Smart Pharma CONSULTING

Pharma Corporate Strategy

Best-in-class Series

Survival Toolkit

What to know & understand about Corporate Strategy

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Corporate strategy selects the strategic segments, business strategy creates a competitive advantage and operational strategy defines the appropriate organization

Definitions

- Amongst multiple possibilities, we propose the following definition for strategy:

"Strategy is the long-term direction and scope set by a company to fulfill stakeholders'[1] expectations through proper capability building and resources allocation"

- One can consider three basic strategic levels in any pharma company:

CORPORATE STRATEGY	BUSINESS STRATEGY	OPERATIONAL STRATEGY
In which strategic segments should we be in?	How should we compete in the selected segments?	Which organizational configuration do we need?
Corporate strategy defines the purpose and the scope in which companies compete or should compete and how to add value to their businesses	Business or competitive strategy defines how to compete successfully in each strategic segment (e.g., R&D-based drugs, vaccines, CHC[2], generics, medical devices)	Operational strategy sets the activities, capabilities, processes, structure, culture and resources needed to support corporate and business strategies

Sources: Smart Pharma Consulting, adapted after G. Johnson et al., Exploring Corporate Strategy, Pearson, 2019

[1] Basically authorities, customers, employees and shareholders – [2] Consumer Heath Care, including OTCs, food supplements, minerals, vitamins, etc.

Definition or reaffirmation of the Pharma Company Strategic Square is important to engage collaborators and external stakeholders, before crafting the corporate strategy

The Strategic Square – Principle

Why do we exist?

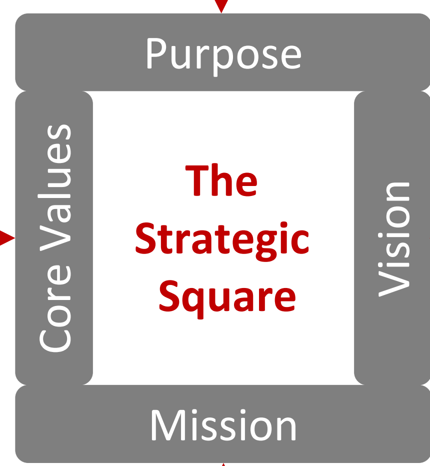
- It explains the companies' reason for existence. Its "raison d'être"

"We use the power of leading-edge science to save and improve lives around the world" – Merck & Co

What do we aspire to become?

- Vision is an indeterminate mid- to long-term goal

"To be the world's leading biopharma company that transforms patients' lives through science" – BMS



What do we believe in and how do we behave?

- They are the underlying principles that guide the company strategy

"Integrity, inclusion, teamwork, accountability and excellence" – Gilead

What do we do and for whom?

- Mission answers how we are going to make the vision a reality

"Our mission is to discover new ways to improve and extend people's lives" – Novartis

Sources: Smart Pharma Consulting and pharma companies' website (2023)

The four dimensions of the Strategic Square should be thoughtfully and carefully implemented to have a positive impact on the opinion and behavior of company's employees and stakeholders

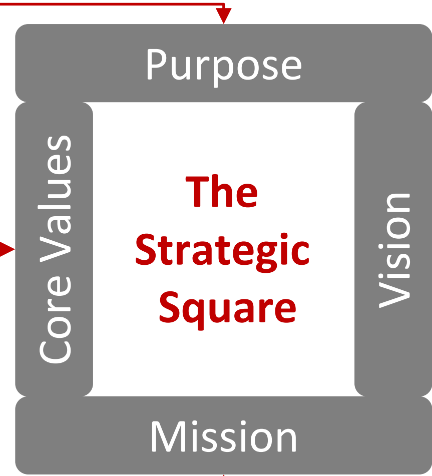
The Strategic Square – Recommendations

Why do we exist?

- The purpose statement should be:
  – Simple
  – Meaningful
  – Reflected in employees' daily life

What do we aspire to become?

- The corporate vision should contribute to give sense to employees' life and thus…
- … generate a feeling of pride and belonging



What do we believe in and how do we behave?

- The core values should reflect the personality of the company, and thus guide the way the strategy is implemented[2]

What do we do and for whom?

- The mission should clearly define:
  – The customers served
  – The needs to fulfill
  – The solutions[1] proposed to do so

Sources: Smart Pharma Consulting – Adapted from H. Joly, HBR digital (October 2023)

[1] Products and/or services – [2] Values such as "Honesty" or "Ethics" are not recommended because they are not optional but compulsory

The Strategic Square guides companies to set their performance objective, select their preferred strategy at the corporate, business and operational levels

The Strategic Square – What for?

Purpose

Core Values

Vision

- Objective: What do we want to achieve?
- Performance: What have we achieved?
- Corporate strategy: Where do we want to play?
- Business strategy: How are we going to win?
- Operational strategy: What are the activities/ capabilities, processes, structure[1] and culture we need to put in place to excel in the execution of the strategy?

Mission

Sources: Smart Pharma Consulting

[1] Including the headcounts and the organization chart

Four basic corporate strategies can be adopted by pharma companies to secure a long-term and profitable growth, in line with their shareholders expectations

Where to play? – Principle

- The Development Strategy Matrix[1] is a practical tool to select the most attractive sources of growth
- Diversification is in general the riskiest option because the farthest from the company core competencies
- However, playing in diverse strategic segments[2] with different characteristics may enable to mitigate certain business risks

Strategic segments

Countries	Existing	New
Existing	Market penetration / consolidation Low risk	Product / Service development Medium risk
New	Market development Medium risk	Product / Service Diversification High risk

- Increase market share on existing strategic segments by modifying existing products, developing, acquiring or in-licensing products
- Enter new geographical areas with existing product portfolio directly, through acquisitions or partnerships with licensees or distributors
- Enter new strategic segments (e.g., orphan drugs, generics, biosimilars, vaccines, DTx[3], OTCs, homecare services) in countries currently covered
- Diversify by entering new strategic segments in countries not yet covered, directly or through BD&L initiatives (M&As – licensing agreements)

Sources: Adapted by Smart Pharma Consulting from H. Ansoff (HBR 1957)

[1] Has been adapted from the original Ansoff Matrix whose axes are Markets & Products / Services – [2] A strategic segment encompasses a number of products and/or services characterized by the same combination of key success factors and the same level of attractiveness (e.g., orphan drugs, vaccines, OTCs) – [3] Digital Therapeutics

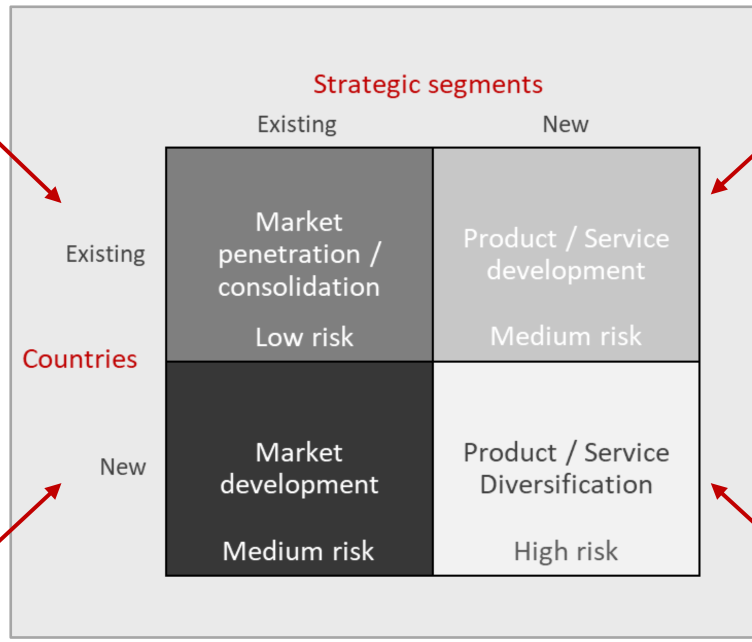
These four basic corporate strategies can be implemented by pharma companies organically or inorganically, through M&As or strategic alliances[1]

Where to play? – In Practice (1/2)

Illustrative

- Acquisition of, or merger with other pharma companies to strengthen its presence and/or reduce the competitive intensity
- Co-marketing or co-promotion agreements to increase resources to gain market shares
- Internal development, co-development or in-licensing of new products / services

- Entry on new strategic segments through in-house R&D and/or external growth operations, such as:
  - Horizontal integration (e.g., OTCs, generics, homecare services)
  - Downward integration (e.g., distribution business)
  - Upward integration (e.g., toll manufacturing business)
  - In-licensing agreements



- Direct market entry by setting up its own subsidiary
- Indirect market entry by acquiring a local player to take advantage of its resources and capabilities
- Indirect market entry by licensing-out agreements or partnerships with distributors

- New strategic segments entry and new geographical coverage carried out organically or through M&As, joint-ventures, in-licensing or subcontracting agreements (e.g., with another pharma company)

Sources: Adapted by Smart Pharma Consulting from H. Ansoff

[1] See our position paper "Best-in-Class Pharma BD&L" available on our website

Big and Mid Pharma Companies have accelerated, over the recent years, a combination of M&As and spin-off operations to focus their business on the most attractive strategic segments

Where to play? – In Practice (2/2)

- Acquisition of Seagen by Pfizer (2023) for USD 43 B to reinforce its oncology portfolio and mitigate the impact of its Covid-19 products sales drops and the imminent LOE for some of its leading brands
- Worldwide agreement between BMS & Pfizer (2007) to develop and commercialize Eliquis (apixaban)

- Acquisition of Alexion by AstraZeneca (2021) for USD 39 B to gain a foothold in the lucrative rare diseases strategic segment
- Entry of Gilead in the oncology market by acquiring Kite Pharma (2017), one of the CAR-T's leaders, offering a novel approach for certain blood cancers

Strategic segments

Countries	Existing	New
Existing	Market penetration / consolidation Low risk	Product / Service development Medium risk
New	Market development Medium risk	Product / Service Diversification High risk

- Decision made by IPSEN to enter the oncology market[1] in the USA with Somatuline Depot (lanreotide) through its own subsidiary to maximize the value creation
- Out-licensing by Incyte to Novartis of Jakavi (ruxolitinib) in the indications of hematology, oncology, and graft-versus host disease outside the USA

- Opening by Servier of a subsidiary in the USA (2018) to market a portfolio of oncology brands acquired the same year from Shire
- Acquisition by Ethypharm of the UK-based company Martindale Pharma (2017) which is specialized in the field of emergency care and sterile injectables

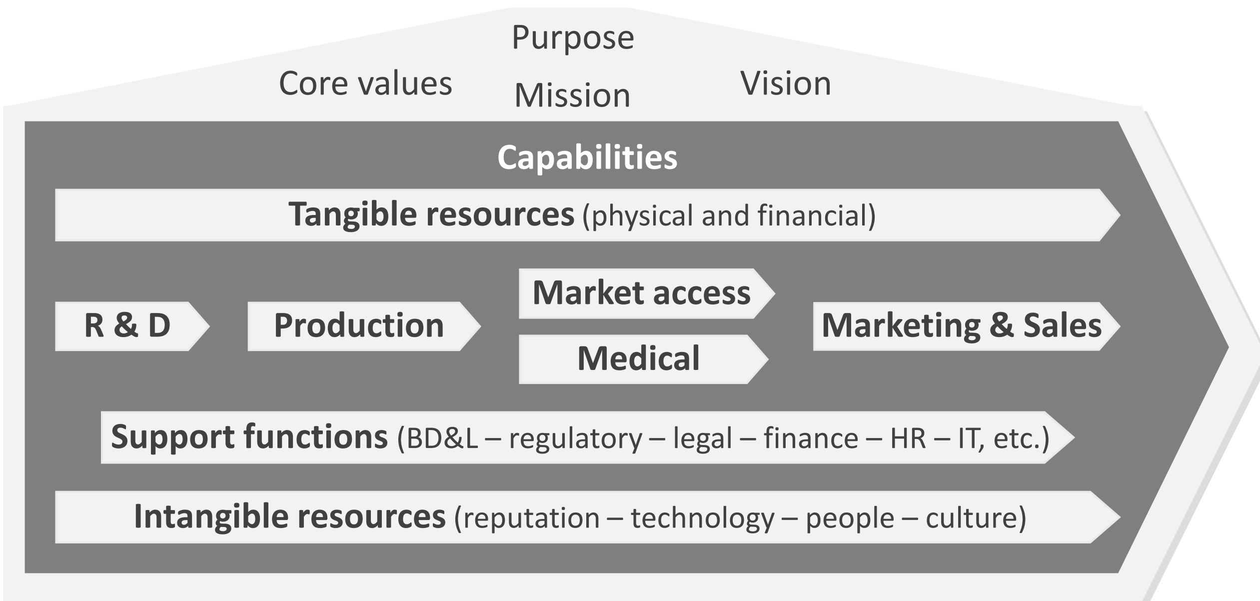
Sources: Adapted by Smart Pharma Consulting from H. Ansoff

[1] In gastroenteropancreatic neuroendocrine tumors

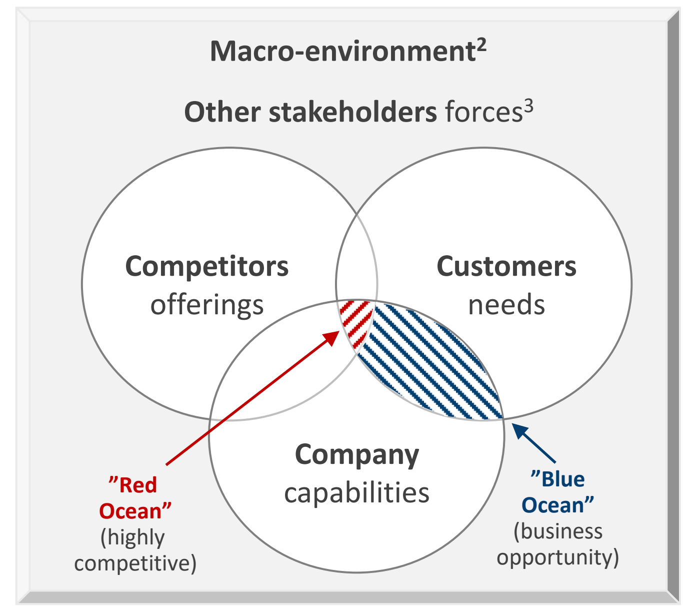
Corporate opportunities assessment requires to analyze attractiveness of targeted strategic segments and countries, the relative key success factors and required competitive advantages

Corporate strategy opportunity assessment

Business model



Strategic segments[1] & Countries



Strengths & Weaknesses
(Competitive advantage)

Opportunities & Threats
(Attractiveness & Key success factors)

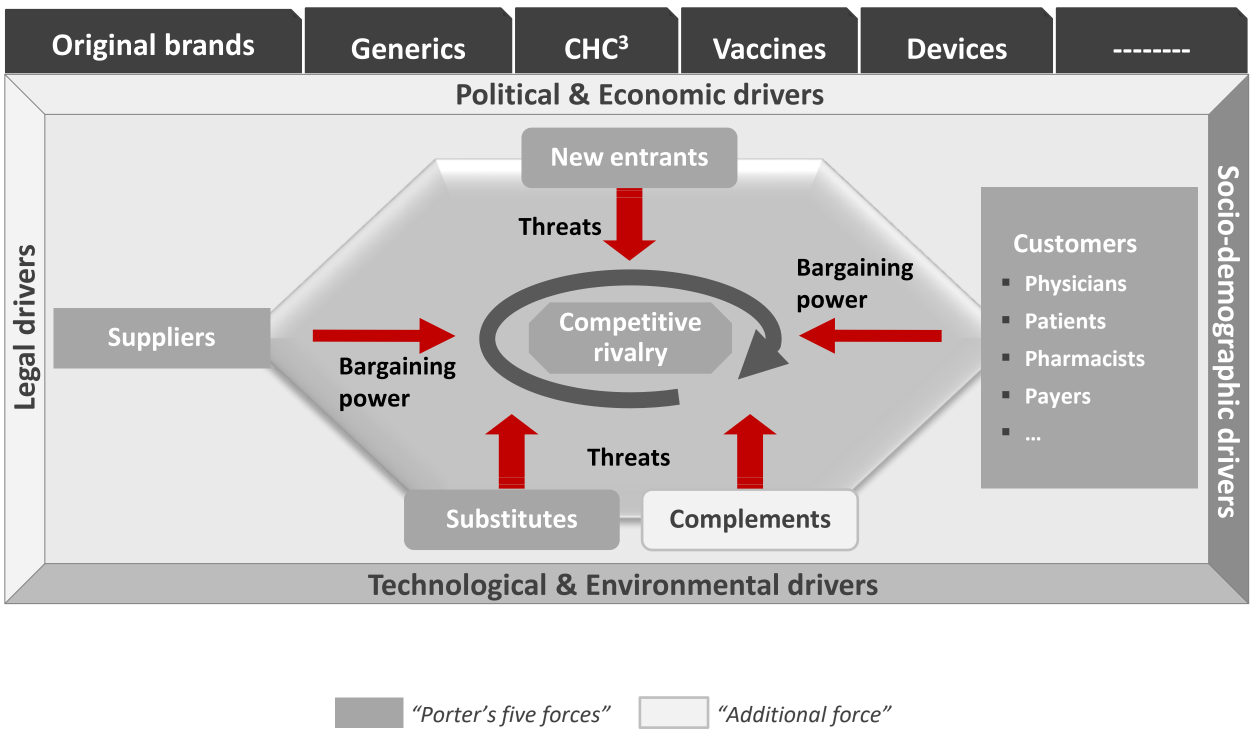
Ambition & Strategic priorities

Sources: Adapted by Smart Pharma Consulting from C. Kim et al. and from D.J. Collis , HBR April 2008

[1] Such as: Rx-bound vs. non-Rx bound markets, originators vs. generics or biosimilars, vaccines, OTCs, food supplements, medical devices, diagnostic tools, etc. – [2] Political, Economic, Socio-demographic, Technological, Environmental and Legal (PESTEL) factors – [3] Including suppliers, new entrants, substitutes, complements (adapted from Porter's five forces model)

Corporate opportunities by strategic segment and country can be assessed through PESTEL[1] analysis and the "5+1 forces framework[2]"

Attractiveness of strategic segments and countries (1/3)



- The five key macro-environmental drivers:
  - Political
  - Economic
  - Socio-demographic
  - Technological
  - Environmental
  - Legal
- The five key micro-environment drivers:
  - Suppliers
  - Customers
  - New entrants
  - Substitutes
  - Competitive rivalry
- … plus, the "Complements[4]" influence the attractiveness of each strategic segment in various countries and impact the outcomes of pharma companies' strategy
- These key drivers can be used to build scenarios of possible futures, especially by adopting the "what if" technique

Sources: Adapted by Smart Pharma Consulting from M. Porter 2008

[1] Political, Economic, Socio-demographic, Technological, Environmental and Legal – [2] Adapted from Porter's five forces model – [3] Consumer Health Care, including OTCs, food supplements, minerals, vitamins, etc. – [4] Complements can add value to the existing products or services (e.g., biomarkers complementing certain anti-cancer drugs)

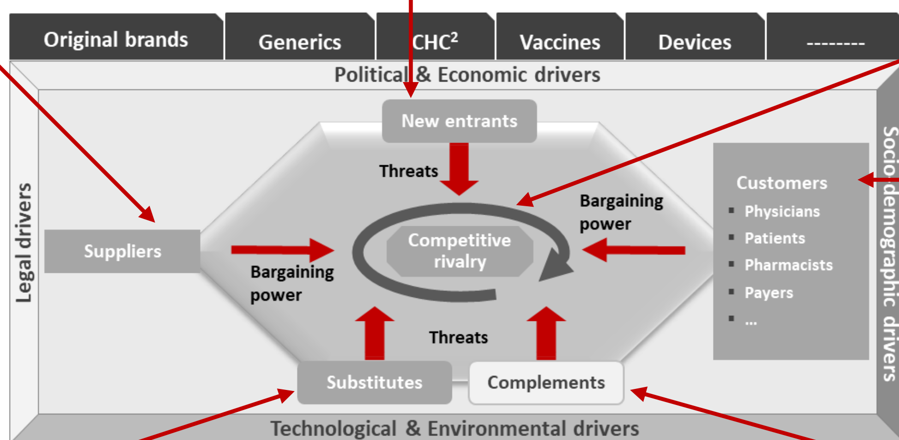
The "5+1 forces framework[1]" is particularly helpful to identify key stakeholders by country who will influence the long-term structure and profitability of each strategic segment

Attractiveness of strategic segments and countries (2/3)

- Most R&D-based pharma companies being vertically integrated, threats from suppliers are rarely an issue
- However, on the generics or biosimilars segment, API[3] or DDS[4] suppliers may have a stronger bargaining power

- New entrants (e.g., innovative products, "me-too" products, generics or biosimilars) are likely to modify the competitive intensity and thus pharma companies' performance

- Competitive rivalry intensifies with:
  - New products, indications, formulations
  - Commoditization
  - Service improvement
  - Promotional investments
  - Price discounting
  - …



- Higher pressure from customers:
  - Payers (e.g., sickness funds, hospital buying groups) increasing price pressure
  - Patient advocacy groups asking for more and better services

- Substitute products or services include:
  - Alternative therapies (e.g., surgery, DTx[5])
  - Preventive therapies (e.g., vaccination vs. anti-infective drugs)

The "5+1 forces framework" allows to determine how profits in various strategic segments and countries will be shared between stakeholders, depending on their respective competitive advantage

- Complementary products or services include:
  - Devices (e.g., BGM[6], biomarkers)
  - Diet food
  - Patient adherence programs

Sources: *Adapted by Smart Pharma Consulting from M. Porter 2008*

[1] Adapted from Porter's five forces model – [2] Consumer Health Care, including OTCs, food supplements, minerals, vitamins, etc. – [3] Active pharmaceutical ingredients – [4] Drug delivery system – [5] Digital therapeutics – [6] Blood glucose meter

Attractiveness of new strategic segments should be put into a dynamic perspective by key country, and potential synergies with existing businesses and available capabilities also considered

Attractiveness of strategic segments and countries (3/3)

Illustrative

USA | China | EURO 5 | Japan | BRI[1] | ----

Sales level & dynamics / Profit level & dynamics	Low	Medium	High
High	Generics	Diagnostics	Secondary care products
Medium	Devices	Vaccines	Primary care products
Low	Food supplements	OTCs	Mature products

- The attractiveness of a strategic segment should be defined, based on the level and likely evolution of economic indicators such as sales and profits
- Additional parameters such as potential synergies with:
  - Existing businesses
  - Existing capabilities

  should also be considered while evaluating the attractiveness of new strategic segments and new countries

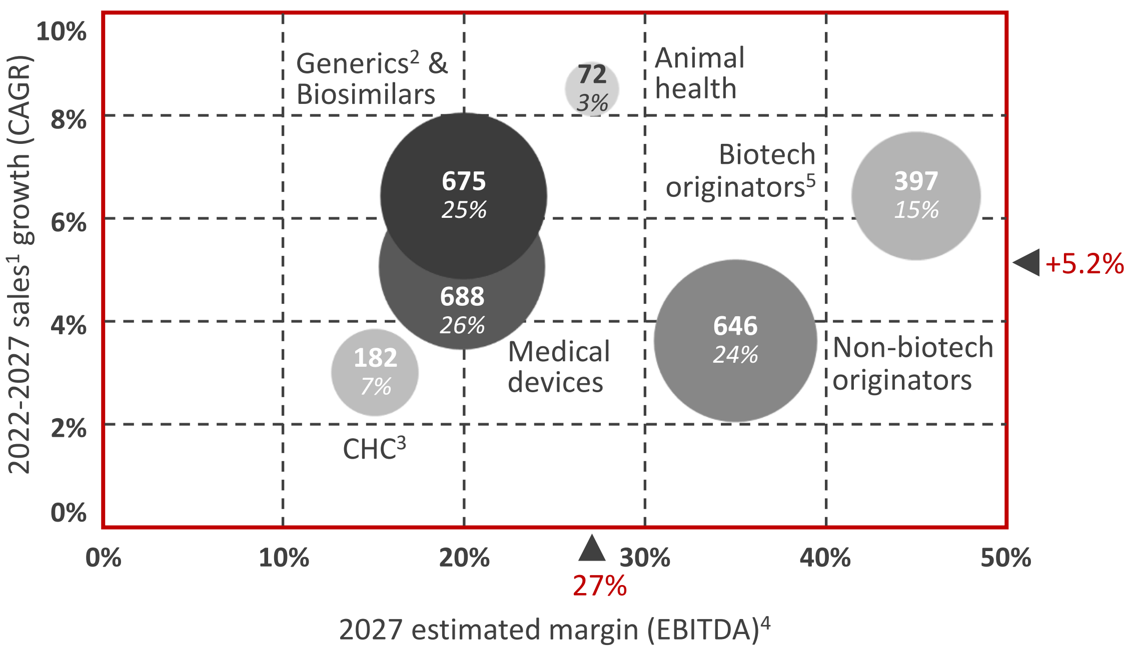
Sources: *Smart Pharma Consulting*

[1] *Brazil, Russia, India*

By 2027, the global healthcare market – across its different strategic segments – should be mainly driven by generics and biotech originators, while its profitability should lose two points

Corporate strategy crafting – Attractiveness by Strategic Market Segment

Main healthcare strategic market segments



2027 sales in USD B
(share of the 2027 global healthcare market which is estimated at USD 2,660 B)

- By 2027, the **global healthcare market** should reach USD 2,660 B and grow at a pace of **+5.2% per year**, i.e., 2.1 points of percentage above the forecasted worldwide economic growth of +3.1%
- The average **EBITDA** of healthcare companies should **decrease** from **~29%** in 2022 to **~27%** in 2027, mainly due to increasing price pressure
- In 2027, the **average profitability** of healthcare companies should be **twice higher** than the average of **other business sectors**
- The **biotech** segment will **remain** very **attractive** – despite the **ramp up** of **biosimilars** – and…
- … the **CHC** segment the least attractive one

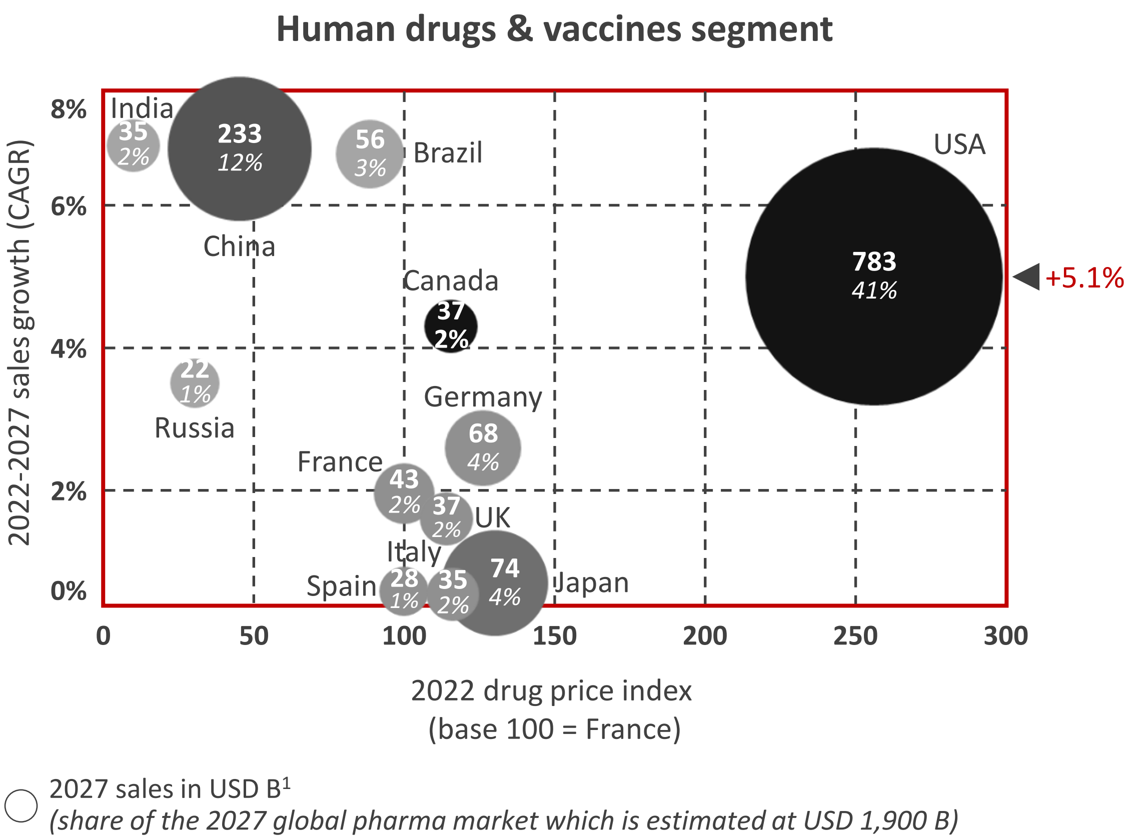
Worldwide economic growth – CAGR 2022-2027: +3.1%

Source: IQVIA Institute (January 2023) – World economic outlook, IMF (October 2023) – Companies' annual reports (2022) – Smart Pharma Consulting estimates

[1] Ex-factory price before rebates – [2] Including branded and unbranded generics – [3] Consumer Heath Care, including OTCs, food supplements, minerals, vitamins, etc. – [4] Earnings before interest, taxes, amortization and depreciation – [5] Excluding biosimilars, already included in the "Generics" segment

By 2027, human drugs & vaccines segment growth should be mainly driven by the USA and China, while EURO 5 countries should grow at a slower pace due to higher price pressure

Corporate strategy crafting – Attractiveness by Country



- Human drugs & vaccines segment is expected to grow with a **CAGR of +5.1%** by 2027, despite **higher pressure** on **prices,** worldwide
- In 2022, **EURO 5** countries accounted for 13% of the worldwide market in value:
  - Germany: 4% – France: 3% – Italy: 2%
  - UK: 2% – Spain: 2%
- By 2027, the weight of **EURO 5** countries should **drop by 2 points**, due to **higher price pressure** than in the average of the rest of the world
- **USA** should account for 41% of the segment in value and contribute to **41%** to the **segment growth** over the 2022 – 2027 period, despite the implementation of the Inflation Reduction Act (IRA) enabling Medicare to negotiate drug prices

Worldwide economic growth – CAGR 2022-2027: +3.1%

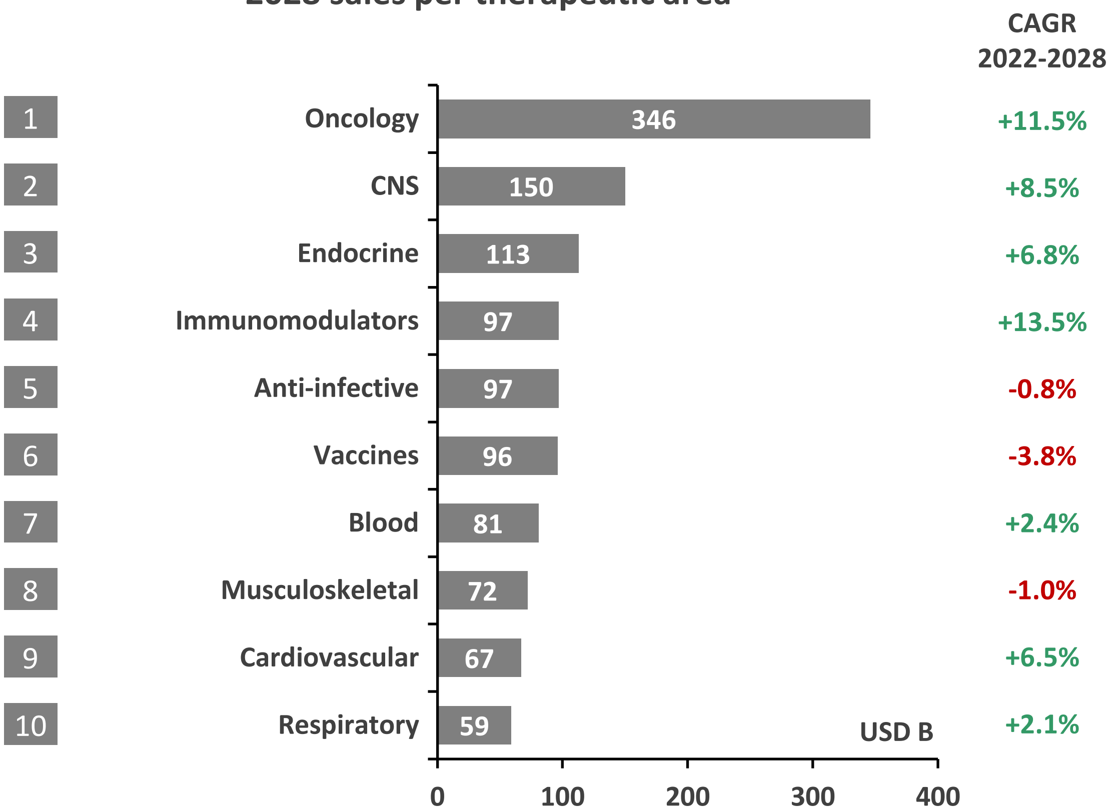
Source: IQVIA Institute (January 2023) – World economic outlook, IMF (October 2023) – TLV (December 2022) – Rand Corporation (2021) – The time of India (November 2019) – Smart Pharma Consulting estimates

[1] Ex-factory price before rebates

The important growth in oncology will be mainly driven by anti PD-1 products while immunomodulators will benefit from an increased incidence of chronic diseases

Corporate strategy crafting – Attractiveness by Therapeutic Area

2028 sales per therapeutic area



- The 2028 therapeutic area forecasts confirm the steadily increasing weight of **specialty products**, sustained by new **biologic drugs**
- **Oncology** prevails as the leading therapeutic area and will be mainly driven by **anti PD-1 products** (e.g., MSD's Keytruda, BMS's Opdivo, Roche's Tecentriq or AstraZeneca's Imfinzi)
- **CNS**, including both **neurological** and **psychiatric** drugs, should be driven by new launches, notably in Alzheimer's disease and schizophrenia
- **Endocrine**, which will be boosted by the **GLP-1** in type 2 diabetes and obesity, will also be impacted by blockbusters' **patent expiries** (e.g., MSD's Januvia, Lilly's Trulicity)
- **Immunomodulators** will have the **highest CAGR** through 2028, driven by an **increased incidence** of **autoimmune** and **autoinflammatory** diseases

Sources: World Preview 2023: Pharma's Age of Uncertainty, Evaluate Pharma (August 2023) – Smart Pharma Consulting analyses

Diversified corporations are under pressure from their shareholders to simplify their structures and increase their focus on the most dynamic and profitable strategic segments

Pharma corporate strategy trends – Concentration move (1/2)

GSK

- In 2019, GSK combined its CHC[1] portfolio with that of Pfizer named Haleon of which it owned 68% of shares
- In 2022, GSK spined off Haleon to focus on vaccines and human prescription drugs
- In 2022, GSK acquired Affinivax which was developing a novel class of vaccines and…
- … in 2023, Bellus Health to strengthen its respiratory pipeline

J&J

- In 2017, Johnson&Johnson acquired Actelion which is specialized in products for PAH[2]
- In 2022, J&J acquired Abiomed, a world leader in heart, lung and kidney support technologies
- In 2023, Kenvue, the Johnson & Johnson's consumer business, became independent
- Thus, J&J is now focusing its activities on medical devices and Rx-bound drugs

Pfizer

- In 2019, Pfizer combined its CHC portfolio with that of GSK into a joint-venture named Haleon of which it owned 32% of shares
- In 2020, Pfizer sold its established and generics business (Upjohn) to Viatris[3] to focus its activities on innovative products
- In 2022, Pfizer spined off Haleon which became a standalone company

sanofi

- In 2016, Sanofi exchanged Merial[4] with Boehringer Ingelheim CHC business
- In 2018, Sanofi sold its European generic business Zentiva to Advent[5]
- In 2023, Sanofi announced the divestiture of its CHC (Opella) business, to become a pure biopharma player

Source: Adapted by Smart Pharma Consulting from H. Ansoff

[1] Consumer Health Care – [2] Pulmonary arterial hypertension, a life-threatening rare disease – [3] Viatris is the company resulting from the merger of Mylan and the Upjohn division of Pfizer – [4] Its animal health business – [5] A private equity firm

Big and Mid Pharma Companies have accelerated, over the recent years, a combination of M&As and spin off operations to focus their business on the most attractive strategic segments

Pharma corporate strategy trends – Concentration move (2/2)

Bristol Myers Squibb™

- In 2019, BMS sold its CHC[1] business (UPSA), which represented 3% of its total sales, to Taisho Pharmaceutical
- In 2019, BMS acquired Celgene to reinforce its oncology portfolio and…
- … in 2022 Turning Point Therapeutics as well as Mirati Therapeutics in 2023

IPSEN Innovation for patient care

- In 2022, IPSEN sold its CHC business to Mayoly Spindler
- Recently, IPSEN has made several acquisitions (Clementia Pharmaceuticals in 2019, Epizyme in 2022, Albireo in 2023) expanding the scope of its rare disease and oncology portfolio

MERCK

- In 2021, Merck & Co completed the spin-off of Organon & Co, an independent entity including biosimilars, women's health and established brands
- In 2023, Merck & Co acquired the immunology specialist Prometheus
- Its focus is now on vaccines and drugs for diseases threatening people and animals

NOVARTIS

- In 2018, Novartis sold its 36.5% stake in its CHC JV[2] with GSK, to the latter
- In 2019, Novartis sold Alcon, its eye care division, which became a separately traded standalone company
- In 2023, Novartis completed the spin-off of Sandoz, its generics and biosimilars business, to focus on innovative drugs

Source: Adapted by Smart Pharma Consulting from H. Ansoff

[1] Consumer Health Care – [2] Joint Venture

Pharma companies focusing on the Rx-bound human drugs & Vaccines strategic segment, whose revenues come mainly from the US market, are more likely to exhibit a superior performance

Corporate Strategy Matrix (2022[1])

Illustrative

- The US market is the largest national market, with a growth potential of ~5% p.a. over the 2022 – 2027 period
- The US market and the Rx-bound (i.e., biotech and non-biotech originators) & Vaccines segment generate the highest profits

Most attractive quadrant

- J&J whose 51% of sales comes from the US market, and 56% from Rx-bound drugs & Vaccines generated an EBITDA of 34 % in 2022
- This good performance is driven by J&J focus on high margin therapeutic areas like oncology and immunology

Moderately attractive quadrant

Strategic segments

Countries	Rx-bound & Vaccines only[2]	Diversified[3]
>50% USA-focused	abbvie, AMGEN, Bristol Myers Squibb, GILEAD, GSK, novo nordisk, Lilly, Takeda	Johnson&Johnson[4]
<50% USA-focused	astellas, Pfizer, NOVARTIS, Biogen, AstraZeneca	MERCK[5], Roche, sanofi[6], BAYER, Boehringer Ingelheim, MERCK

- The performance of these companies depends on:
  - The therapeutic areas they focus on
  - The valuation of their products by national payers
  - The selling prices they can apply, and thus the related profits by country

Moderately attractive quadrant

- In principle, diversified companies, with low USA share of revenues, show the lowest profitability
- However, some companies like Merck & Co[5] or Roche who have strong positions in oncology, show excellent performances

Least attractive quadrant

Source: Smart Pharma Consulting analyses based on pharma companies' website

[1] Excepting Takeda and Astellas for which data are from April 2022 to March 2023 – [2] 100% of sales in Rx-bound human drugs and/or vaccines – [3] Including other strategic segments such as: OTCs, animal health, medical devices, diagnostics, and for Bayer only, activities in crop science – [4] In 2023, J&J divested its consumer business – [5] Merck & Co which is named Merck in the USA and Canada, and MSD in other countries – [6] In 2023, after the divestiture of its CHC business, Sanofi has become a 100% Rx-bound & vaccines company

Corporate BD&L initiatives are expected to generate extra revenues, increase profits and/or spread business risks, while leveraging potential synergies

Expected benefits from corporate BD&L[1] initiatives

Increase revenues

- **Market penetration / consolidation**
- **Development of new products / new services** (extension of the offering)
- **Development of new markets** (expansion of presence in new countries and/or market segments)
- **Diversification** (entry in new strategic segments and/or upward or downward integration in an existing business segment to capture additional value)

Increase profits

- **Economies of scale** having the potential to lower operating costs through a better absorption of fixed costs (e.g., manufacturing, distribution, promotion)
- **Economies of scope** leading to increased efficiency by applying existing resources (tangible and intangible) and/or competences to new products / services and markets (based on cost and competence sharing principles)

Spread business risks

- **Presence in diverse strategic segments responding to different macro-environmental drivers likely to compensate business risks:**
  - R&D-based business: average growth, high profitability, low brand equity after patent expiry
  - OTC business: low growth, average profitability, possible lasting brand equity
  - Generics business: high growth, low to average profitability, low brand equity

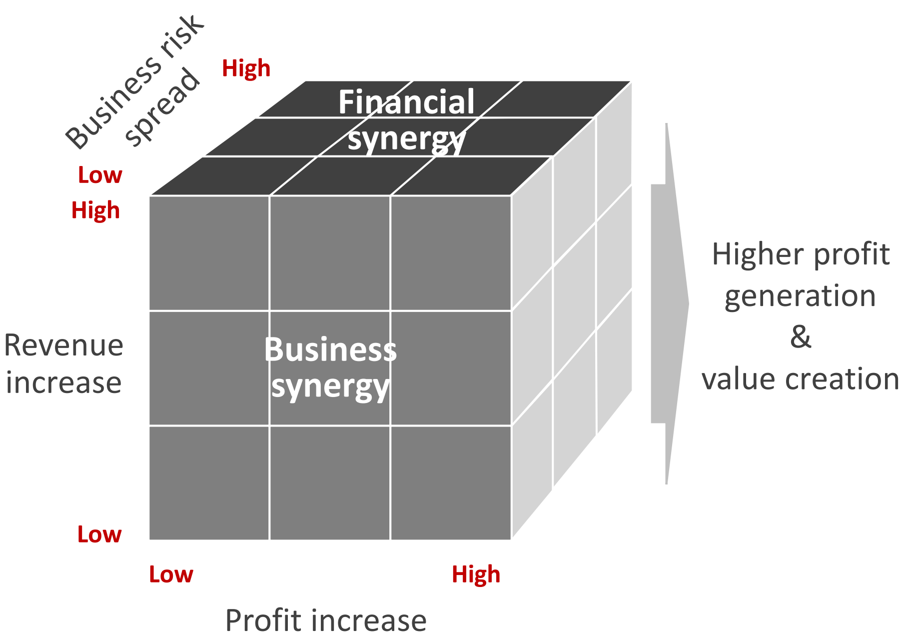
Sources: Adapted by Smart Pharma Consulting

[1] Including M&A and strategic alliances

Synergies result from a better mixing and matching of capabilities, and are the greatest when opportunities are in businesses like those in which the pharma company operates

Synergies applied to corporate BD&L[1] initiatives

Types of synergies



- There are two different types of synergies:
  - **Business synergies** due to cost reduction and/or revenue increase through combination of capabilities (i.e., tangible / intangible resources and competences)
  - **Financial synergies** related to possible spread of business risks if combined strategic segments are subject to different opportunities and threats
- Positive synergies are based on:
  - Shared competences (economies of scope)
  - Shared costs (economies of scale)
- Negative synergies refer to lower profit generation due to:
  - Revenue dynamics impairment[2] and/or
  - Cost increase (costs higher than the sum of the previous businesses when they were operating independently)

  resulting from complexity, mismanagement, problems of integration, lower efficiency, brand cannibalization, etc.

Sources: Adapted by Smart Pharma Consulting from R Koch 2006 and from G. Johnson 2008

[1] Including M&A and strategic alliances – [2] Through the slowdown of the historical sales increase or acceleration of the historical sales decrease

Strategic alliances and M&As enable pharma companies to expand their product portfolio and their geographical coverage, build capabilities and create business synergies

Corporate BD&L[1] alternatives

Strategic alliances

- Strategic alliances involve the sharing of capabilities[2] in pursuit of common objectives
- Accessing capabilities through alliances offers more targeted and cost-effective means than acquisition
- Where both partners are trying to acquire one another's capabilities, results may be a "competition for competence" that ultimately destabilizes the relationship
- Strategic alliances can take different forms:

Joint-venture	Co-development / Co-promotion
E.g., ViiV healthcare, specialized in HIV, is a company owned by GSK, Pfizer and Shionogi[3]	E.g., Pfizer & BMS collaborate worldwide to co-develop and co-promote Eliquis (apixaban)
Co-marketing	**Out-licensing**
E.g., Januvia / Janumet[4] of MSD was licensed to Sun Pharma in India under different names[5]	E.g., Regeneron has licensed to Bayer the marketing rights of Eylea[6] outside of the USA

Mergers & Acquisitions

- Acquiring capabilities should be considered if desired capabilities can only be developed over long periods
- Integrating the acquiree's capabilities involves major risks:
  - Culture and personality clashes
  - Incompatibility of management systems
  - High organizational integration costs and time

  resulting in degradation or destruction of capabilities
- M&As initiatives may be related to a:

Company	Portfolio	Brands
E.g., Acquisition of Horizon Therapeutics by Amgen in 2022	E.g., Acquisition of Biohaven's calcitonin gene-related peptide (CGRP) franchise by Pfizer in 2022	E.g., Acquisition by Cheplapharm of several matures brands like Seroquel from AstraZeneca

Sources: Adapted by Smart Pharma Consulting from R Koch 2006 and from G. Johnson 2008

[1] Including M&A and strategic alliances – [2] Resources and competences – [3] 78.3% of the company being owned by GSK, 11.7% by Pfizer and 10% by Shionogi – [4] Respectively sitagliptin and sitagliptin/metformin – [5] Sun Pharma uses Sitared for sitagliptin and Sitared-M for the fixed combination sitagliptin/metformin – [6] Aflibercept, was approved for Wet age-related macular degeneration (AMD)

The evaluation of each business opportunity should be determined by its degree of suitability, acceptability and feasibility

Evaluation of corporate BD&L[1] opportunities

Suitability	Acceptability	Feasibility
▪ Does the opportunity address key issues related to the company's strategic position? ▪ To what extent strategic options will: – Fit with key market drivers? – Leverage strategic capabilities? – Meet stakeholders' expectations?	▪ Acceptability refers to the expected performance outcomes (e.g., return, risk) of a strategy ▪ To what extent do these outcomes meet the expectations of stakeholders?	▪ The feasibility is concerned with the capabilities of the company to implement the strategy that has been considered
Tools	Tools	Tools
▪ **Advanced SWOT analysis** to rank strategic options ▪ **Decision tree** (evaluation of future opportunities by progressively eliminating others as additional requirement criteria are introduced into the evaluation) ▪ **Scenario building** (strategic options are considered against possible future situations)	▪ **Return**: expected benefit measurement: – Profitability (ROCE[2], payback, DCF[3]) – Cost-benefit analysis – Real options analysis – Shareholder value analysis (SVA) ▪ **Risk**: probability and consequences of the strategy failure: – Financial ratio projections – Sensitivity analysis ▪ **Stakeholders' reactions** (mapping)	▪ **Financial feasibility** assessment through a **cash flow analysis** (forecasting of the needed cash to deliver the strategy and identification of the likely sources to fund that cash) ▪ Evaluation of **capabilities needed**: – **Gap analysis**: available vs. required – Required **changes assessment** – **Determination of "if" and "how"** to implement changes

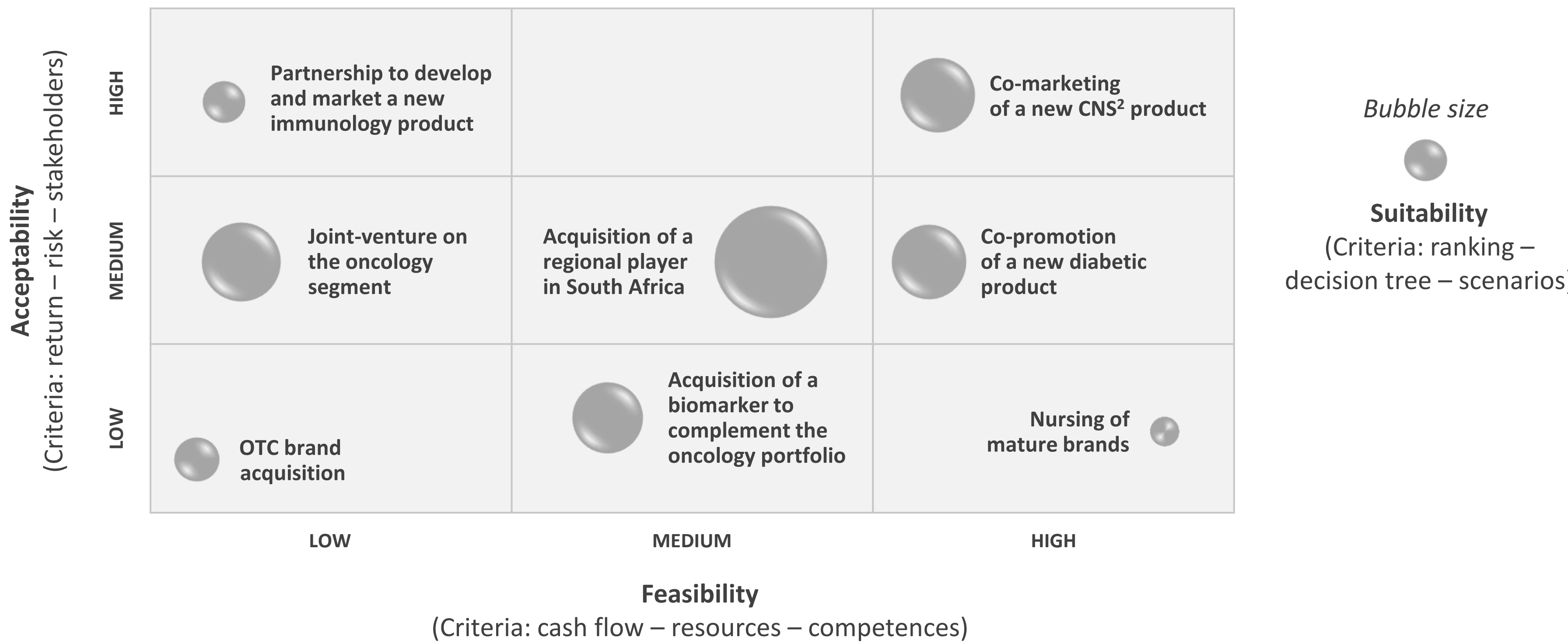
Sources: Adapted by Smart Pharma Consulting from G. Johnson 2008

[1] Including M&A and strategic alliances – [2] Return on capital employed – [3] Discounted cash flows

The corporate BD&L evaluation matrix represents a convenient means to put into perspective acceptability, feasibility and suitability of different projects

Corporate BD&L[1] evaluation matrix

Illustrative



Sources: Smart Pharma Consulting

[1] Including M&A and strategic alliances – [2] Central nervous system

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Pharma Corporate Strategy

Survival Toolkit

- The purpose of this position paper is to share insights regarding corporate strategy applied to pharma companies
- The following key issues are addressed:

1. Why and how to elaborate a robust Strategic Square?
2. How to select the strategic segments where to play?
3. What are the most attractive strategic segments and countries?
4. How to evaluate the corporate strategy opportunities?
5. What are the corporate BD&L benefits / alternatives?

Smart Pharma Consulting Editions

- Besides our consulting activities which take 85% of our time, we are strongly engaged in sharing our knowledge and thoughts through:
  - Our teaching activities in advanced masters (ESSEC B-school, Paris Faculty of Pharmacy)
  - Training activities for pharma executives
  - The publication of articles, booklets, books and expert reports
- Our publications can be downloaded from our website:
  - 41 articles
  - 74 position papers covering the following topics:
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    2. Strategy
    3. Market Access
    4. Medical Affairs
    5. Marketing
    6. Sales Force Effectiveness
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- Our research activities in pharma business management and our consulting activities have shown to be highly synergistic
- We remain at your disposal to carry out consulting projects or training seminars to help you improve your operations

Best regards

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