

The French OTC Market

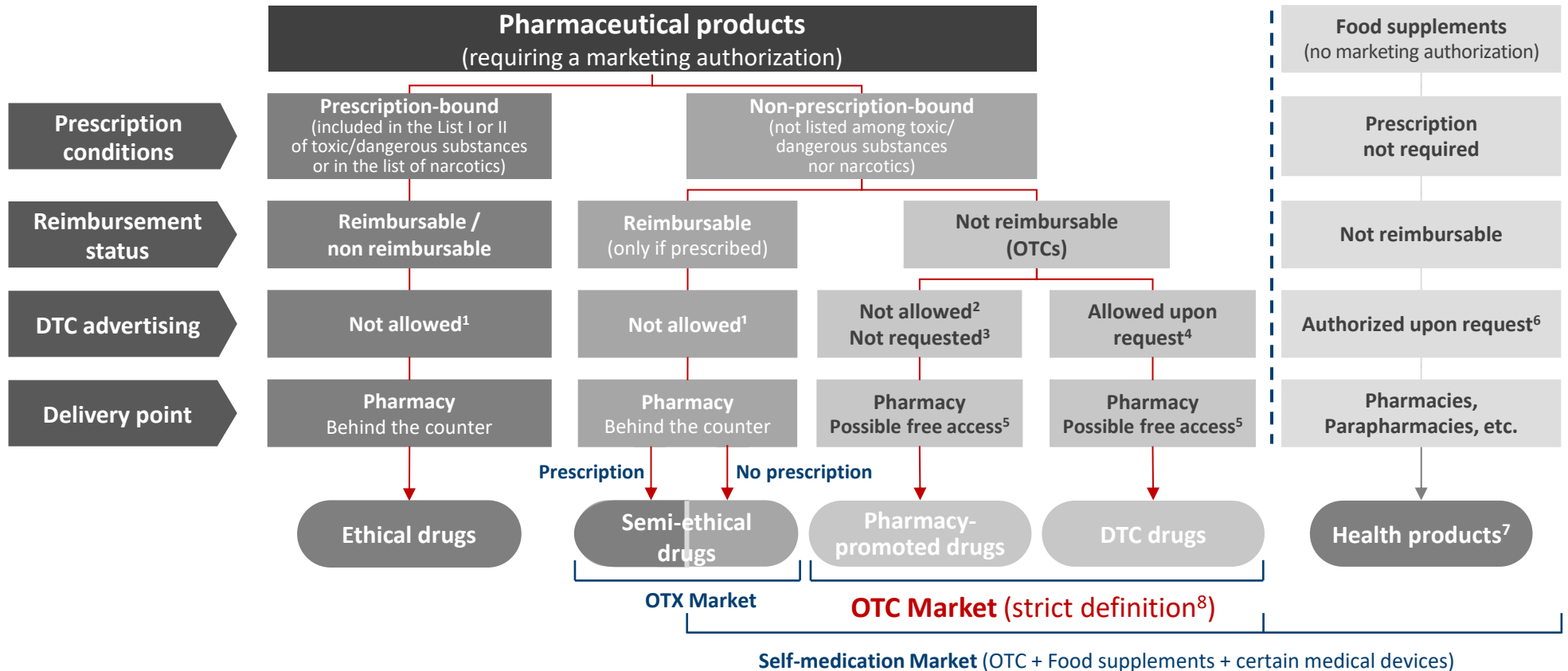
Market Insights Series

Situation Analysis & Trends

December 2024

Pharmaceutical products can be split into prescription-bound and non-prescription-bound drugs, knowing that some of the prescribed drugs are not reimbursed

Classification of pharmaceutical products in France



Note: OTC = Over-the-counter, OTX = combination of prescription (RX) and over-the-counter (OTC), DTC = Direct to consumer

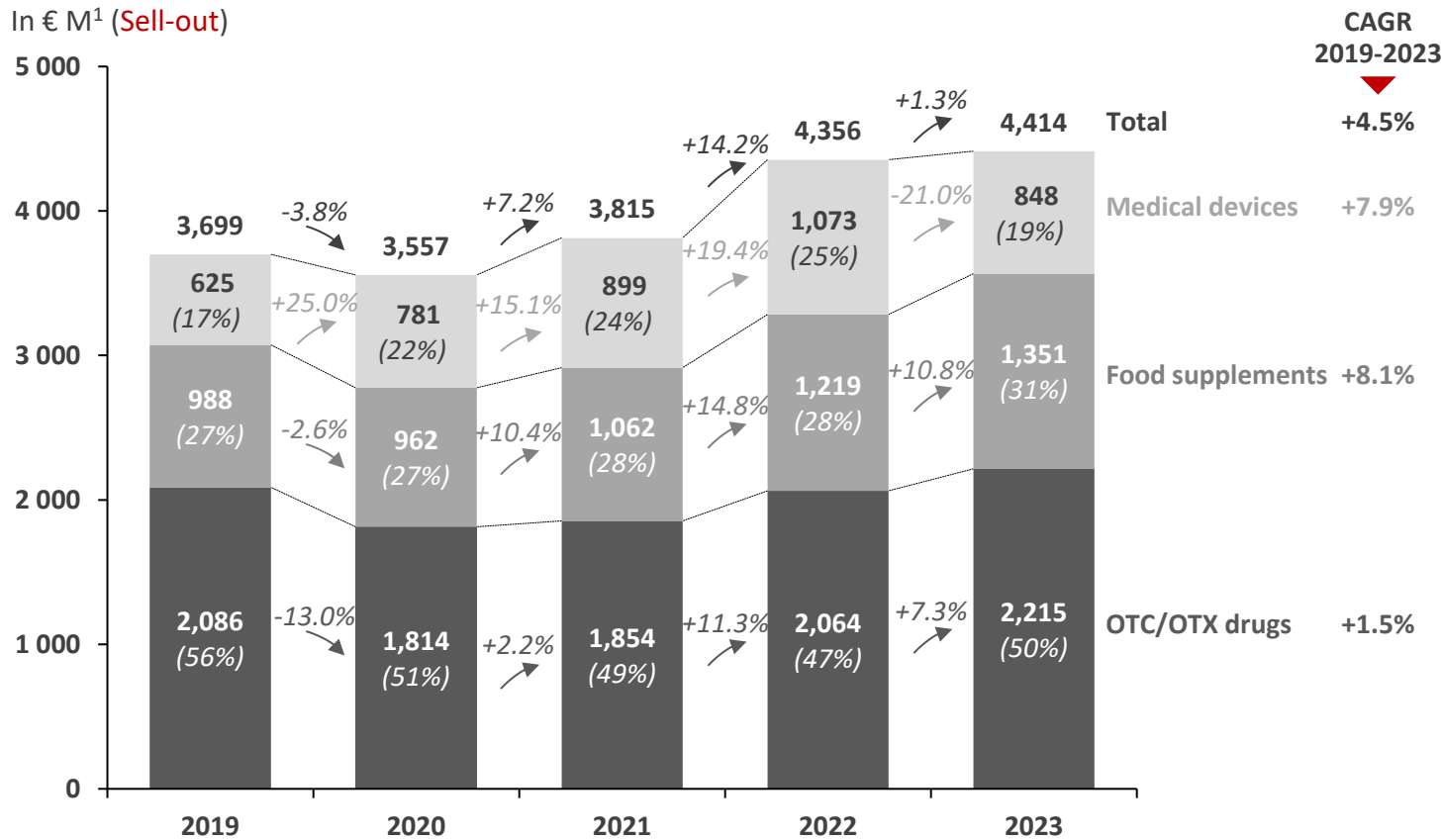
Sources: ANSM – DGCCRF – Smart Pharma Consulting analyses

¹ Rare exceptions (e.g., vaccines) – ² Psychotropic or narcotic drugs – ³ When the pharma company does not wish to communicate to the general public – ⁴ Whatever the claims – ⁵ Possibility of “free access” within the retail pharmacy for certain OTC products – ⁶ Only for claims relating to healing, alleviating or preventing diseases – ⁷ Other than drugs and pharmaceutical products – ⁸ Defined as the non-listed, non-reimbursed and non-prescribed drugs bought by consumers at retail pharmacies

The total self-medication market – at sell-out value – increased by +4.5% p.a. over 2019 – 2023, with a strong growth of food supplements and medical devices, unlike OTC/OTX drugs

Self-medication: Market segmentation & dynamics (2019 – 2023)

Sell-out value



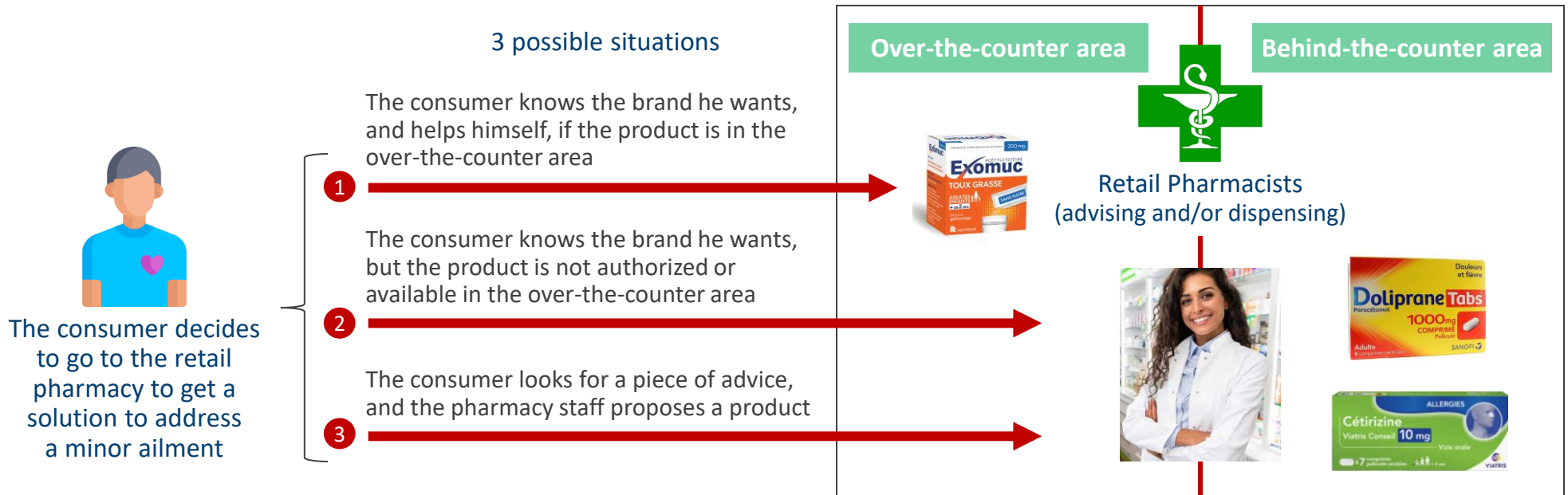
- The self-medication market includes all the products which are non-Rx bound, bought without a prescription and non-reimbursable
- The self-medication is split into three categories of products:
 - Drugs:
 - OTC (e.g., Toplexil)
 - Non-prescribed OTX (e.g., Helicidine)
 - Medical devices (e.g., Phytosil)
 - Food supplements (e.g., Tux-actifs)
- A patient / consumer who needs a solution for a given ailment may be advised by the pharmacy staff or ask for a product belonging to one of these categories

Sources: Openhealth Company (Neres January 2024), based on a panel of 13,491 retail outlets – Smart Pharma Consulting analysis

¹ Sell-out, in public prices including VAT

The OTC market is mostly driven by pharmacy staff proposition and delivery, consumers having a low level of awareness and little, if any, OTC products being displayed in the over-the-counter area

Self-medication: Consumer journey from perceived need to delivery

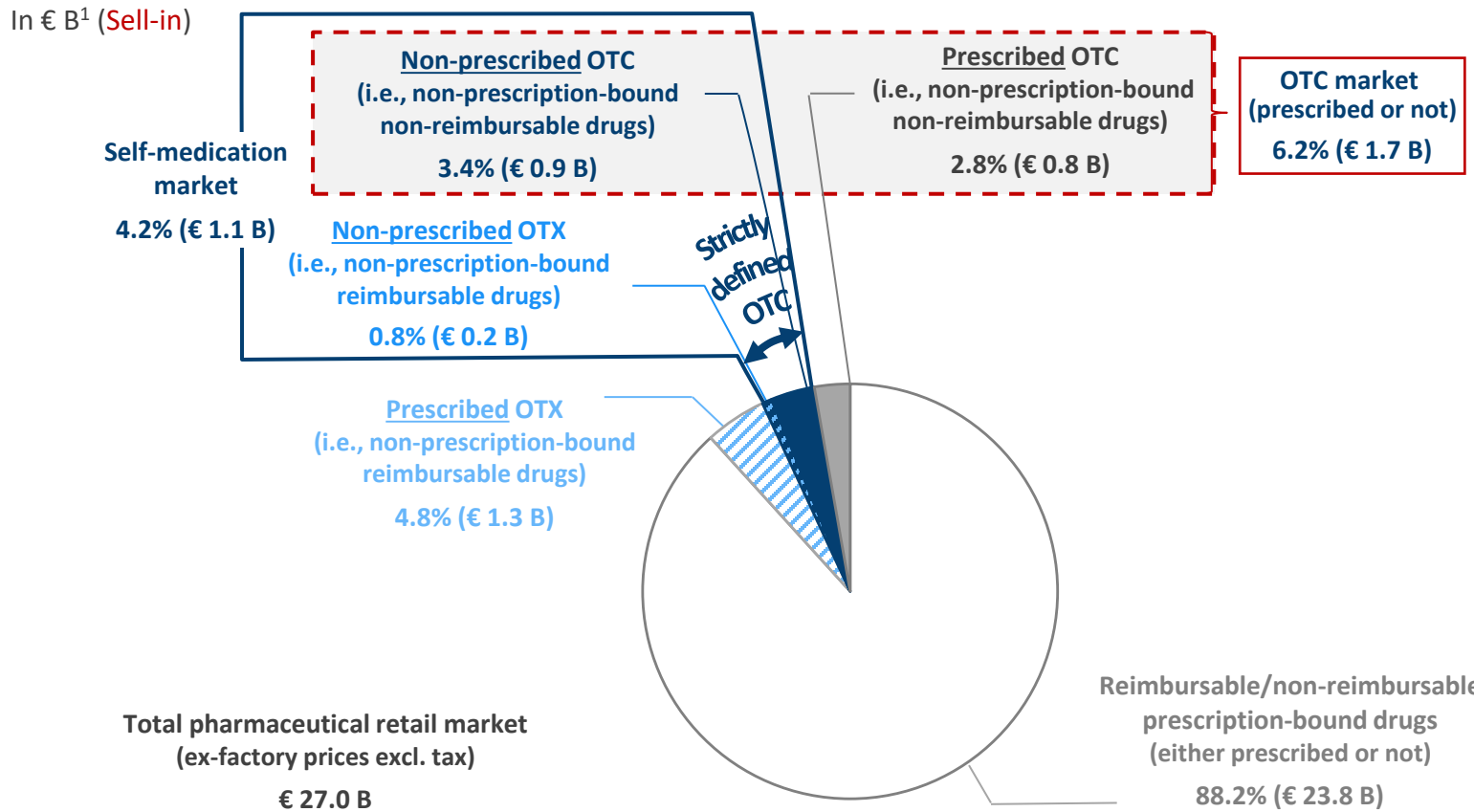


- The ANSM has set a positive list of drugs authorized over-the-counter. They are not systematically displayed in this area in all outlets
- Consumers asking for a given brand will be delivered – in most cases – that brand. However, the staff may propose an alternative one
- When a brand is proposed, it can be an OTC drug, a food supplement or a medical device, which are all non-listed and non-reimbursed
- It is unlikely that an OTX drug¹ is proposed, because the price and the margin set by the CEPS² are much lower than for the other products types

In 2023, the OTC market (i.e., non-listed, non-reimbursed and non-prescribed drugs bought at retail pharmacies) amounted to € 1.7 B*, accounting for 6.2% of the retail pharmaceutical market

Size of the OTC market (2023)

Sell-in value



- OTX (i.e., non-prescription-bound, reimbursed only if prescribed) are massively prescribed by physicians (sometimes at patient request), which tends to limit the self-medication market growth potential

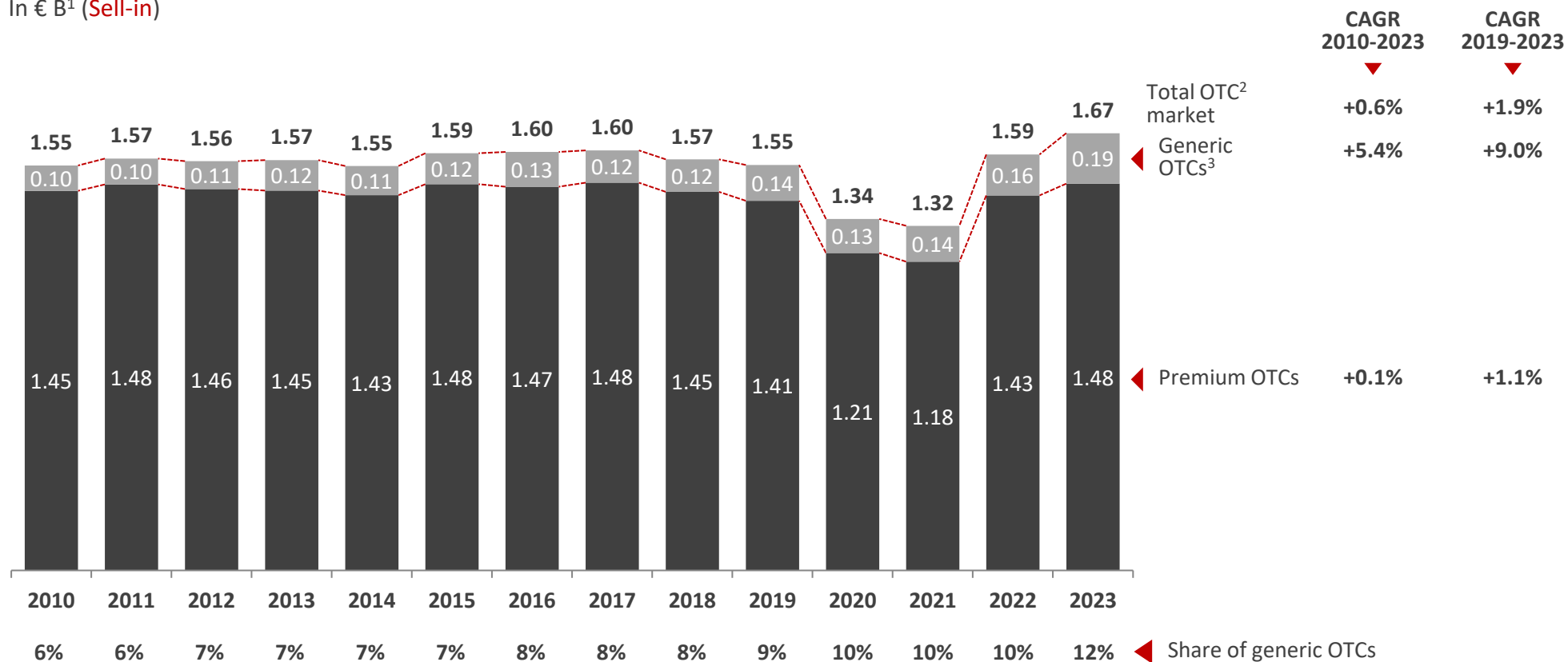
* Sales of products with the status of food supplements or medical devices which can compete with OTCs drugs (e.g., treatments for cough & cold) are not included

The OTC market has been quite stable since 2010, but the generics market share grew (+ 6 pts in 13 years)

OTC market evolution (2010-2023)

Sell-in value

In € B¹ (Sell-in)



Sources: GERS dashboards – Smart Pharma Consulting analyses

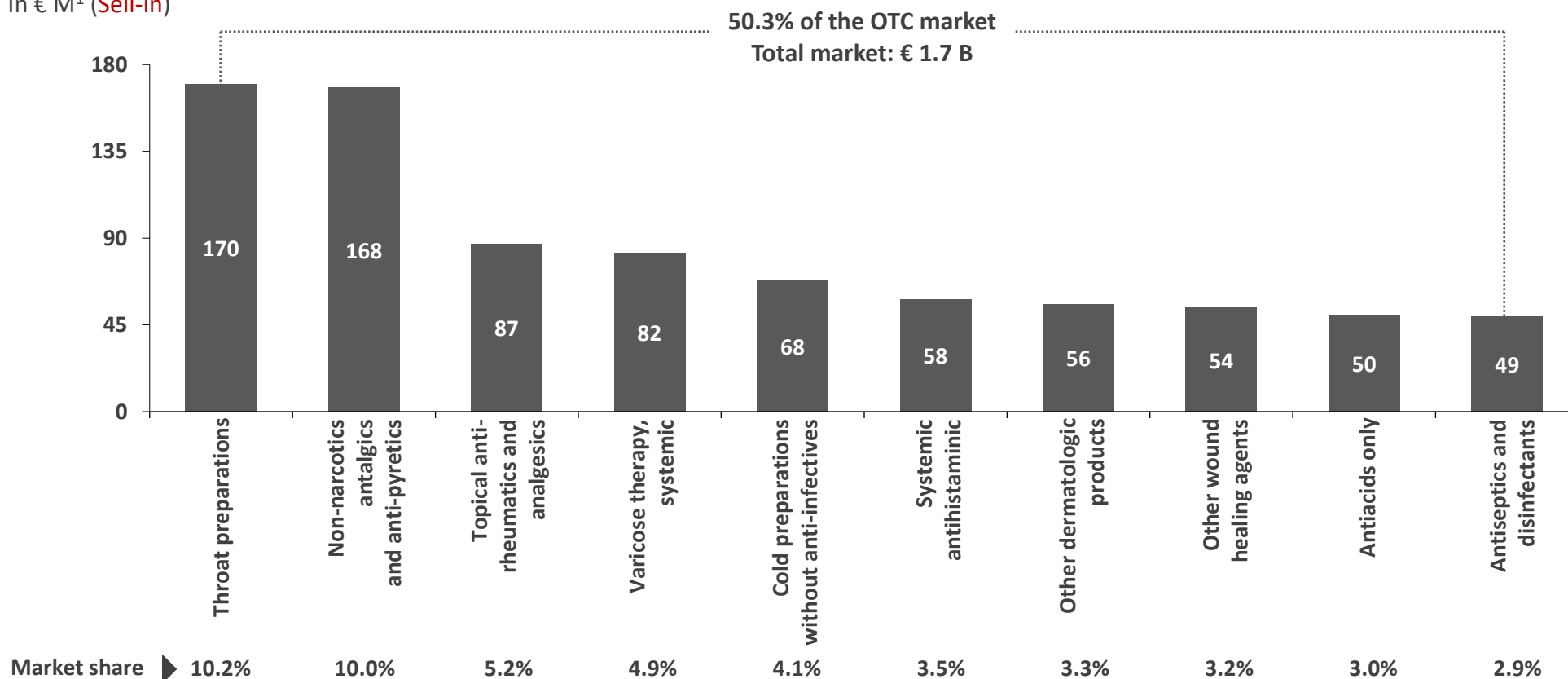
¹ Ex-factory prices before rebates and taxes – ² Not listed nor reimbursed – ³ OTCs commercialized by leading generics companies: Arrow, Biogaran, EG Labo, Sandoz, Teva, Viatrix (before the acquisition of almost all its OTC portfolio by Cooper in July 2024) or Zentiva

In 2023, throat preparations led the French OTC market, followed by non-narcotics antalgics and antipyretics

Top 10 therapeutic areas – OTC market (2023)

Sell-in value

In € M¹ (Sell-in)



Sources: GERS – Smart Pharma Consulting analyses

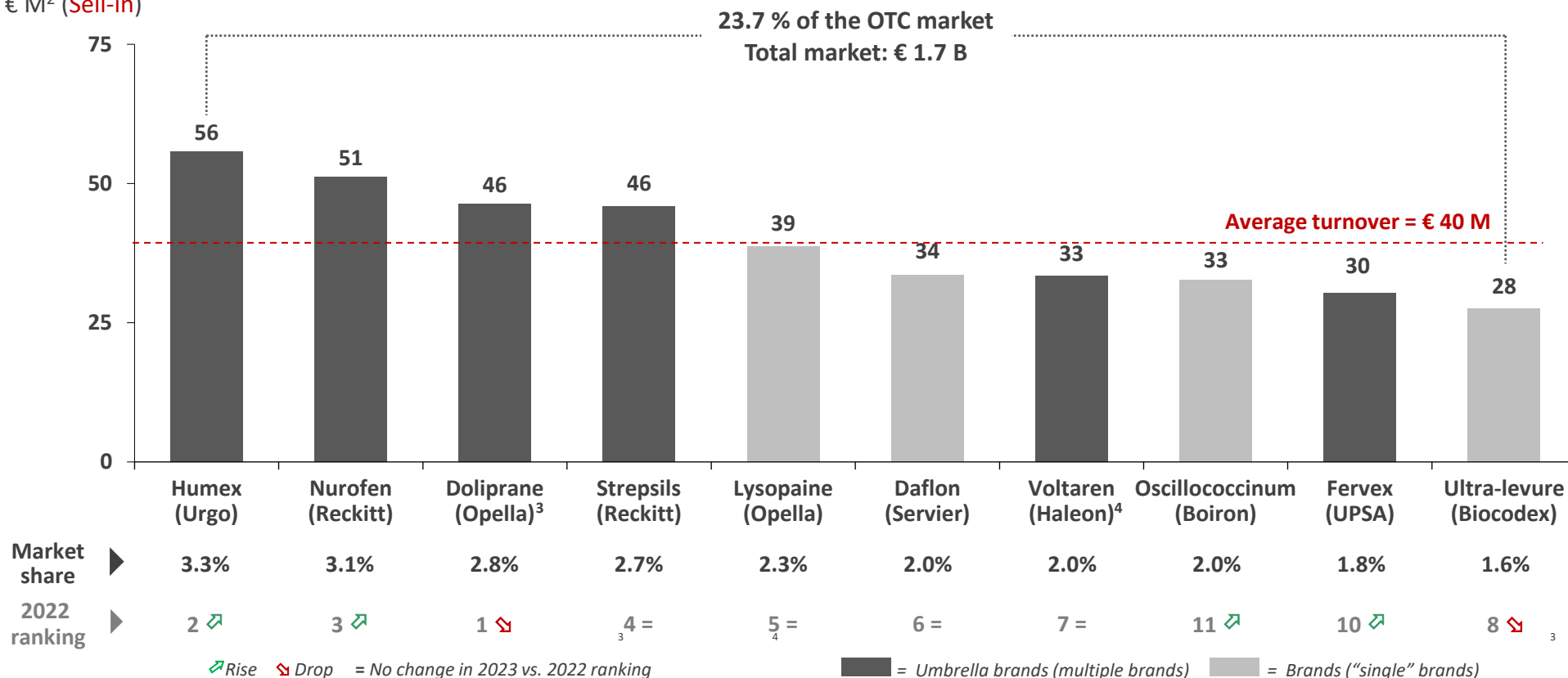
¹ Ex-factory prices, before rebates and taxes

The top 10 brands of the OTC market – including six umbrella brands – accounted for ~24% of the total sales in 2023

Top 10 brands and umbrella brands on the OTC¹ market (2023)

Sell-in value

In € M² (Sell-in)



Sources: GERS – Smart Pharma Consulting analyses

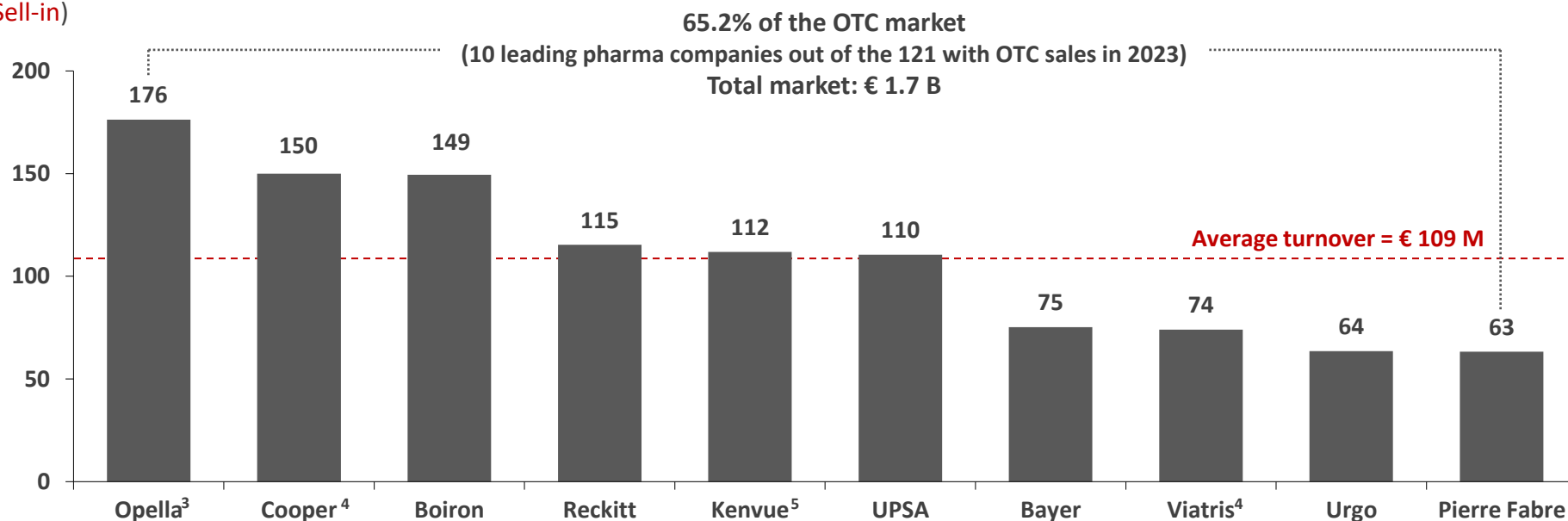
¹ Non-listed, non-reimbursable products – ² Ex-factory prices, before rebates and taxes – ³ Sanofi entity, being partially sold to CD&R (exclusive negotiations for the repurchase of 50% of Sanofi's stake in Opella) and to BPI France (which should acquire a minority stake of almost 2% of Opella) – ⁴ Company created in February 2022, prior to its demerger from GSK in July 2022

The OTC business of companies operating in the French market is relatively small, with only six of them showing sales above € 100 M

Top 10 companies on the OTC¹ market (2023)

Sell-in value

In € M² (Sell-in)



Market share	▶	10.5%	9.0%	8.9%	6.9%	6.7%	6.6%	4.5%	4.4%	3.8%	3.8%
2022-2023 evolution	▶	-3.1%	+10.8%	+10.5%	+9.9%	+2.5%	-10.6%	-4.3%	+12.7%	+11.8%	+12.2%

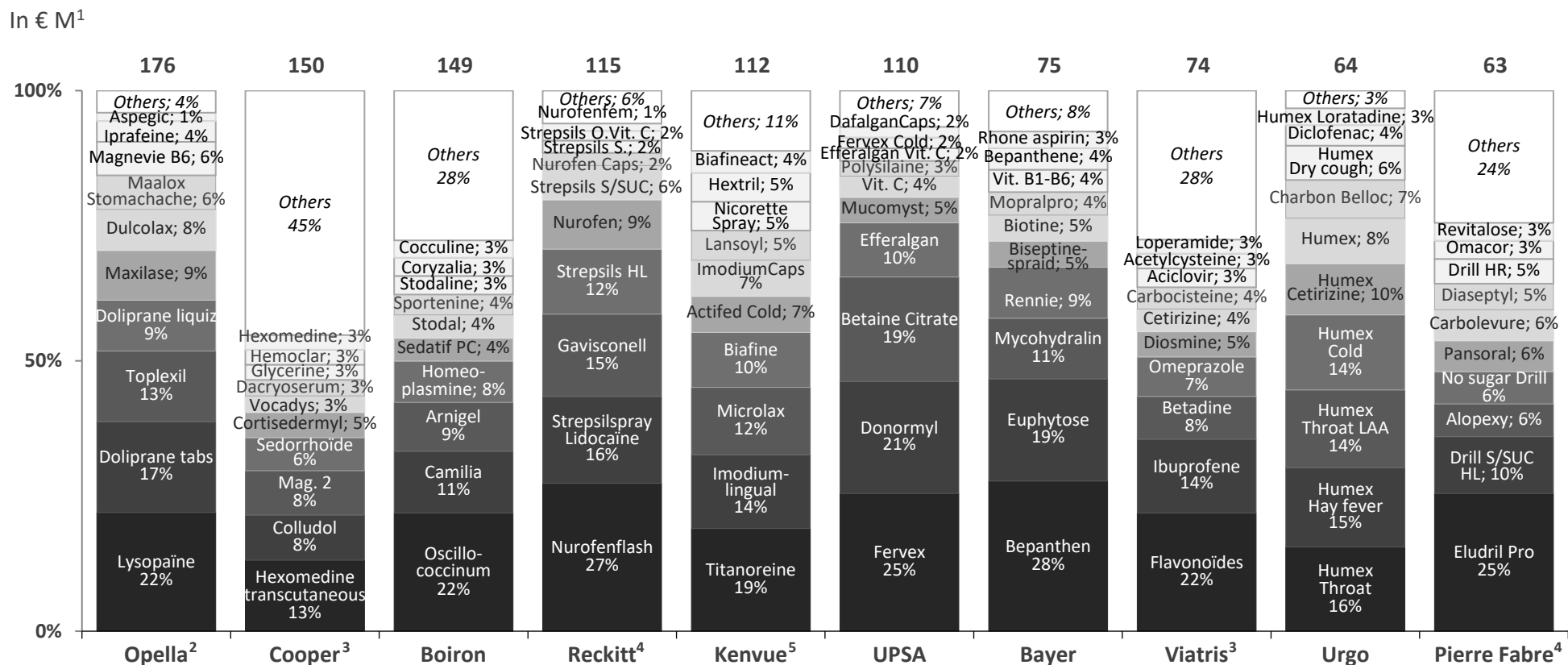
Sources: GERS – Smart Pharma Consulting analyses

¹ Non-listed, non-reimbursable products – ² Ex-factory prices, before rebates and taxes – ³ Sanofi entity, being partially sold to CD&R (exclusive negotiations for the repurchase of 50% of Sanofi's stake in Opella) and to BPI France (which should acquire a minority stake of almost 2% of Opella) – ⁴ In July 2024, Cooper acquired almost all the OTC portfolio of Viatris – ⁵ Company created in August 2023, after its demerger from J&J

Since the acquisition of Viatrix OTC products by Cooper in July 2024, the latter has become the top selling OTC company on the French OTC market, with a fragmented portfolio

Top 10 OTC products of top 10 OTC companies (2023)

Sell-in value



Note: Boiron is a company focusing on homeopathy products

Sources: GERS – Smart Pharma Consulting analyses

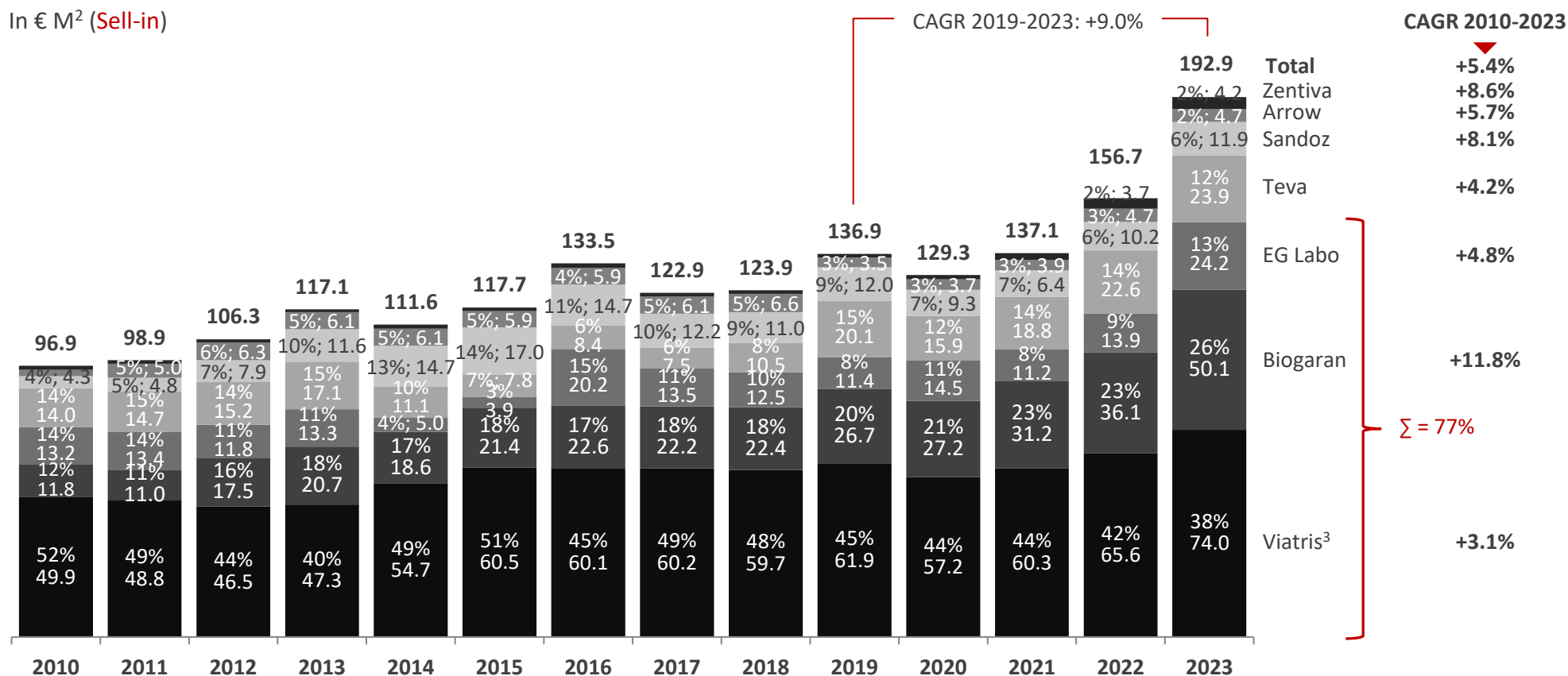
¹ Ex-factory prices, before rebates and taxes – ² Sanofi entity, being partially sold to CD&R (exclusive negotiations for the repurchase of 50% of Sanofi's stake in Opella) and to BPI France (which should acquire a minority stake of almost 2% of Opella) – ³ In July 2024, Cooper acquired almost all the OTC portfolio of Viatrix – ⁴ S.: strawberry / O.: orange / HL: honey-lemon / HR: honey-rose – ⁵ Company created in August 2023, after its demerger from J&J

The generic OTC market growth which accelerated since 2020, driven by inflation, is quite concentrated with the three main players accounting for 77% of the total market

Generic OTCs¹ market shares evolution (2010-2023)

Sell-in value

In € M² (Sell-in)



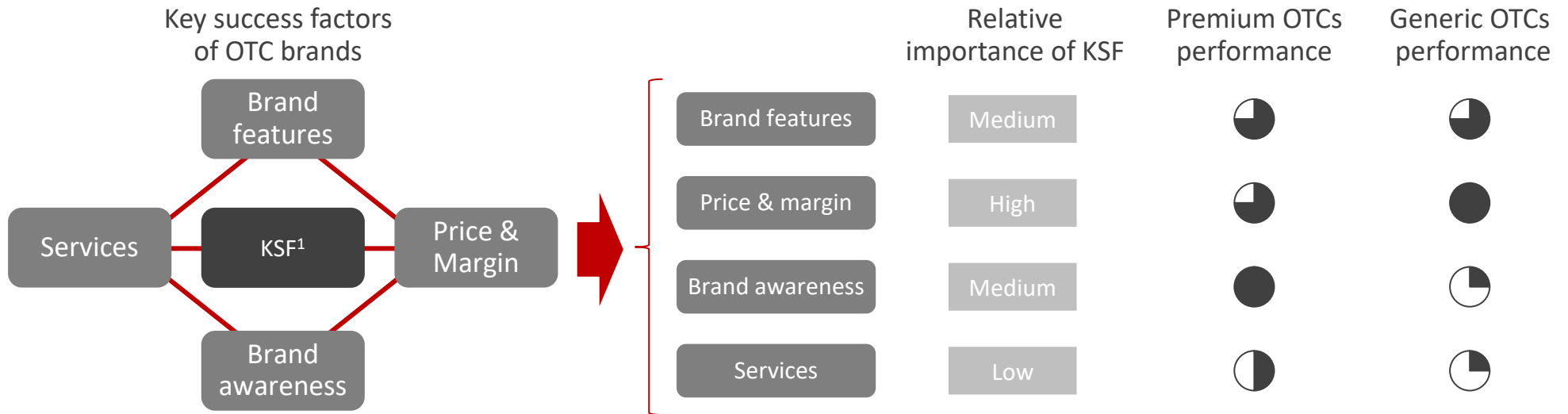
Sources: GERS dashboards – Smart Pharma Consulting analyses

¹ OTCs commercialized by generics companies – ² Ex-factory prices before rebates and taxes – ³ In July 2024, Cooper acquired almost all its OTC portfolio

The only relative competitive advantages of generic vs. premium OTCs are a lower consumer price and a higher margin for retail pharmacists, assuming the difference is considered as big enough

Key success factors of generic vs. premium OTCs

- Premium OTC brands have been on the market for several decades, and supported by important and regular investment in:
 - Mass media (e.g., TV ads, radio, newspaper; and since early 2000s through social networks, products websites, YouTube)
 - Point of sales ads (e.g., posters, gondola ends, leaflets, totem)
- As an alternative to this pull marketing strategy, some originals, showing lower sales levels, have adopted a push marketing strategy based on pharmacy staff advice...
 - ... which is so far the strategy also adopted by generic OTCs
 - Certain generics players, like Biogaran, communicate on mass media to create the demand for or enhance the acceptance of their OTC portfolio by the consumers, when proposed by the pharmacy staff



Sources: Smart Pharma Consulting analyses

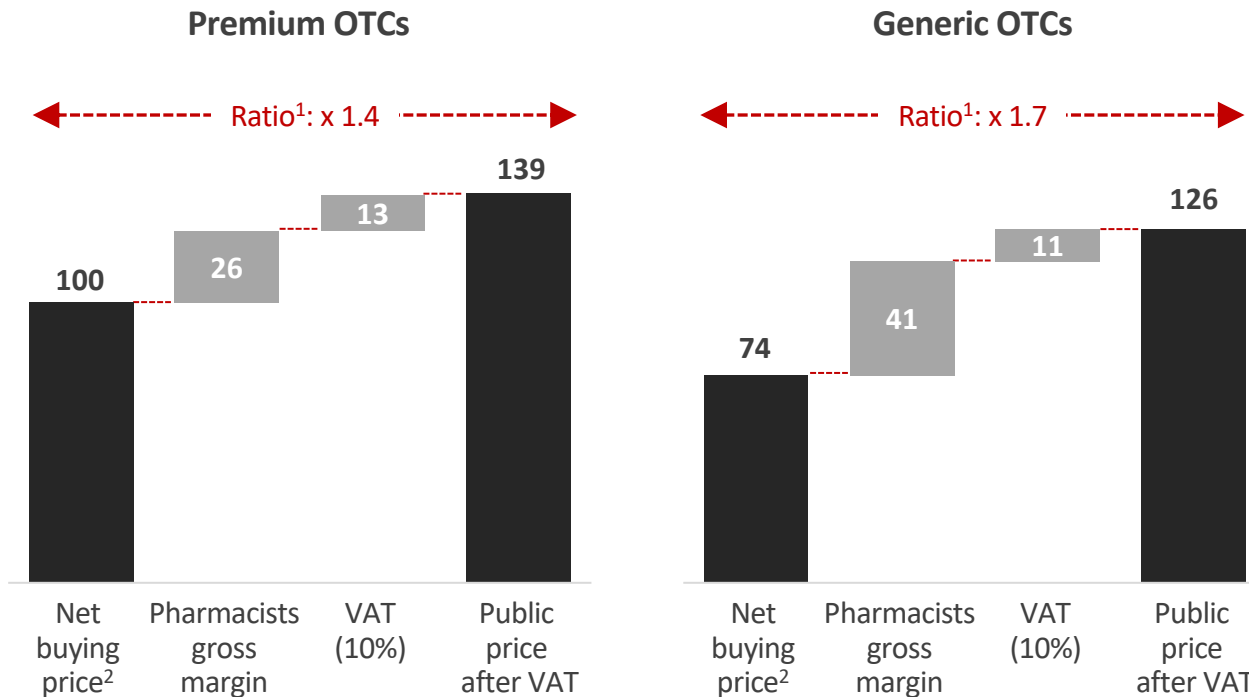
¹ Key success factors

Generic OTCs are considered by retail pharmacists as win-win products, because they apply a higher margin on these products and the customers still benefit from a lower public price

Financial impact of generic and premium OTCs for retail pharmacists

Interviews

What margins and prices differences do you apply on these two types of products?



Base 100: premium OTC net buying price

- List prices vary a lot amongst premium OTCs, the highest list price being up to seven times the lowest list price
- Rebates on generic OTCs are de facto hugely variable, going from -10% to -70%
- The interesting buying price for retail pharmacists is therefore the net price...
- ...which must be lower for generic OTCs than for premium OTCs
- Pharmacists' margins are higher for generic OTCs (x 1.7 ratio) than for premium OTCs (x 1.4 ratio)
- Generic OTCs are therefore much appreciated because:
 - Pharmacists end up with a higher margin (in % and in absolute terms)...
 - ... while customers benefit from a lower public price

(x) Number of quotes, 20 respondents

Pharmacists are becoming more open to generic OTCs in a context of inflation, but their delivery requires to convince their consumers who may be used to another brand for a given ailment

Value of generic OTCs for retail pharmacists

Interviews

Value	Comments
1 More affordable product offering for customers of retail pharmacists	<ul style="list-style-type: none"> For benign pathologies or conditions, for which patients must pay out of their pocket, pharmacists consider low-priced drugs as very attractive, especially in a context of inflation However, the generic OTC offering remains limited, as well as the number of suppliers and pharmacies having them listed
2 High margin level	<ul style="list-style-type: none"> Pharmacists expect higher margins (in percentage & absolute terms) than those they get from original premium OTC brands... ... knowing that they must, in some cases, convince their customers to accept a generic and/or to replace the brand they are used to
3 Opportunity to increase the advisory role of the pharmacist	<ul style="list-style-type: none"> Most pharmacists propose generic OTCs when a customer asks for a piece of advice, and less frequently when they ask for a given brand Pharmacists admit that consumer advertising through mass media and/or on the point of sale facilitate the acceptance of generic OTCs

Generics companies can position their OTC products as branded or non-branded (INN) generics or as a “copy” not listed in the Generics Directory, but in this case, they are not substitutable

Premium vs. generic OTC branding

	Branded	Non-branded (INN ¹)
Premium drug	<ul style="list-style-type: none"> ▪ Doliprane (paracetamol) Tabs 500 mg (Sanofi) ▪ Nurofen (ibuprofen) 200 mg (Reckitt Benckinser) 	<ul style="list-style-type: none"> ▪ NA
Generic drug	<ul style="list-style-type: none"> ▪ Alopexy (Minoxidil, Pierre Fabre Médicament) ▪ Bronchokod (Carbocisteine, EG Labo) 	<ul style="list-style-type: none"> ▪ Carbocisteine Arrow Conseil 5% ▪ Minoxidil 5% Sandoz Conseil ▪ Oméprazole Viatris Conseil 20 mg
Non-generic copy drug	<ul style="list-style-type: none"> ▪ Diarfix (Racecadotril, Cisters) ▪ Exomuc (acetylcystein, Recordati) ▪ Kendix 5% (Aciclovir, EG Labo) 	<ul style="list-style-type: none"> ▪ Aspirine UPSA Vitaminée C ▪ Gingko Zentiva 40 mg ▪ Purified Flavonoic Fraction Viatris Conseil 500 mg

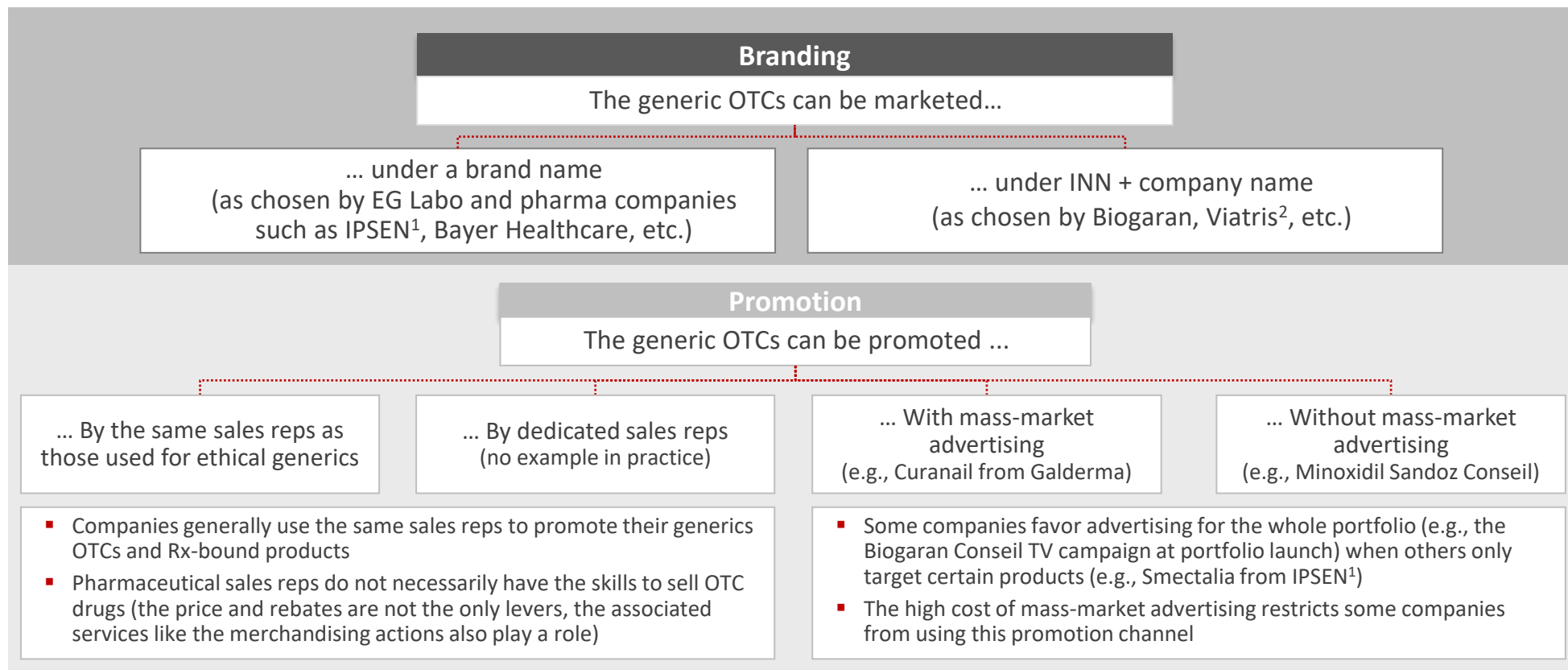
- OTC products are either:
 - Premium drugs, and branded (e.g., Doliprane)
 - Generic drugs, most of the time non-branded (e.g., Dosmine Biogaran Conseil)
 - Non-generic copy drugs, since they do not belong to a generic group in the Generics Directory, they cannot be legally substituted by retail pharmacists, when prescribed by a physician (paracetamol Biogaran Conseil)
- The decision to market a non-premium drug under a brand name (e.g., Diarfix) or an INN (e.g., Carbocisteine Arrow Conseil) is just a marketing decision
- On the OTC market, the substitutable or non-substitutable status for a product has little impact, if self-medicated

Sources: Répertoire of generics, ANSM (February 2021) – Public database drugs (February 2021) – GERS – Smart Pharma Consulting analyses

¹ International Non-proprietary Name

Several strategies are possible for generic OTCs in terms of brand names and promotion

Generic OTC brand & commercial strategy

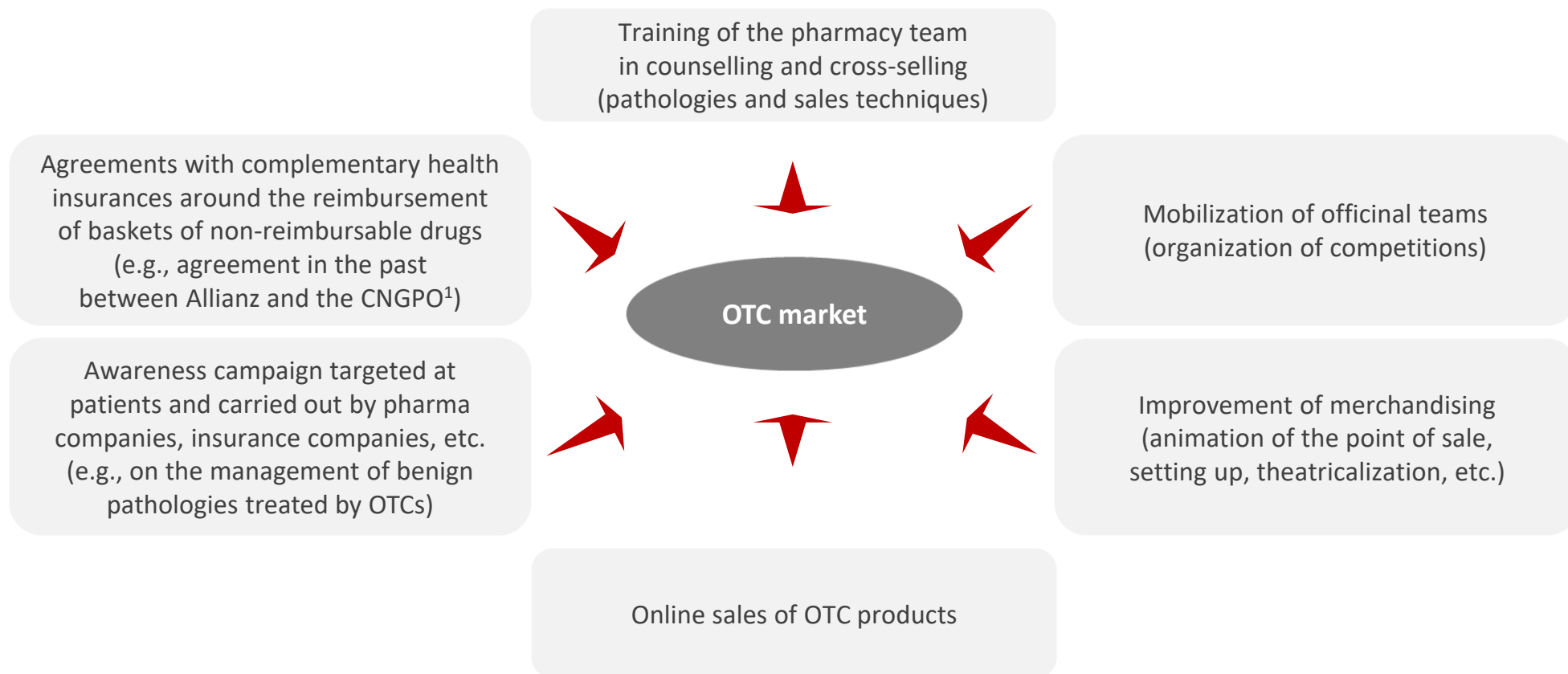


Sources: Business Intelligence – Smart Pharma Consulting analyses

¹ IPSEN has sold its OTC business to Mayoly in 2022 –
² In July 2024, almost all its OTC portfolio was acquired by Cooper

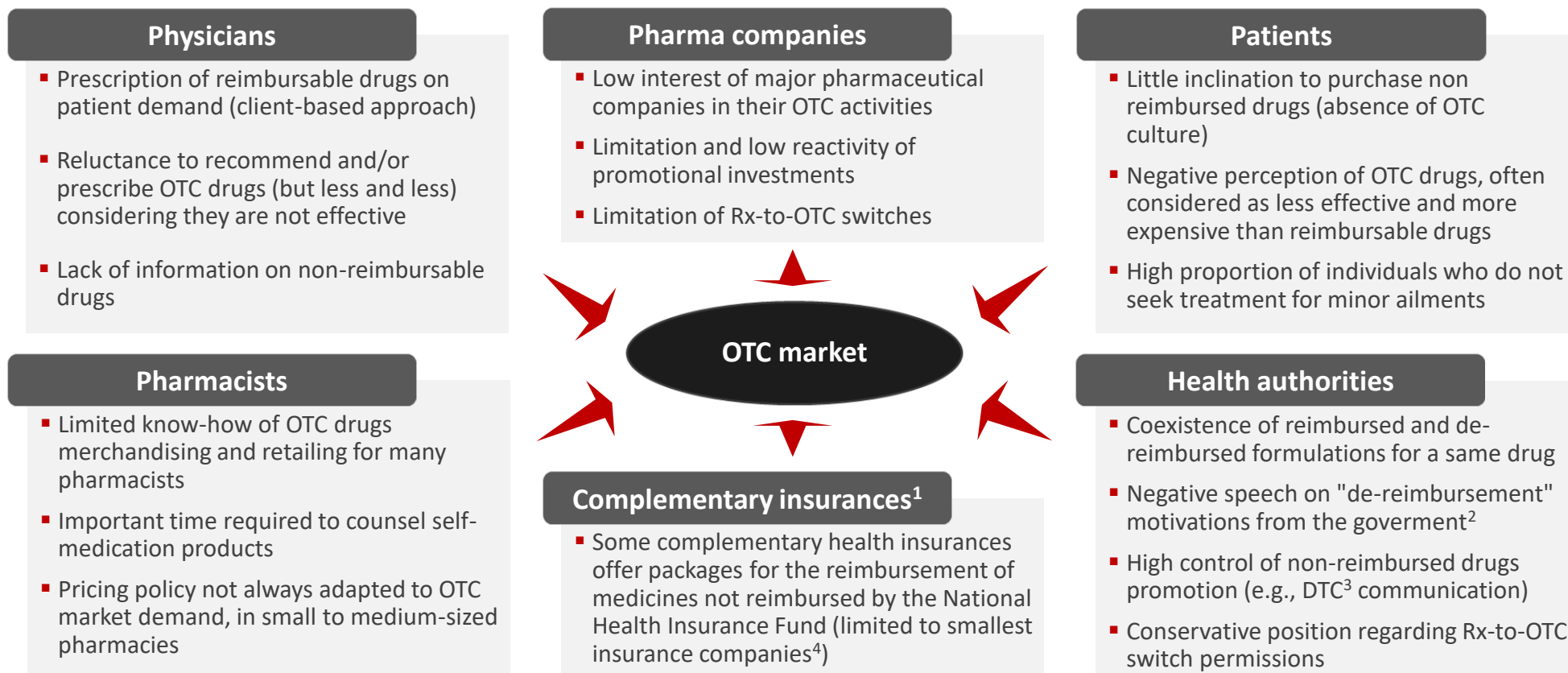
The OTC market has never been very dynamic, but it could be revitalized by applying several fundamental principles

Key factors in the development of the OTC market



The main hurdle to the development of the OTC market in France is the reluctance of patients to pay “out of their pocket” for medications, even for minor disorders

Main barriers to the development of the OTC market



Pharmacists expect new OTC products to fulfill a growing demand for cheaper and natural products, but the uncertainty on their future margins worries them

Evolutions in the OTC market

Interviews

New launches

- “Many companies do not launch real novelties; they just copy each other” (9)
- “There are always new products replacing an expensive product, or covering a new indication” (3)
- “New launches that broaden the OTC portfolio of suppliers are well appreciated to avoid pharmacists to deal with a too large number of companies to cover all indications” (3)
- “However, some brands are too strong, and clients do not want a generic version of it, because they are used to their favorite product (e.g. patients have a habit-based preference for paracetamol products)” (1)

Prices & Margins

- “Ex-factory prices of generics OTCs will increase, just as the premium OTC prices did these last two years...
- ... and our margins will strongly decrease” (5)
- “Ex-factory prices should remain stable for generic OTCs: it is their strategic positioning” (3)
- “Margins should remain stable in percentage, but decrease in value” (2)
- “Premium OTCs have exponentially increased their prices, to a point which seems unfair for both the pharmacists and the clients: I want to bring my clients a product cheaper, but of equivalent quality” (1)

Customers' demand

- “More and more clients want cheaper care, such as generic OTCs” (13)
- “Advertising on TV and social media are impactful on OTC sales (5)...
- ... and the price has become an essential criteria for some clients” (3)
- “There is a growing demand for natural products, (8)...
- ...so that natural OTCs would be well received” (5)
- “Some indications lack on the OTC market, such as in:
 - Ophthalmology (3)
 - General and dental pain (3)
 - Dermatology (1)
 - Infectiology” (1)

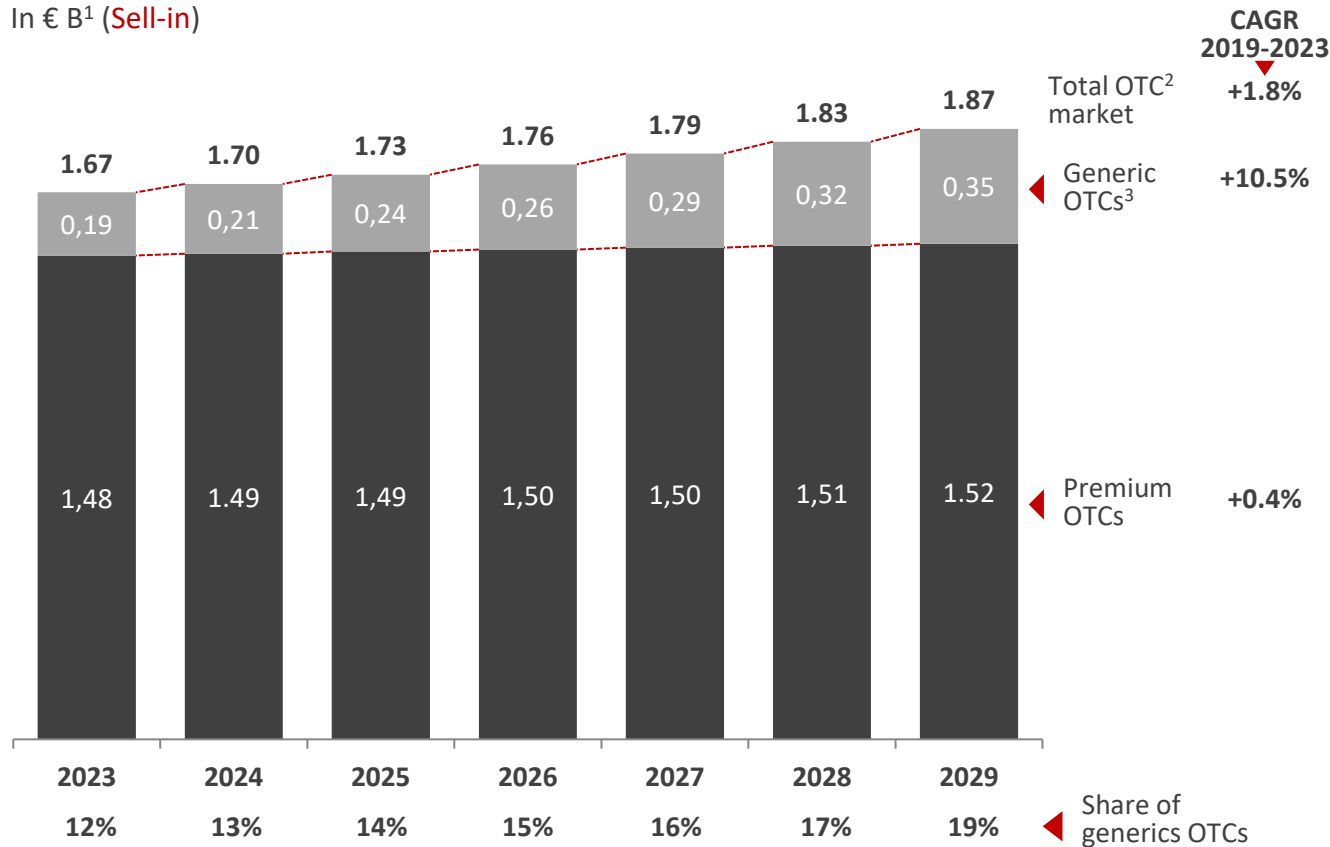
(x) Number of quotes, 20 respondents

The OTC market segment is estimated to grow by +1.8% p.a. over the 2023-2029 period, and the generic OTCs to reach 19% market share, driven by a broader offer and better prices

OTC market sales forecasts (2023-2029)

Sell-in value

In € B¹ (Sell-in)



- Forecasts have been built based on CAGR 2019-2023 trends:
 - Total OTCs market: +1.9%
 - Generic OTCs: +9.0%
 - Premium OTCs: +1.1%...
- ... and adjusted as follows:
 - Slow down of premium OTC growth due to stronger generic OTCs competition
 - Increase of generic OTC growth by 1.5 pp due to:
 - Broader offer (new launches)
 - Better consumer awareness and acceptance
 - Higher consumer price sensitivity
 - Total OTC market growth limited by:
 - Food supplements competition (e.g., stress & sleep, vitality & immunity, digestive system)
 - Cheaper OTX products (e.g., pain, cough & cold, digestive system)
- Globally, no price changes for the segment

Sources: GERS dashboards – Smart Pharma Consulting analyses

¹ Ex-factory prices before rebates and taxes – ² Not listed nor reimbursed – ³ OTCs commercialized by leading generics companies: Arrow, Biogaran, EG Labo, Sandoz, Teva, Cooper (since its acquisition of almost all the OTC portfolio of Viartis in July 2024) or Zentiva

The French OTC market will grow by less than 2% p.a. by end of 2029, facing food supplements and medical devices competition, and Premium OTCs will be strongly challenged by generic OTCs

Key Takeaways

1. In 2023, the OTC¹ market amounted to € 1.7 B, accounting for 6.2% of the retail pharma market, and grew by an average of only +0.6% p.a. since 2010

2. OTC sales are strongly driven by pharmacy staff who benefit from the trust of consumers, even if the latter's awareness has significantly increased over the past years

3. The top OTC products are all branded drugs launched for 30 years or more by established pharma companies



4. Generic OTCs may potentially offer a lower consumer price and a higher margin for retail pharmacists vs. premium OTCs

5. The OTC market is increasingly challenged by food supplements and medical devices which are more innovative and agile due to lower regulatory constraints

6. OTCs are estimated to grow by +1.8% p.a. over the 2023-2029 period, and the generic OTCs to reach 19% market share, driven by a broader offer and better prices

Consulting firm dedicated to the pharmaceutical sector operating
in the complementary domains of strategy, management and organization

Market Insights Series

- The Market Insights Series has in common to:
 - Be well-documented with recent facts and figures
 - Highlight key points to better understand the situations
 - Determine implications for key stakeholders
- Each issue is designed to be read in 15 to 20 minutes and not to exceed 24 pages

The French OTC Market

Situation Analysis & Trends

This short report gives an overview of the French OTC market and 2029 perspectives, including the following information and analyses:

- 2023 self-medication and OTC market sizes and dynamics
- Self-medication consumer journey: from perceived need to delivery
- Leading OTC therapeutic areas, brands and pharma companies
- Key driving factors and barriers to the OTC market development
- Key success factors of premium vs. generic OTCs
- Financial impact of premium vs generic OTCs for retail pharmacists
- OTC market sales forecasts (2023-2029)

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 2. Strategy
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 4. Medical Affairs
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 7. Management & Trainings
- 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

Jean-Michel Peny