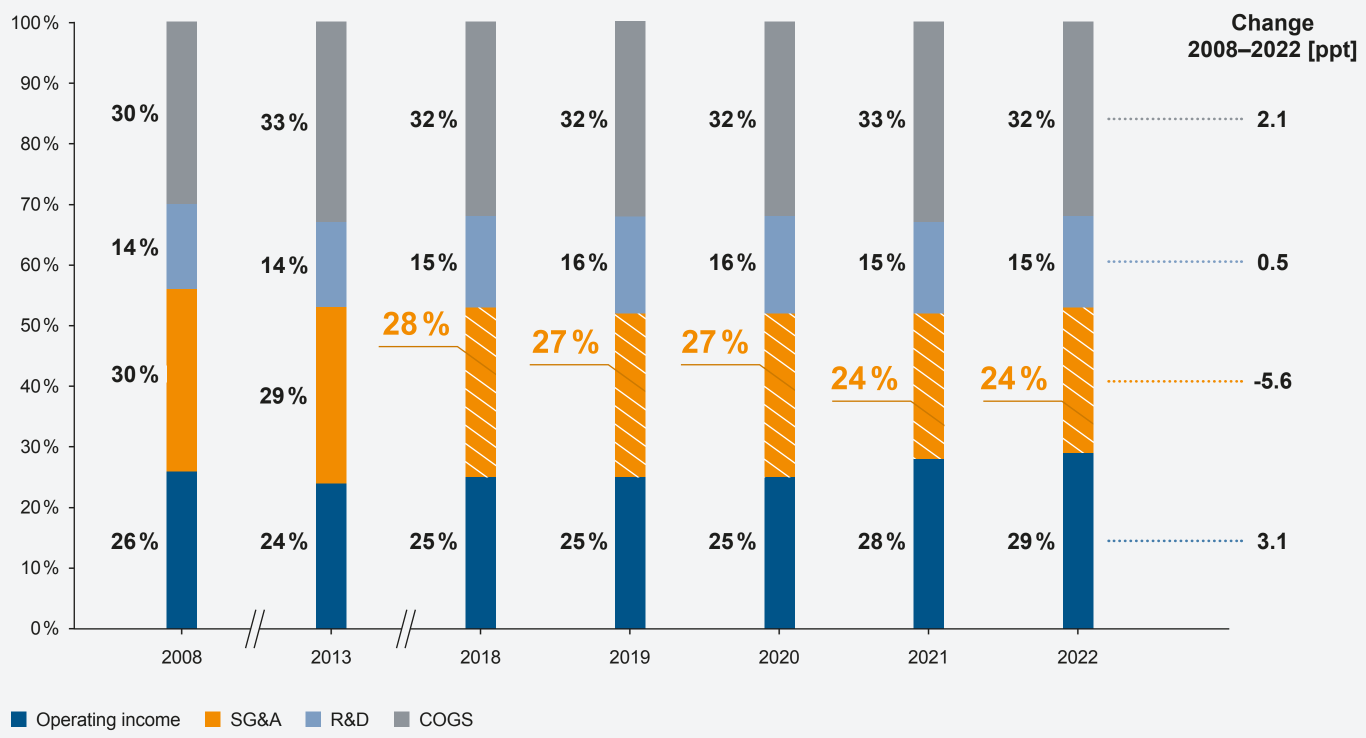
A / Strong profitability leads to high returns
Pharma TSR consistently outperformed global stock markets [2018-2022]



Note: N = 158 for pharma industry study sample Total shareholder return: (Price^{end} - Price^{begin} + Dividends) / Price^{begin}
Source: Roland Berger, Capital IQ

B / Efficiency measures drive profit

P&L developments from 2008 to 2022 show SG&A cuts boosted operating profits



Source: Roland Berger, Capital IQ

For example, companies developed lean omnichannel marketing and sales organizations and cut sales forces as face-to-face contact with healthcare professionals declined during the pandemic. COVID-19 looks set to have had a lasting influence on exchanges between pharma companies and prescribers – fewer in-person meetings and more email, newsletters and other digital communication. Traditional "sell and tell" sales approaches are transitioning into more-tailored and therefore higher-quality "problem solver" relationships between companies and prescribers with a focus on improving patient care.

Also, it is notable that our analysis did not reveal any significant correlation between the size of a company and the share of revenue spent on SG&A. Larger-revenue companies did not as a rule have a lower rate of spending on areas like administration than lower-revenue competitors.

Cost of goods sold (COGS) rose only slightly between 2008 and 2022, indicating the pharma industry has broadly raised production efficiency, while not fully committing to big structural changes in production footprints and networks. Given the importance of resilient supply chains and more-flexible manufacturing platforms, pharma companies have a lot of potential to profit from further improvements in this area.

Costs for research & development (R&D), on the other hand, remained close to constant at 15%, indicating a continuously high focus on and commitment to innovation across the industry over the last one-and-a-half decades.

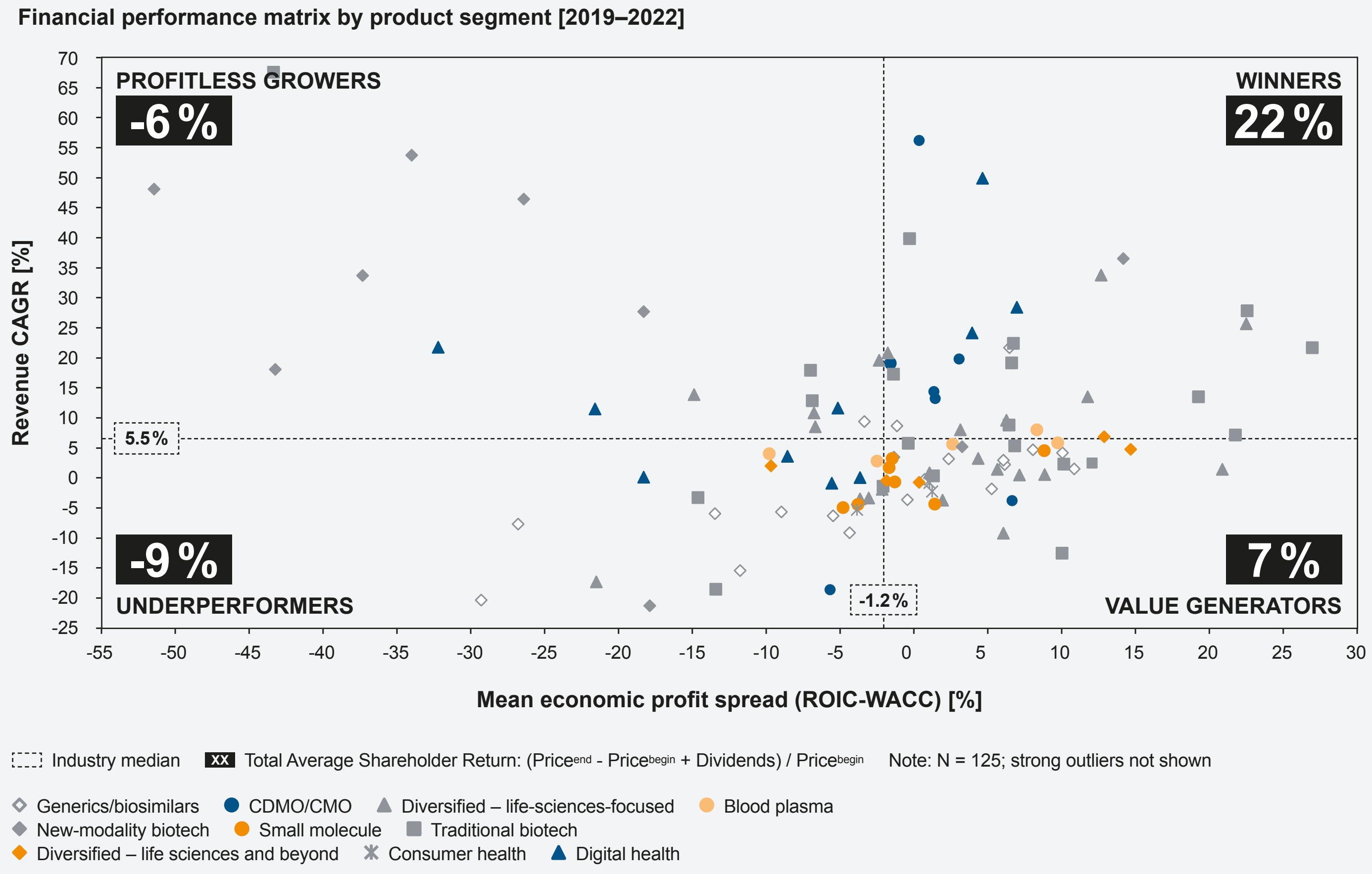
3/ Winners clearly and consistently outperform

Our analysis of how individual companies are creating value for shareholders identified a wide disparity within the pharma industry. A group of top-ranking companies – the ones we call "winners" – achieved an average TSR of 22% per year between 2019 and 2022. The lowest-ranking group – the "underperformers" in the fourth quartile – produced average annual returns of -9% in this same period. → C

This disparity spurred us to identify three things: 1) the companies that consistently outperform peers, 2) the factors that drive industry-leading TSR and 3) the strategic attributes winners have in common.

C / Winners operate in almost every segment

Performance of companies varies significantly: fewer companies with significant revenue growth while majority below industry average growth [2019–2022]



Source: Roland Berger, Capital IQ

Our Winners Analysis is a diagnostic tool for understanding a company's past performance as a blueprint for future strategy. We assess a company's value-creation potential by taking past revenues, adjusted for inflation, as the best proxy for future growth. We also take the difference between its return on invested capital (ROIC) and weighted average cost of capital (WACC) as the best metric for risk-adjusted profitability.

This sets us apart from primarily investor-focused perspectives, who often use revenue without inflation adjustment as the growth metric and EBIT or EBITDA margin as the profitability metric, while not considering the invested capital (IC) and the overall cost of capital as an important adjustment for risk.

Looking at TSR performance in detail, we found that companies with higher revenue growth but lower profitability performed notably worse than those with lower growth but higher profitability – average TSR of -6% vs. average TSR of 7%. Winners aside, our analysis shows investors are rewarding pharma companies for sacrificing growth for higher profit – a key difference to our recent study of the MedTech industry, which found investors preferred companies that sacrifice profit for higher annual revenue growth.

The average economic profit (ROIC minus WACC) of all 150 companies we surveyed was -1.2%. This shows that not all pharma companies were able to refinance their capital costs between 2019 and 2022, highlighting the need for companies in a highly profitable industry to continue working on operational efficiency and strategic focus.

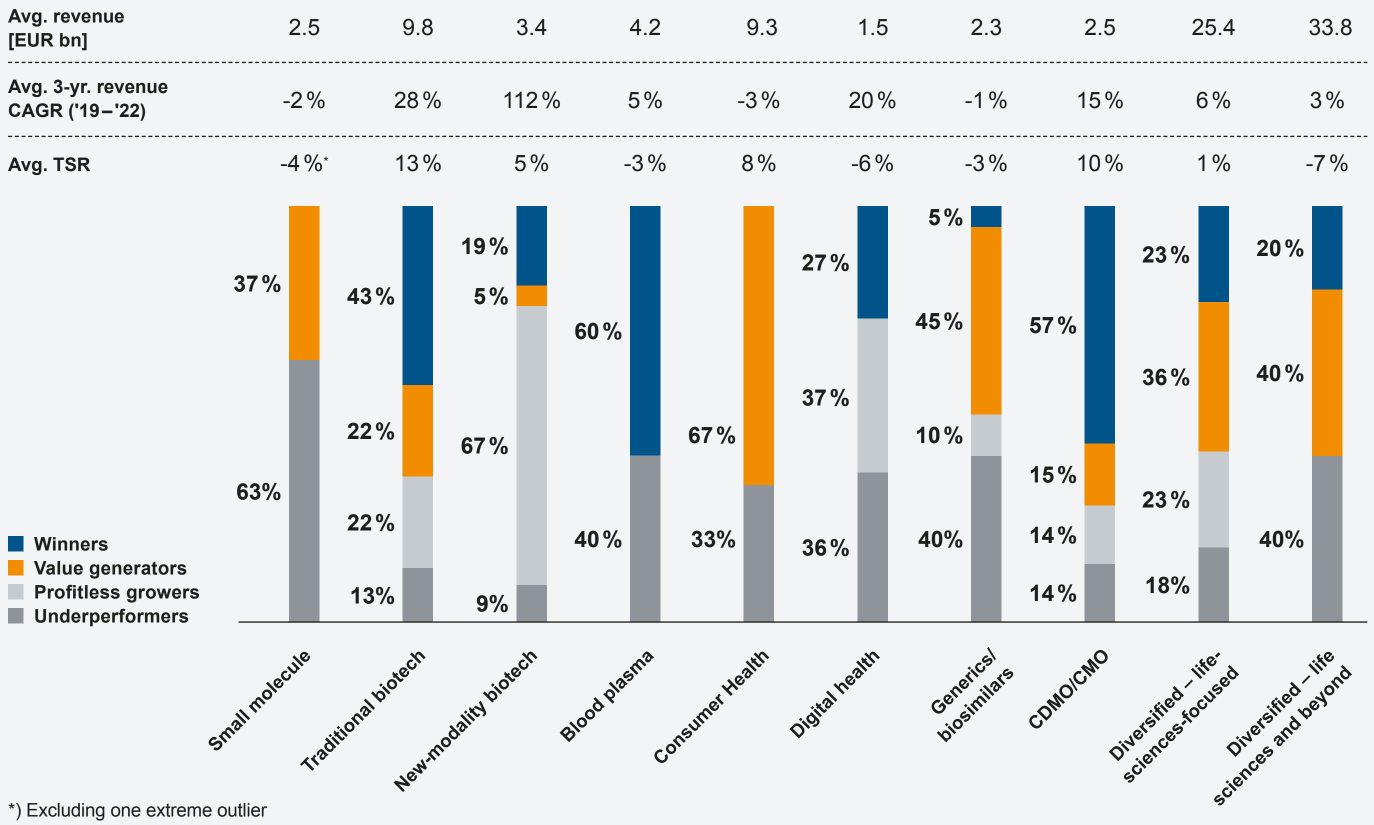
OUR GLOBAL PHARMA WINNERS ANALYSIS RENDERED FOUR ARCHETYPES:

1. **Winners –** high-growth, high-profitabilty companies that should continue to strengthen their competitiveness by striving for continuous growth through innovation, investments that are strategically coherent with the existing product portfolio, and leading cost structures to continue developing real economic value around their products and so extending a solid equity story;
2. **Value generators –** highly profitable but lower-growth players that should consider investing more into expanding their product portfolios and markets to catch up with winners' performances;
3. **Profitless growers –** companies with revenue growth above the industry's 5.5% average, but low profitability, that need to enhance performance and productivity to stimulate more profitable growth; and
4. **Underperformers –** low-growth, low-profitability companies, a small number of our sample that should consider strategic overhauls to improve both revenue growth and profitability.

While our Winners Analysis leverages a company's past performance to assess the potential of future strategy and execution, it is crucial to note that past returns are no guarantee for future ones. Our analysis quantitatively and qualitatively assesses companies' past performance to identify shared winning characteristics at that time. It provides no investment advice as it cannot predict future risks and volatility.

D / Three segments have highest share of winners

Blood plasma, CMO/CDMOs and traditional biotechs stand out 2019–2022



*) Excluding one extreme outlier
Source: Roland Berger, Capital IQ

While small molecule drug companies and consumer-health companies on average recorded the lowest share of winners between 2019 and 2022, blood-plasma therapy companies, CMO/CDMOs and traditional biotechs had a noticeably higher share of winners than others. This suggests that these three business models are currently more likely to perform strongly than the seven other ones in the pharma industry. → D

Small molecule drug companies have the highest share of underperformers of all segments. In recent years, they have experienced pricing pressure as healthcare systems tried to rein in expenditures. This came as patents on well-known small molecule pharmaceuticals like NORTHERA® by Lundbeck or SUBOXONE® by Indivior expired and sales declined as a result. In addition, some companies saw investment returns plummet and even significant losses as COVID-19 hampered clinical trials.The pandemic also slowed the treatment of many diseases traditionally treated by small molecule drugs.

The effects of the COVID-19 pandemic aside, this segment faces innovation challenges. Companies have harvested the low-hanging fruits and can now only target indications with much smaller patient populations. The limited potential for high returns is seeing most investment go into higher-performing segments.

Traditional biotech companies count the third-highest share of winners. But overall the segment of companies not focusing on new biotech modalities offers a mixed picture, with equal numbers of value generators and profitless growers. While winners like Novo Nordisk, Eli Lilly and AbbVie have been able to execute clearly formulated visions and strategies through targeted acquisitions, others in the segment are facing challenges from pricing pressures and an increasing share of biosimilars in competition with their products.

On the other hand, new-modality biotech companies, including cell and gene therapies (CGT), have not been very profitable, even as revenues have grown considerably. Most modalities in this segment are still in various development stages and so not producing revenues. As these new treatments are launched onto the market, revenues will pick up. But until then each of these companies are higher-risk investments whose value is based largely on expectations of high returns at some point in the future. Revenue growth in this segment has been fueled by the COVID-19 pandemic thanks to a huge demand for mRNA vaccines and the increase in personalized medicine. Increased investment into research and development of new modalities suggests confidence in the segment's untapped potential. Currently dominated by profitless growers, this segment's outlook is more positive than that of others.

Interestingly, blood-plasma therapy companies have the highest share of winners. This highly focused segment has profited from faster market growth as blood disorders such as malignancies and leukemia have gained in prevalence. One winner, CSL, has been able to underline its value proposition by expanding into the adjacent field of iron infusion therapies with the acquisition of Vifor Pharma in 2022.

Consumer health companies have the highest share of value generators, even as revenues grow below the industry average. This segment has traditionally been one of lower risks and lower returns than other segments and is now under pressure from online and other new channels. Accordingly, companies are investing in marketing and branding with a relatively predictable impact on sales rather than ground-breaking product innovation. Consumer healthcare requires a different approach from that of prescription pharma, which is why previously integrated players in the recent past were responsible for a wave of divestments and carve-outs. For example, Novartis in 2018, Takeda in 2021 and Johnson & Johnson in 2022/23 made moves enabling their consumer-healthcare business to realize their stand-alone value without the "burden of prescription pharma processes".

While some digital health companies are growing profitably at rates above the industry average, more than two-thirds of the companies in this segment have limited or no profitability. Progyny or Dexcom and other winners in this segment have been able to report above-average profits by leveraging their digital business models and focusing on high-growth therapeutic areas such as fertility and diabetes.

The vast majority of generics/biosimilars companies are value generators or underperformers, indicating below-average revenue growth usually translates into negative TSR. Still big on aspiration, the biosimilars market continues failing to deliver on its performance promises due to fierce competition and considerable price pressure in many established markets such as the US and particularly Europe.

CMOs and CDMOs have the second-largest share of winners of all segments. A wave of consolidation and increased strategic focus has improved utilization rates and efficiency in production. Lonza, Bio-Techne amongst other more successful players that drove these trends are focusing on technological opportunities and building production platforms for mRNA products that proved their worth during the COVID-19 pandemic.

Diversified life-sciences-focused companies have the most even spread of winners, cash generators, profitless growers and underperformers. These players are less focused on specific markets than many peers and are active in life-sciences areas with both lower and higher growth rates. This makes corporate performance highly dependent on individual strategy. Companies in the segment have good opportunities to diversify risks but have a more complex task managing the synergies among their different businesses.

Diversified life-sciences-and-beyond companies are active in life sciences and other areas beyond such as chemicals. Within this segment, companies with fast-moving consumer goods (FMCG) operations in their portfolio have been able to outperform those with additional focus on other segments like agriculture.

4/ Winners in different segments share key strengths

Our analysis identified four characteristics that winners have in common, regardless of the segment they are operating in or the focus of their business. The success of all winning pharma companies is founded on: 1) business leadership, 2) strategic coherence, 3) financial position and 4) a proven ability to execute plans. The quantitative and qualitative insights of our research allow us to detail each characteristic. → E

E / Winning companies share four characteristics measured by key performance indicators

Shared characteristics of winners

1	2	3	4
BUSINESS LEADERSHIP	**STRATEGIC COHERENCE**	**SIZE AND FINANCIAL POSITION**	**PROVEN ABILITY TO EXECUTE**
Can your businesses set the agenda in their areas of market participation?	Do you have a consistent strategic rationale across your portfolio?	Are you relevant in the marketplace in terms of size, financial success or technology, with the ability to efficiently attract capital?	Can you deliver results on a sustainable basis?
Technology leadership Know-how leadership	Clear strategy and focus Differentiated value proposition	Trusted capital market partner Convincing equity story	Short reaction times Performance-driven culture

Source: Roland Berger

Case study – leadership, strategy, financial position and execution

We analyzed a leading traditional biotech company highly focused on metabolic diseases, especially diabetes. The company has built significant knowledge leadership in this therapeutic area with fast-growing disease populations and has strategically expanded its portfolio into adjacent fields like obesity. A series of M&A transactions in recent years has shown the company's ability to act with strategic coherence – in its case to strengthen its position in its core market by moving "upstream" in the indications it covers, i.e. moving into obesity with its core remaining focused on metabolic diseases. The company has integrated acquisitions quickly and successfully, maintaining a low COGS share of about 16% and a high EBITDA margin of above 40%. It has achieved substantial and consistent growth, with a CAGR of about 10% over the past three years. →

[continued] Beyond achieving its growth targets, this player is also able to maintain a strong financial position. Its market capitalization is substantially higher than that of peers, ensuring consistent investor coverage and access to capital. Its sound capital structure is based on a very low debt-to-EBITDA ratio of 0.3, which means it could repay debts in about four months of operations, about five times quicker than other pharma winners with an average debt ratio of 1.7. This showcases the company's strong ability to execute, being in a strong position to repay debts quickly if needed and to manage its portfolio actively and at short notice.

The company's ESG rating puts it in the top 15% of the industry and provides more proof of its clearly formulated vision and value proposition. Its efforts in a whole number of areas are highly appreciated by stock markets, which have driven TSR to 37% in the past three years. → G

Winning characteristics – similar approaches drive very different businesses

1. BUSINESS LEADERSHIP

Winners focus on (1.1) consistent and (1.2) above-market revenue growth (see Figure L for a summary of all characteristics). According to our analysis, 68% of winners saw positive revenue growth between 2019 and 2022 compared with only 6% of underperformers. They positioned themselves as leaders in their fields, setting the agenda with (1.3) often non-diversified business models focusing on specific disease areas. This also gave them the authority to act as (1.4) thought leaders. → F, L

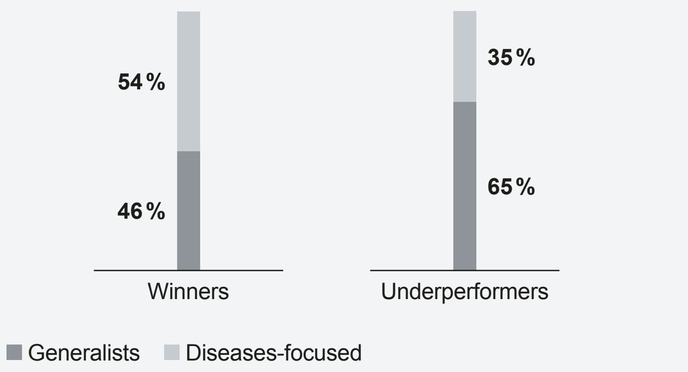
This positioning allows each company to differentiate itself from its competitors. Winners offer a unique selling proposition that also gives them greater leverage when it comes to price setting. In addition, by focusing on specific business areas, winners have developed a deep understanding of their customers' and markets' needs, allowing them to build long-lasting relationships with accounts and healthcare professionals and targeted go-to-market initiatives.

2. STRATEGIC COHERENCE

Winners display a consistent strategic rationale across their portfolio. A clearly formulated vision and value proposition define what the company stands for and give employees and customers a purpose to engage with it. Focus allows winners to realize (2.1)

F / Winners often focus on specific disease areas

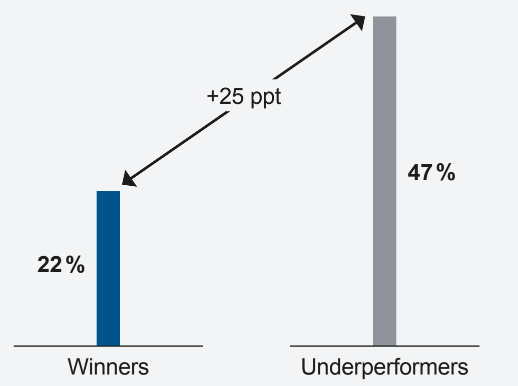
Focus allowed them to set prices and business agendas and realize synergies 2019–2022



Source: Roland Berger, Capital IQ

G / Winners score better in ESG

The lower the score, the higher the rank – winners are on average ranked in the first quartile (22%) when it comes to ESG

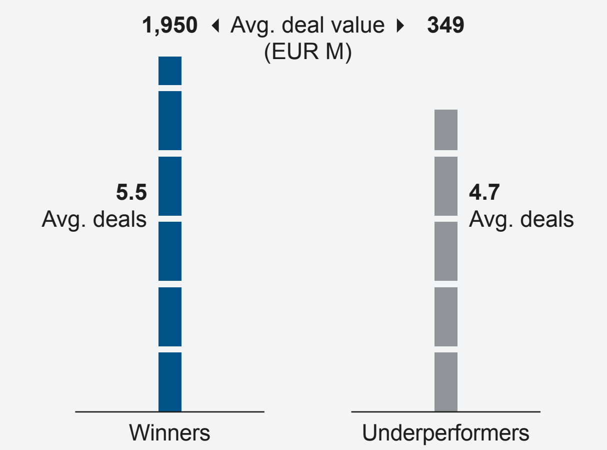


Relative performance of companies in ESG rankings against industry peer group; 22% for winners indicates, on average, performance in the top 22% of companies

Source: Roland Berger, Morningstar

H / Winners are more active in M&A

The average number and value of M&A deals since the beginning of 2019



Source: Roland Berger, Capital IQ

recognizable portfolio synergies through combined sales forces for different brands, synchronized commercial and medical activities, or shared controlling and governance set-ups. Winners (2.2) have a clear vision and value proposition that includes ESG – and translates into ESG scores significantly better than those of underperforming peers. Their early-adopter attitude to improving on ESG criteria in their operations has demonstrated to correlate with strong business performance. Given the growing importance of ESG scrutiny from regulators, customers and investors, the superior ESG performance again serves as an indicator for winners' future-proof positions. → G

Winners pursue (2.3) active portfolio management, with a higher average number and value of M&A transactions than underperformers. Winners are more likely to seize buying opportunities in line with their strategic vision – and are also more active in divesting unprofitable business units. → H

Winners are (2.4) less dependent on only a few clients or market segments than their peers. One sign of this is a higher degree of geographical diversification. Winners on average earn revenues in 4.7 regions of the world, while underperformers do so only in 2.6 regions. Each geography contributes a lower share of total revenue to winners than to underperformers – 38% compared with 40% of sales respectively.

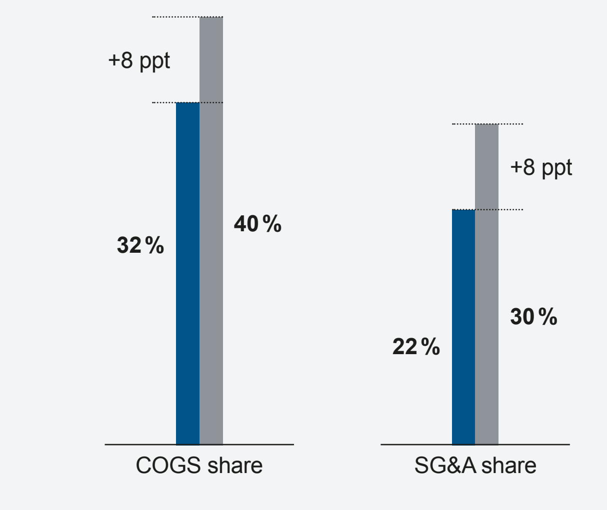
Winners also (2.5) invest heavily in R&D. Our research shows that winning companies on average invest about 15% of their revenues in R&D, three percentage points more than underperformers (with 12%). As winning companies usually have considerably higher revenues, their R&D spending is significantly higher in absolute terms. Lastly, winners have (2.6) more stable and experienced management teams to implement the company's clear strategy and observe strict focus. Executives at winning companies have held management board positions for 6.3 years on average, compared with 5.8 years served by executives at underperforming competitors. Longer and potentially stronger relationships between a company and its leaders can create true value.

3. ABILITY TO EXECUTE

Companies prove their ability to execute strategy through (3.1–3.2) efficient deployment of resources and (3.3) progressive capital allocation. Winners achieve industry-leading returns on invested capital by selecting investments more strategically and deploying resources more efficiently than underperformers. Because administrative, sales and other processes are often more digitalized, winner's SG&A expenses are significantly lower than those of underperformers – 22% of revenues against 30%. Winners are often further along in their transformation to more efficient omnichannel organizations. In addition, winning companies tend to have (3.2) lower costs of goods sold – 32% of revenues versus 40%. → I

I / Winners allocate resources more efficiently

Winners reported lower COGS and SG&A shares of revenue from 2019 to 2022



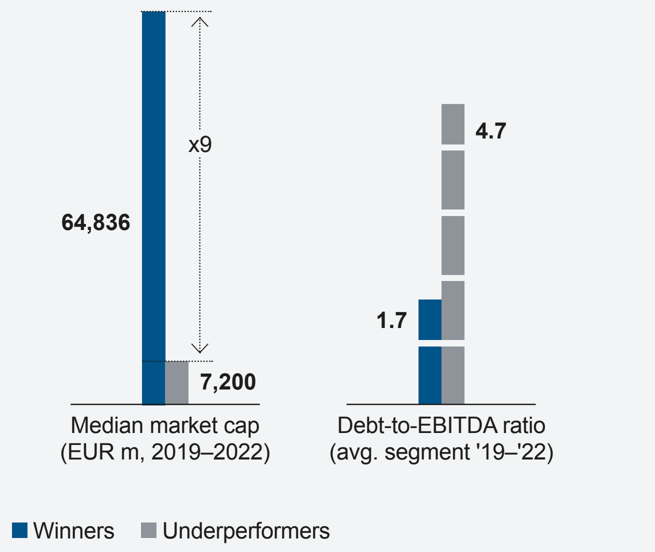
Source: Roland Berger, Capital IQ

4. SIZE AND FINANCIAL POSITION

Size and financial position matter in pharma. Winners are (4.1) significantly larger in terms of median revenue size – they typically record EUR 3.4 bn, while underperformers record revenues of EUR 1.1 bn. Winning companies on average have a (4.2) market capitalization more than nine times the size of underperformers. This gives them places on many of the leading global stock-market indices, which drives investor coverage. As a result, winners tend to have better access to capital. → J

J / Winners pay less for financing to fund growth

Financial position 2019–2022 shows winners have higher market cap and less debt



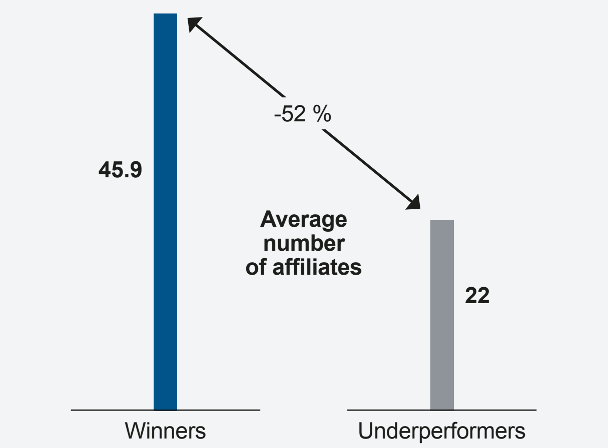
Source: Roland Berger, Capital IQ

Note: Outliers excluded

Winners showcase a (4.3) sound capital structure as measured by significantly lower debt-to-EBITDA ratios (1.7 compared with 4.7 of underperforming peers). This allows for much better access to capital given lower risks for lenders and investors given quick debt repayment schedules if required.

K / Winners have more global presence

Winners in 2022 operated more than twice as many affiliates as underperformers



Source: Roland Berger, company information

Size also makes winners more likely to have a global presence (4.4). They operate more than double the number of affiliates that than underperformers do, giving them a more powerful global footprint and the ability to realize regional opportunities as they arise. This suggests companies that rely on distributors further afield will tend not to profit as much from such trends as those with regional subsidiaries. → K

All of these factors mean winners' financial performances are well above average. Their average EBITDA corresponds to 37% of their revenues, while underperformers' have an operating margin of only 24%.

5/ Main considerations for pharma executives

Pharma companies should concentrate on the four characteristics that winners have in common. If they apply the best practices that shape these characteristics, all companies will have the chance to deliver superior shareholder returns. Roland Berger's assessment grid is a powerful tool with which companies can benchmark their business and identify areas in which they might need to take action. → L

L / Strategic imperatives for pharma companies

Every company is different, but winning has a pattern

Source: Roland Berger

Each of the assessment grid's 17 sub-dimensions is based on a measurable KPI – for example, sound capital structure by the leverage ratio debt/EBITDA, active portfolio management by the number of completed M&A deals, stable and experienced management by the average management board tenure in years.

ESSENTIAL QUESTIONS PHARMA EXECUTIVES NEED TO ANSWER. Our analysis shows that pharma company executives now need to consider the following key questions – and to find solutions to overcoming any potentially identified gaps:

- Overall: where does my company stand today and what does it take to become a winner – for the good of its patients, customers, shareholders and employees?
- Business leadership: is my company one of the top three players in its segment or does it have some particular technology or knowledge leadership in its field?
- Strategic coherence: does my company display strategic coherence that is clearly formulated together with a value proposition that differentiates it from peers? Does it actively manage its portfolio, leverage synergies and invest sufficiently in innovation?
- Proven ability to execute: does my company have a proven ability to execute? Is it clearly prioritizing resources and capital to execute coherently?
- Size and financial position: does my company have the size and financial strength to outperform the industry? Does it easily draw on capital to finance its ambitions?

At Roland Berger, we help our clients address strategic questions so that they can assume or sustain leading positions in their industry. Pharma companies have to address current issues, strategic questions and structural problems in order to continue fulfilling their pivotal role. Only if they address all these issues successfully, they can continue to shape the future – and grow more quickly than many other industries.

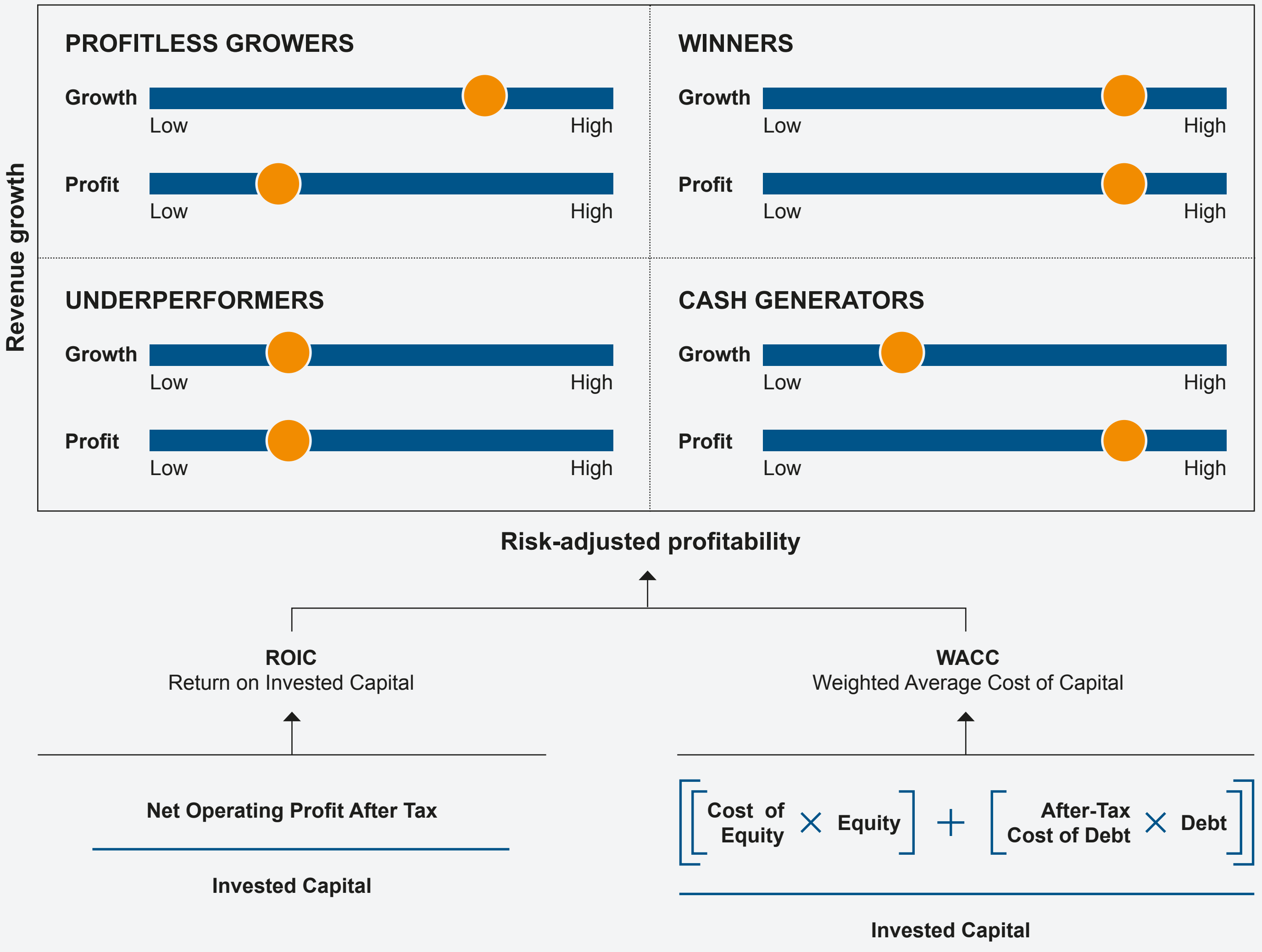
We would be delighted to discuss how your company's KPIs appear and how they map onto our winners framework. We know how to support your ambition to remain or become a winner in the pharma industry.

Appendix

- **Small molecule:** companies focusing on the research, development, manufacturing and commercialization of pharmaceutical products
- **Traditional biotech:** companies focusing on the development and commercialization of "traditional" biological medicines such as monoclonal antibodies, insulin, etc.
- **New-modality biotech:** companies focusing on the development and production of medicines, such as cell and gene therapies (CGT), mRNA, bispecific antibodies, etc.
- **Blood plasma:** companies engaging in the development, production and sales of medicines based on human blood plasma, e.g. critical care products

- **Consumer health:** companies focusing on supplying health products and medicines for direct purchase by consumers, e.g. dermatologicals, dietary supplements, OTC medicines, etc.
- **Digital health:** companies focusing on the development and supply of digital health solutions, e.g. digital care programs, telemedicine, etc.
- **Generics/biosimilars:** companies focusing on the development, manufacturing and marketing of generic active pharmaceutical ingredients
- **CMOs/CDMOs:** companies that serve other pharma companies on a contract basis to provide services from drug development through manufacturing
- **Diversified – life-sciences-focused:** companies that are not specialized in one of the above but offer two or more of the abovementioned segments exclusively within life sciences
- **Diversified – life sciences and beyond:** conglomerats that are not exclusively focusing on the pharmaceutical industry and have a significant share of total revenues in other non-life-sciences industries

M / Methodical approach of Winners Analysis



Source: Roland Berger

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