Smart Pharma CONSULTING

Serving & Sharing with Passion

Global Pharma Market

MARKET INSIGHTS SERIES

Situation Analysis & 2024 – 2029 Perspectives

November 2025

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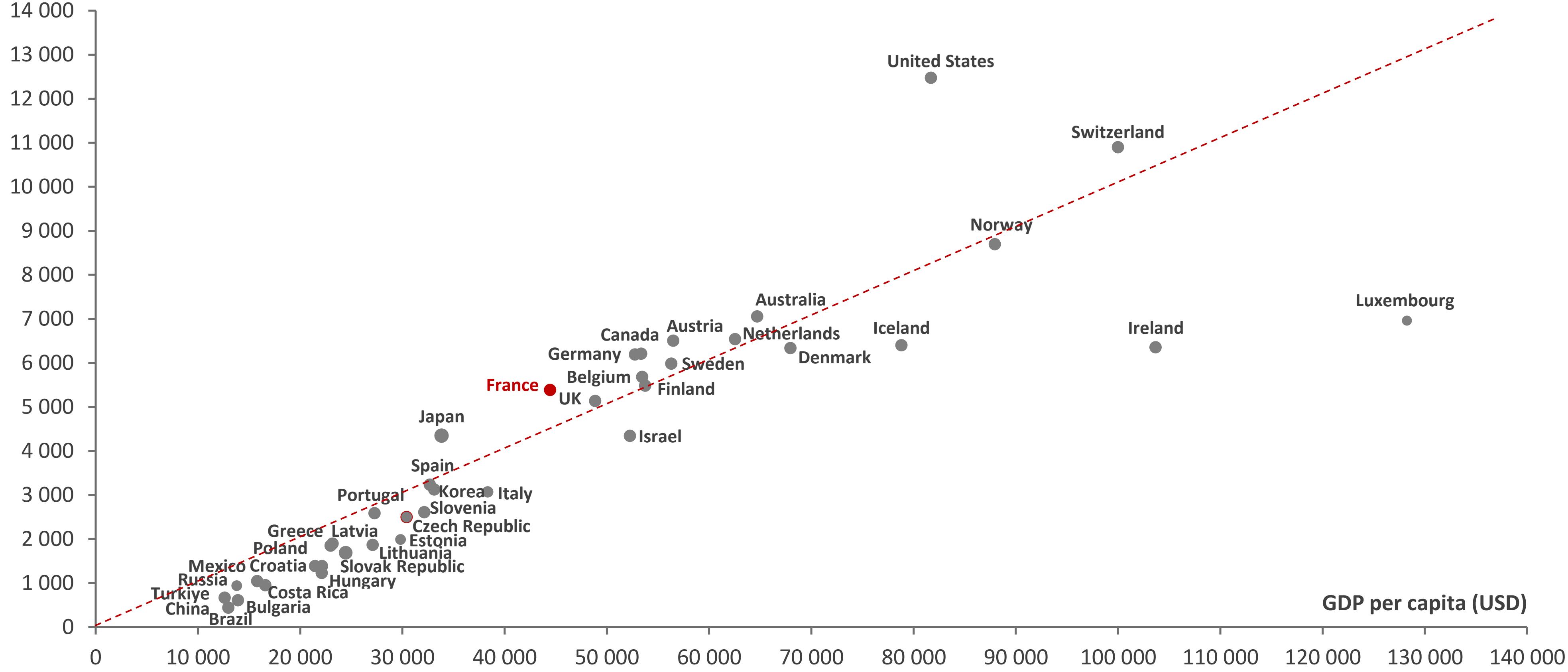
Healthcare expenditure and GDP[1] per capita are highly related and show the relative importance of healthcare between countries

Relation between GDP and healthcare expenditure (2023[2])



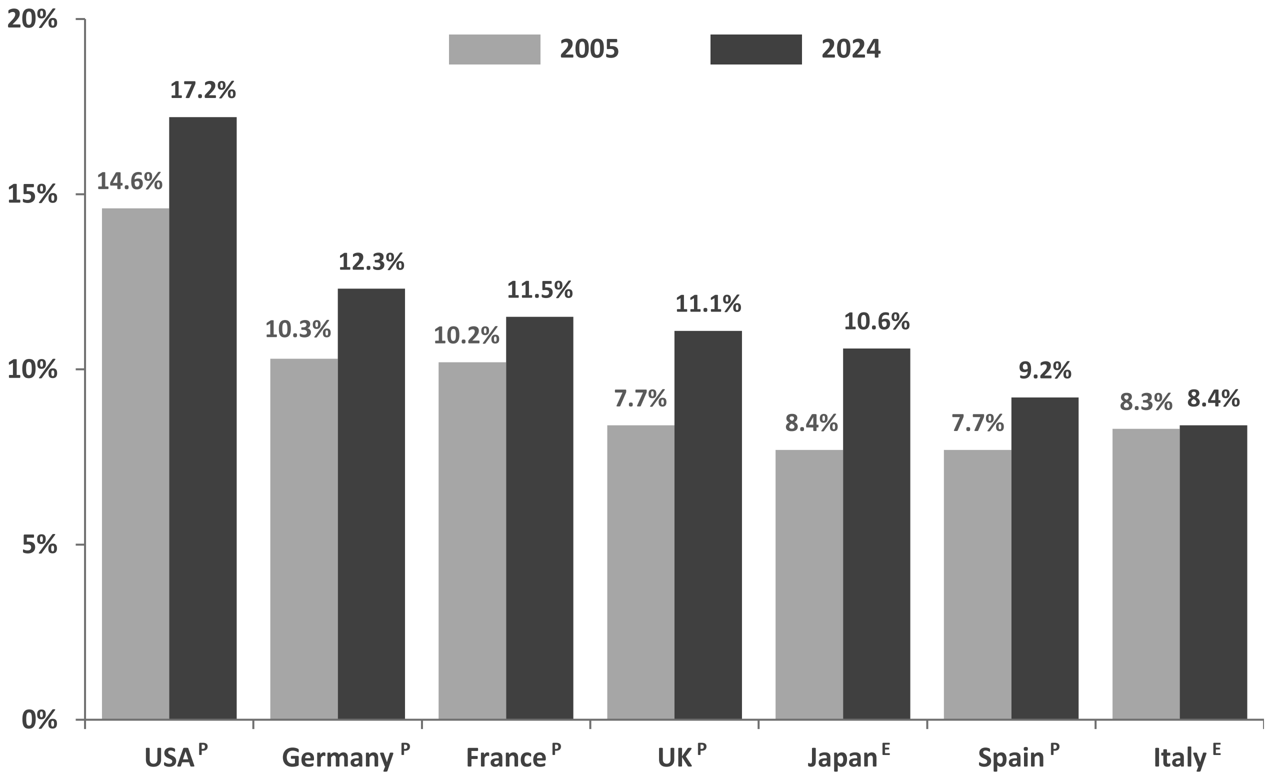
Sources: World Bank database (Nov. 2024) – Smart Pharma Consulting analyses

[1] Gross Domestic Product – [2] Or the latest healthcare expenditure data available for all countries

Healthcare expenditure should keep on growing faster than national economies due to demographic factors and willingness of citizens to have better access to healthcare

Healthcare expenditure as a percentage of GDP (2024)

Total healthcare expenditure as a % of GDP (Local currency)



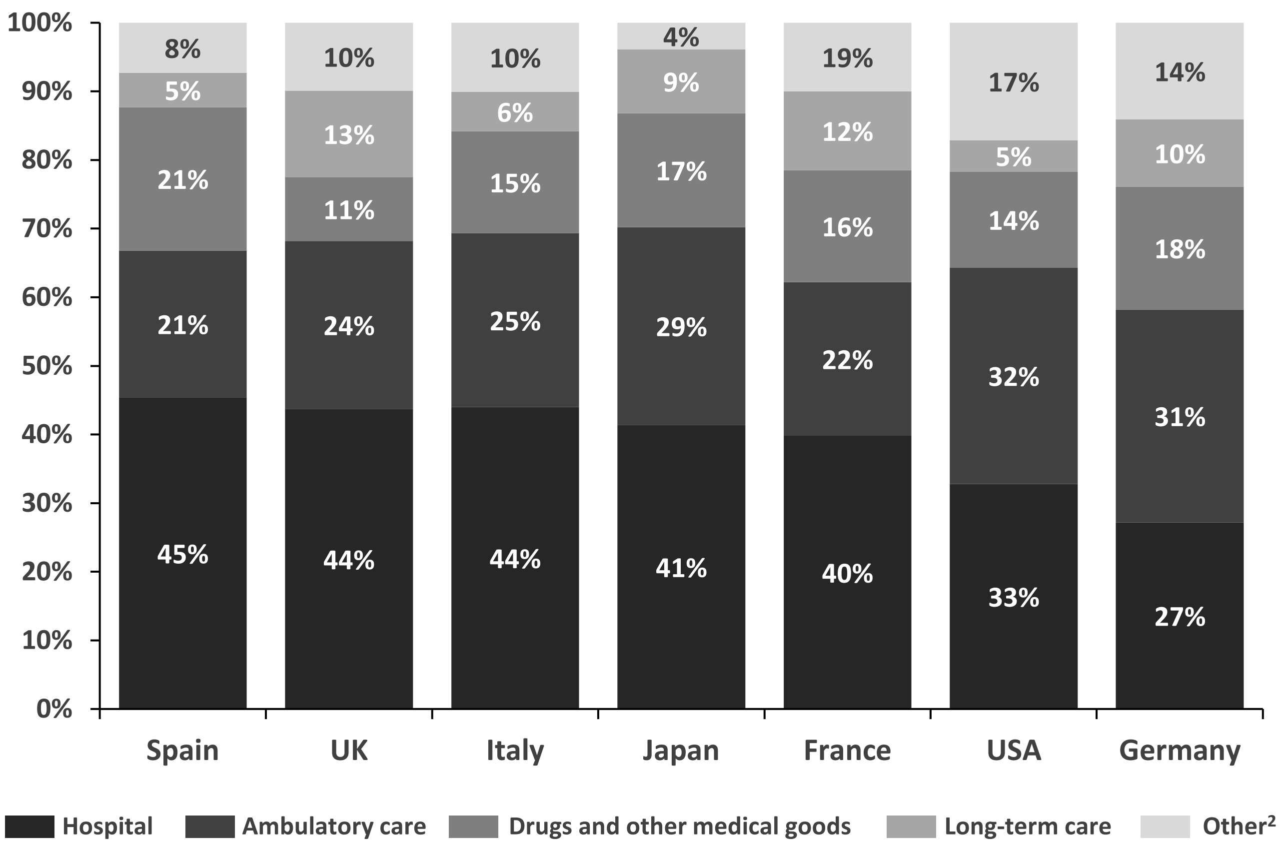
- Healthcare expenditure represents the 2nd largest public spending items in the USA[1] and France[1], as it is the case in most developed countries
- At best, governments and payers will manage to slow down the rise of healthcare expenditure as a percentage of GDP but not to stop it
- There is **no optimal ratio** of healthcare expenditure over GDP
- This ratio primarily results from:
  - **National** economies
  - **Public health** conditions
  - **Governments**' investment prioritization
  - **Citizens**' willingness to seek for care
  - **Healthcare cost**

Sources: OECD database (Sep. 2025) – Smart Pharma Consulting analyses

P: provisional/E: estimated – [1] After social protection

The cost of drugs is behind that of hospital and ambulatory care, yet this segment is targeted by governments because it is technically and politically easier to control

Breakdown of healthcare expenditure per country (2023[1])



	Spain	UK	Italy	Japan	France	USA	Germany
Other[2]	8%	10%	10%	4%	19%	17%	14%
Long-term care	5%	13%	6%	9%	12%	5%	10%
Drugs and other medical goods	21%	11%	15%	17%	16%	14%	18%
Ambulatory care	21%	24%	25%	29%	22%	32%	31%
Hospital	45%	44%	44%	41%	40%	33%	27%

- Drugs represent the **3rd largest source** of healthcare expenditure in most major developed countries
- Drugs are typically the **easiest segment** to apply cost-containment measures on, as decisions are:
  - **Made by payers** (either public and/or private), with a limited bargaining power of suppliers
  - Much **better accepted** by citizens **than restriction** measures **on** the **other segments**
- However, to significantly contain the raise of total healthcare costs, governments need to apply **cost-optimization measures** on all healthcare segments, irrespective of their relative importance

Sources: OECD database (Sep. 2025) – Smart Pharma Consulting analyses

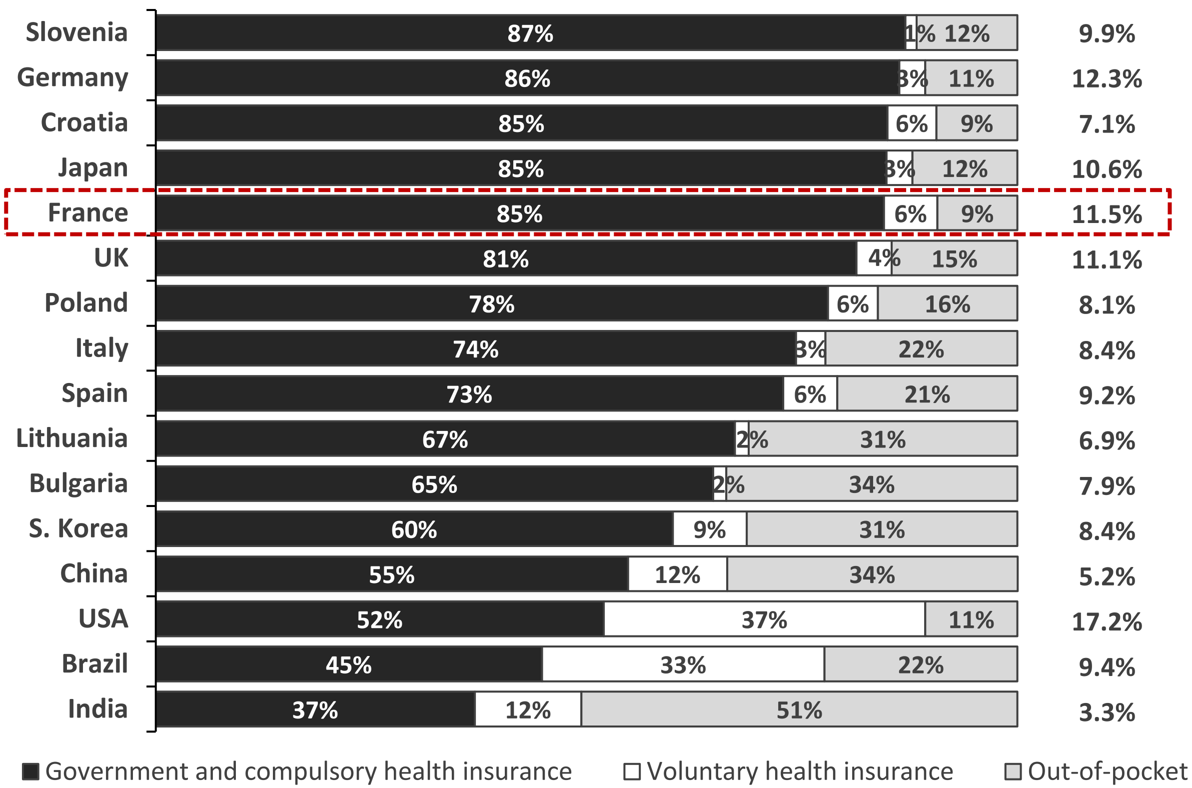
[1] 2024 provisional data for Italy – [2] Other includes ancillary services, preventive care, governance, healthcare system and financing administration

France is one of the countries where the percentage of "out-of-pocket" spending to cover the healthcare expenditure is the lowest

Share of public spending in total healthcare expenditure (2024*)

% of total healthcare expenditure

Total healthcare expenditure as a % of GDP



- With 11.5% of its GDP spent in healthcare, France belongs to the countries allocating the largest share of their resources
- Its level of public spending on healthcare is amongst the highest, showing a highly protective healthcare system
- All the French citizens benefit from a public health insurance and 95% of them have a complementary private healthcare insurance, which is compulsory since the 1st of January 2016, for all employees, irrespective of the size of their company
- As a result, "out-of-pocket" spending represent only 9% of total healthcare expenditure…
- … contrary to some countries where out-of-pockets represents more than a third of total expenditure (India, Bulgaria, China))

Sources: OECD database (Sep. 2025) – Smart Pharma Consulting analyses

** Or latest data available*

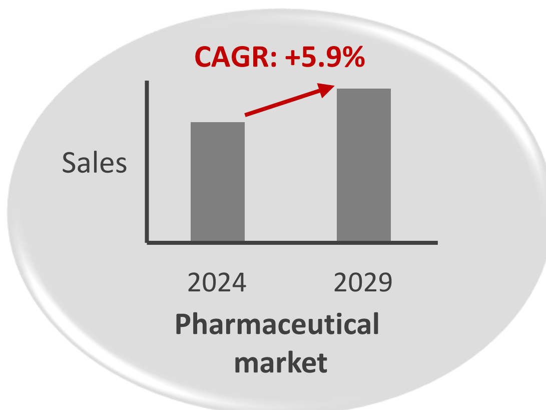
The key drivers and limiters of the global pharmaceutical market by the end of 2029, as well as their probable impact on sales trends, are well identified and should remain stable

Global pharmaceutical market drivers and limiters (2024 – 2029)

Key forces

DRIVERS

1. **Population increase** and **ageing**
2. Strong increase of lifestyle diseases (e.g., cancer, coronary heart diseases, obesity, diabetes)
3. Strong demand from **patients** / **PAGs** for more effective and better tolerated new drugs
4. Better **access** to **medicines** in **emerging markets** (e.g., Brazil, India, China, Mexico, Turkey) because of an increasing **GDP per capita**
5. Strong development of **generics** market (access to a larger number of people, especially in lower income countries)



LIMITERS

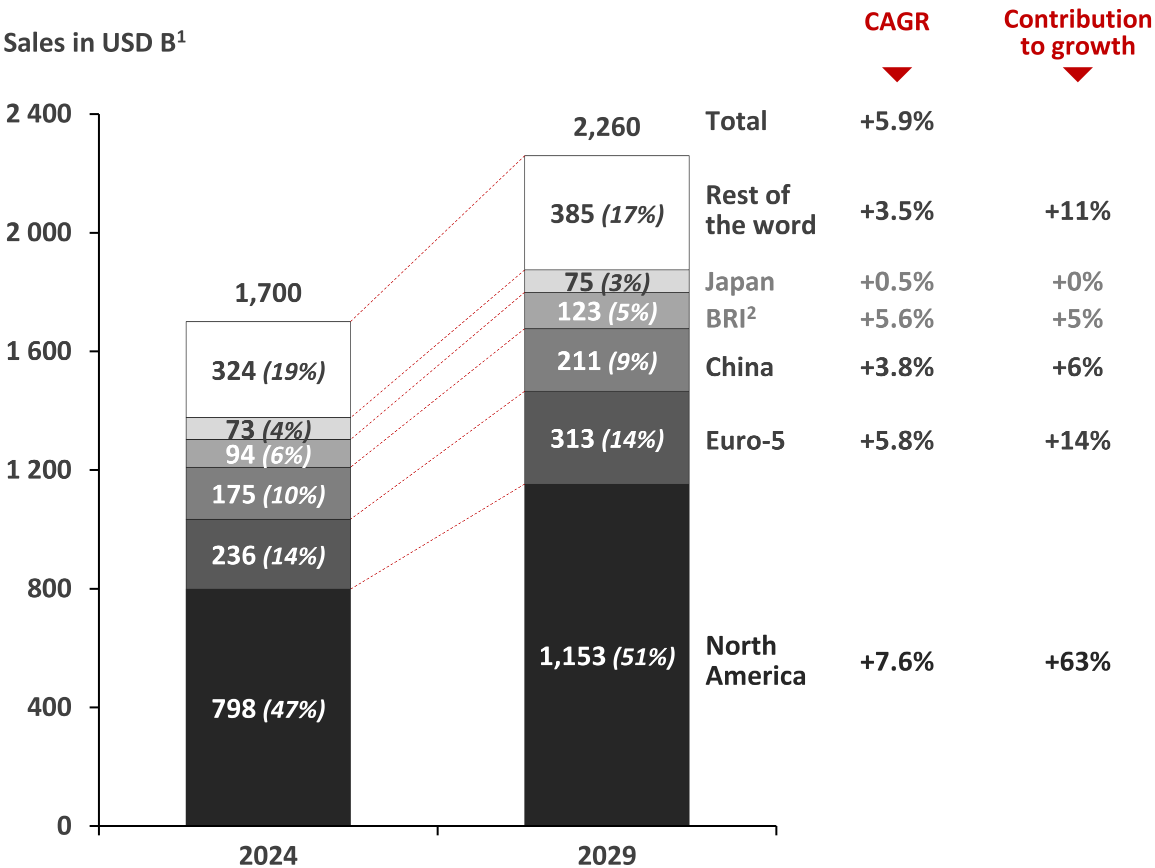
1. Decreasing **R&D productivity** of pharma companies re. breakthrough innovations
2. Increasing **barriers** to **market access** and **stronger pressure** on **price** from payers (governments, HMOs[1], patients, etc.), exacerbated by a **tougher economic environment**
3. Increasing **price sensitivity** of **customers** for **non-reimbursed drugs**
4. Intensification of **competition** from **generic** and **biosimilar** drugs

Sources: Smart Pharma Consulting analyses and estimates

[1] Health Maintenance Organizations

Sales of Euro-5 countries should grow from 2024 to 2029 at an average 5.8% p.a., despite cost containment measures imposed by governments, due to launches of highly innovative drugs

Global pharmaceutical market size and growth by geographic area (2024 – 2029)



- The **global pharma market** is expected to grow with a at **+5.9% CAGR** between **2024** and **2029**, based on gross prices estimates
- **Euro-5 countries** accounted together in **2024** for **13.9%** of the global pharma market:
  - Germany: 4.0% - France: 2.9% - Italy: 2.6%
  - UK: 2.4% - Spain: 2.0%

  and should see their weight remain **quite stable** by **2029** despite high price pressure
- The USA (45% of 2024 sales) should account for 49% of the global pharma market in 2029, representing more than 60% of worldwide pharma market growth between 2024 and 2029
- In 2024, the USA generated ~80% of the total pharma industry profits, compared to ~1.5% for France
- The measures introduced by the US Government might reduce significantly the profit contribution of the USA and thus increase the one of other countries like France

Sources: "Global use of Medicines", IQVIA Institute (Jun. 2025) – Oxford Economics by Atradius (Sep. 2024) – Smart Pharma Consulting estimates

[1] Ex-factory price before rebates – [2] Brazil, Russia, India – [3] Canada accounting for 2% in 2024 and 2029

By 2029, the French Pharma market could maintain its 5th position worldwide and its 2nd position in Europe in terms of value, despite the strong pressure on prices

Global pharmaceutical market ranking by country[1] (2019 – 2024 – 2029)

Rank	2019	2024	2029	CAGR 24-29
1	USA	USA	USA	+++
2	China	China	China	++
3	Japan	Germany	Germany	++
4	Germany	Japan	Japan	+
5	France →	France →	France	++
6	Italy	UK	UK	++
7	UK	Italy	Italy	++
8	Spain	Spain	Spain	++
9	Canada	Brazil	Brazil	++
10	Brazil	Canada	Canada	+++
11	India	India	India	++++
12	South Korea	Russia	Russia	+
13	Australia	South Korea	Poland	+++
14	Russia	Australia	Argentina	++
15	Mexico	Argentina	South Korea	+
16	Argentina	Mexico	Mexico	++
17	Saudi Arabia	Poland	Australia	+
18	Turkey	Saudi Arabia	Saudi Arabia	++
19	Poland	Turkey	Turkey	++
20	Switzerland	Belgium	Belgium	++

CAGR 2024 – 2029

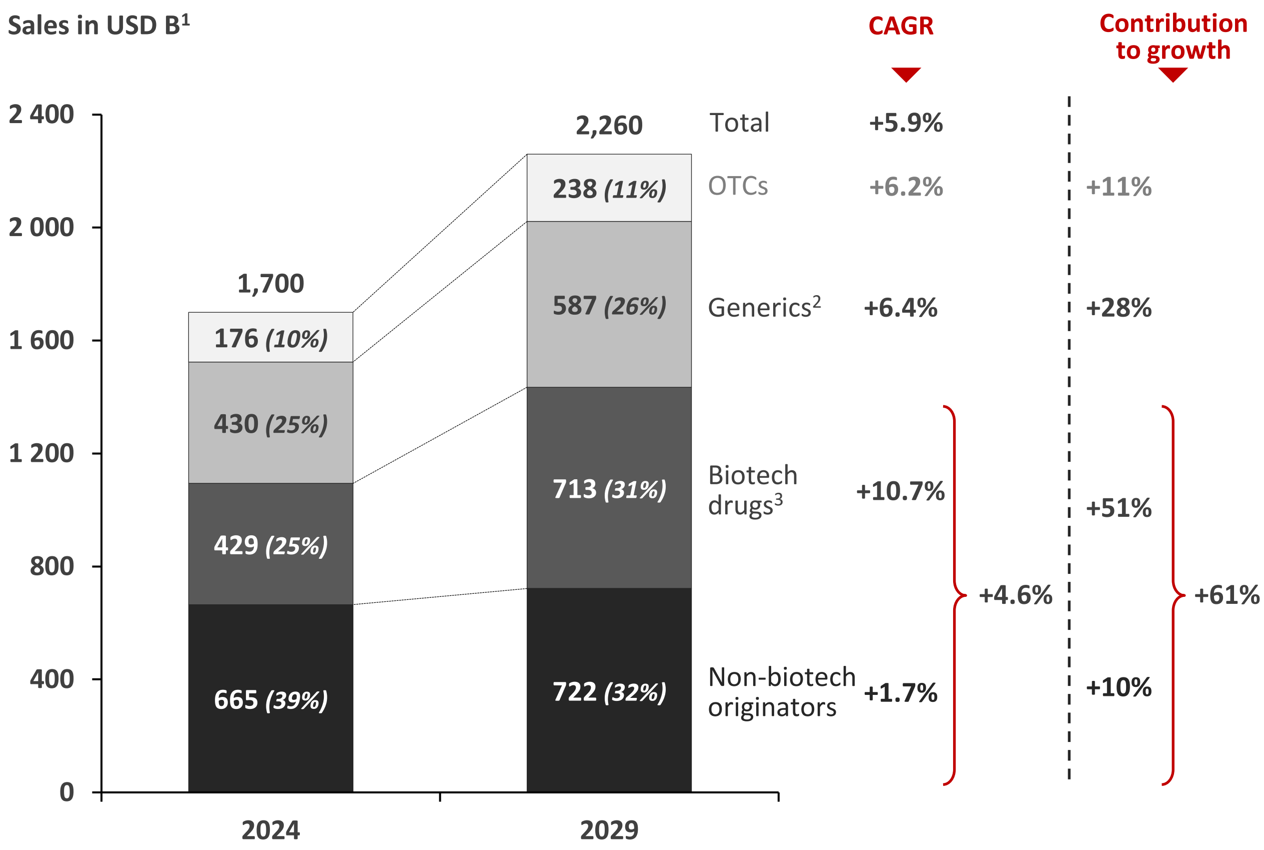
- ++++ → ≥8%
- +++ → 6 – 7.9%
- ++ → 3 – 5.9%
- + → <0 – 2.9%

Sources: "Global use of Medicines", IQVIA Institute (Jun. 2025) – Oxford Economics by Atradius (Sep. 2024) – Smart Pharma Consulting estimates

[1] In 2024 USD, at constant exchange rate

More than 50% of the 2024-2029 growth of the global pharma market should be driven by biological products, including biosimilars, the penetration of which should remain lower than 10%

Global pharmaceutical market size and growth by strategic segment (2024 – 2029)



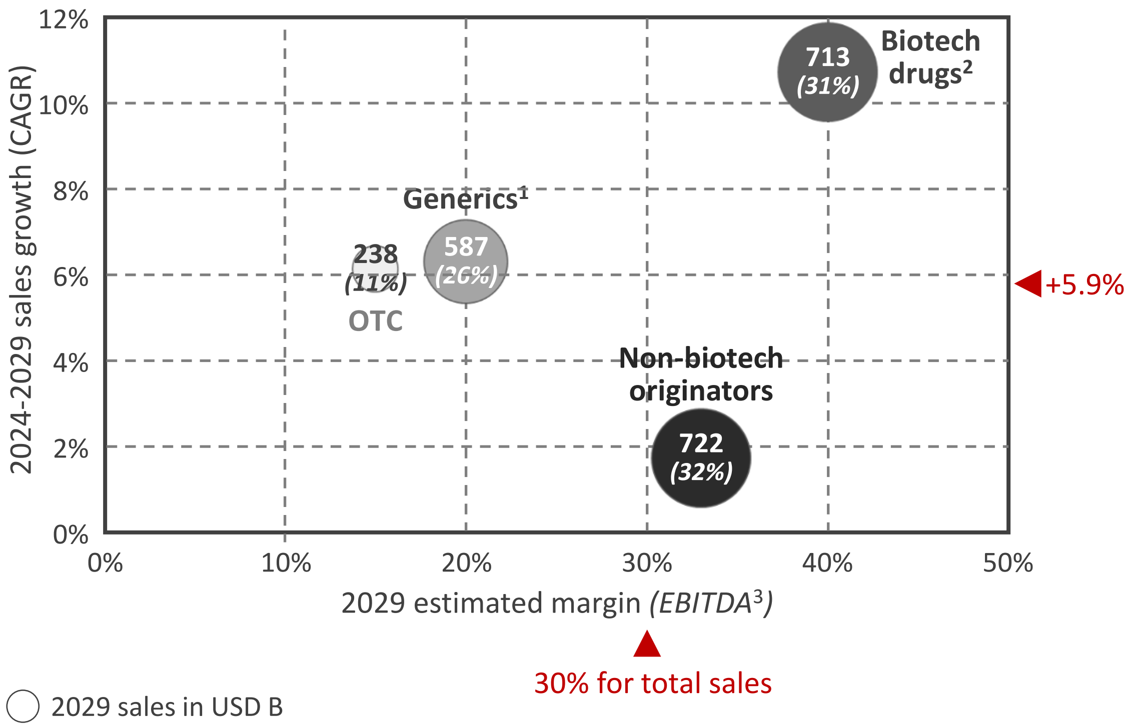
- Despite the stronger sensitivity of patients to the economic environment, the OTC segment will keep on growing as deadlines to access to prescriptions will extend due to shortage of family physicians
- Despite an intensified price pressure, the Generics market should continue to grow in volume due to patent losses
- The Biotech drug segment which includes biosimilars, will remain strongly driven by innovation. The biosimilar penetration within the segment, in value terms, should grow from 7.5% in 2024 to 9.8% in 2029
- Non-biotech originators growth is limited due to generics competition and the maturity of most of the brands

Sources: "Global use of Medicines", IQVIA Institute (Jun. 2025) – Meta-analysis of 66 forecasting reports – Smart Pharma Consulting estimates

[1] Ex-factory price before rebates – [2] Including branded and unbranded generics and excluding OTC – [3] Including biosimilars

By 2029, the sales growth of the pharma market should be essentially driven by biotech drugs and generics, but pharma companies should lose two points of profitability

Market attractiveness by strategic segment (2024 – 2029)



- By 2029, the global pharma market should reach USD 2,260 B and grow at a pace of +5.9% per year, i.e., 2.8 point of percentage above the forecasted worldwide economic growth, estimated at +3.1%
- The average EBITDA of the pharma industry should decrease from ~32% in 2024 to ~30% in 2029, mainly due to increasing price pressure
- In 2029, the average profitability of pharma companies should remain almost 2 times higher than the average of all other business sectors
- The biotech segment will remain very attractive but biosimilar competition will ramp up
- The OTC segment will remain the least attractive

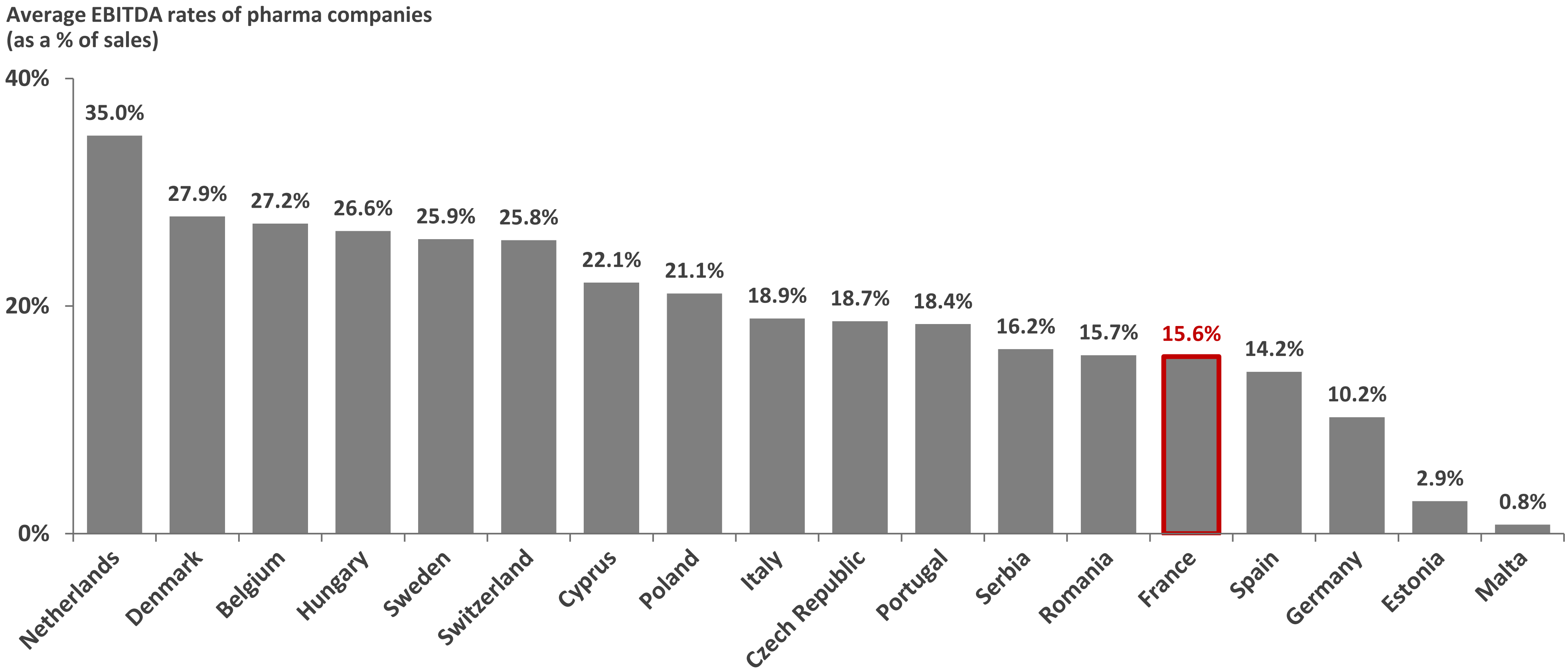
Worldwide economic growth – CAGR 2024-2029: +3.1%

Sources: "Global use of Medicines", IQVIA Institute (Jun. 2025) – World economic outlook, IMF (October 2024) – Smart Pharma Consulting estimates

[1] Including branded and unbranded generics and excluding OTC – [2] Including biosimilars – [3] Earnings before interest, taxes, amortization and depreciation

With an average EBITDA[1] rate of 15.6%, the French pharmaceutical industry profitability[2] is lower than that observed in most European countries and ranks 14th out of 18 countries

Pharmaceutical industry profitability in Europe (2022)



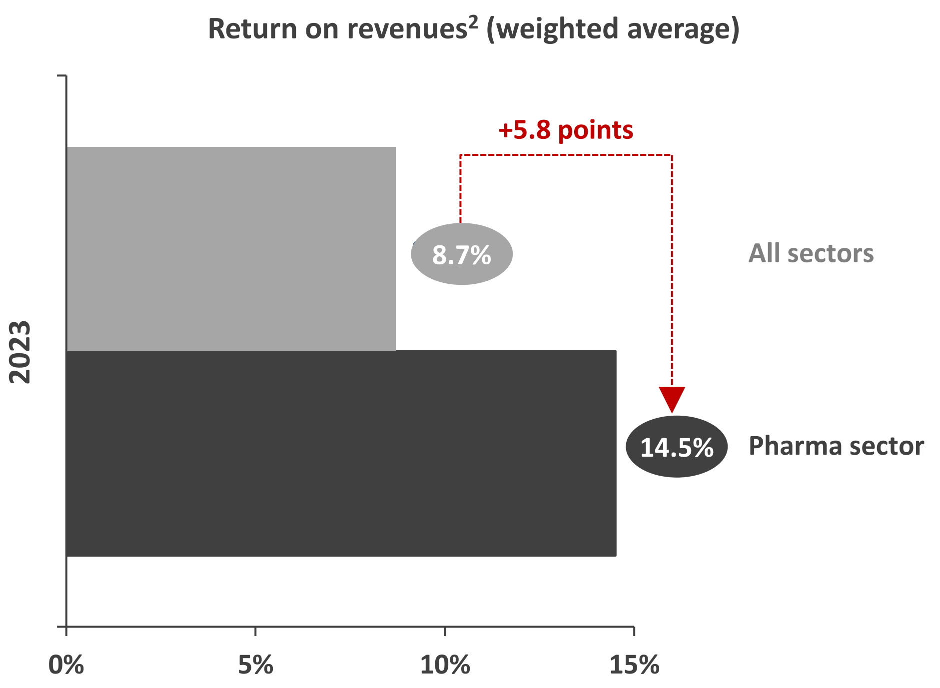
Sources: Economic report of the LEEM (Mar. 2025) – Accounting, financial and social characteristics of companies from the pharmaceutical sector in France, Insee (Sep. 2024) – Smart Pharma Consulting analyses

[1] Earning before interest, tax, depreciation and amortization –
[2] Total profitably, including both domestic and export activities

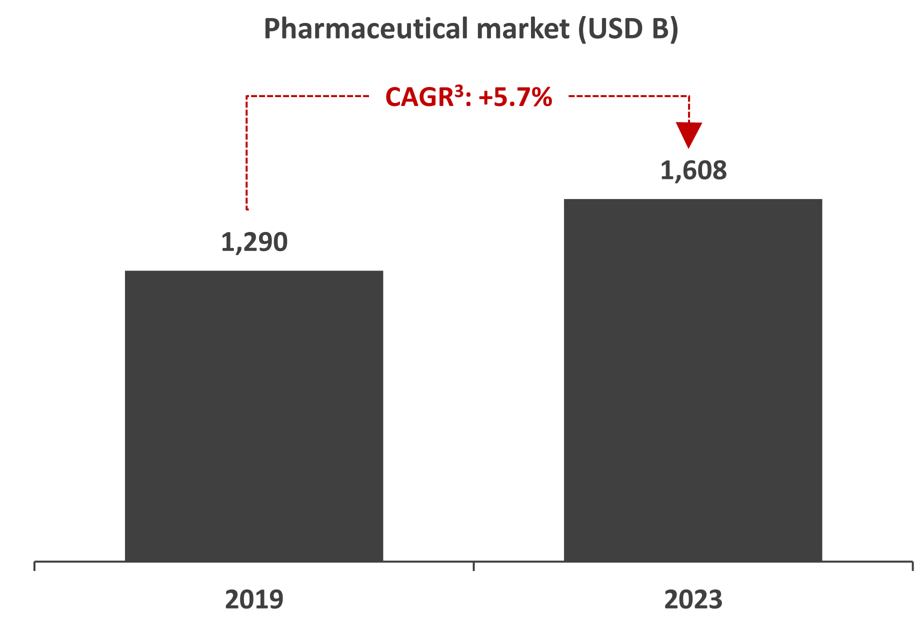
In 2023, the net profitability of the pharma sector was 1.7 time higher than the average of all other sectors, while revenues of pharma companies grew by +5.7% p.a. between 2019 and 2023

Net profitability and sales dynamics of the pharma sector (2019 – 2023)

Net profitability
(top pharma companies[1] and global economy)



Pharmaceutical market trend
(global pharmaceutical market size and growth)



Worldwide economic growth – CAGR 2019-2023: +2.7%

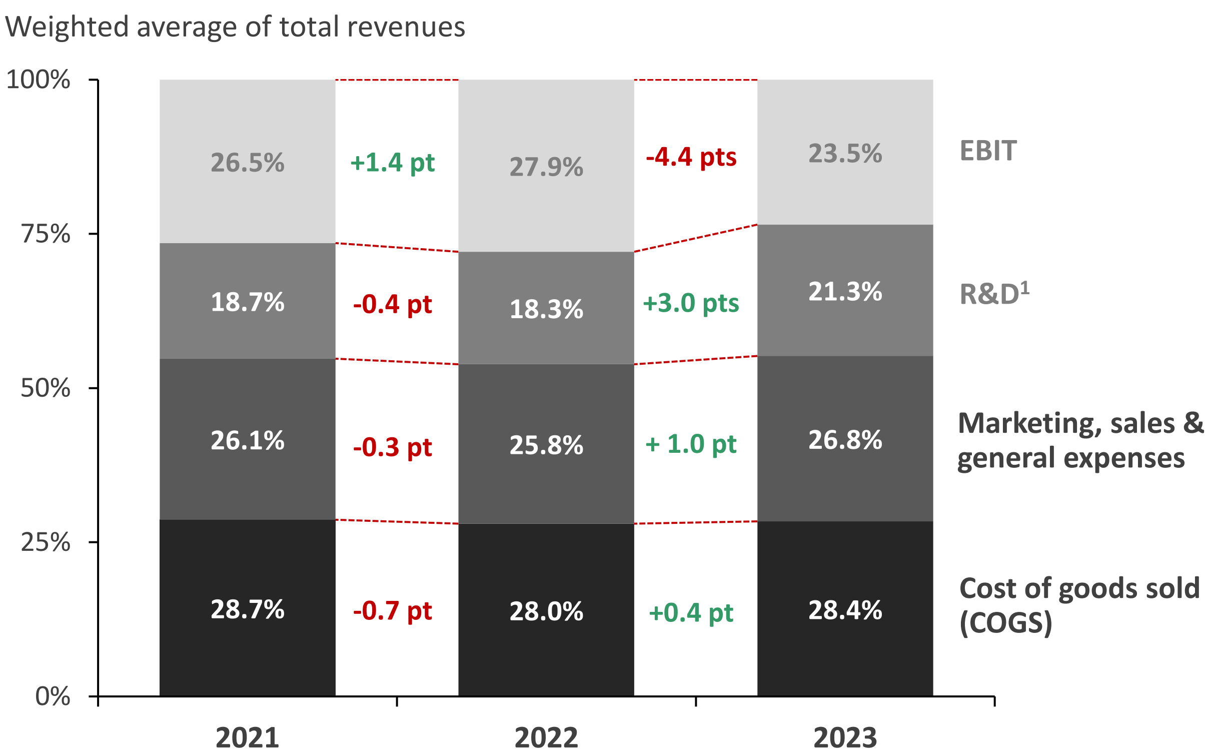
Sources: Forbes: The Global 2000 (Jun. 2024) – IQVIA Institute (Jan. 2024 and Jan. 2019) – Oxford Economics by Atradius (Sep. 2024) – Global OTC Drugs Market, Mordor Intelligence (May 2018) – Worldwide real GDP growth, IMF (Feb. 2025) – Smart Pharma Consulting analyses and estimates

[1] Top 20 largest public pharma companies in terms of market capitalization – [2] Return on revenues = net profits / total revenues – [3] Compound annual growth rate

In 2023, the weighted average operating result (EBIT) of the top 15 pharma companies reached 23.5% of revenues, representing a decrease by 3 points of percentage vs. 2021

Top 15 Pharma companies – Cost structure (2021 – 2023)

Cost structure as a percentage of total revenues



- The analysis of the **top 15 pharma companies** in the world shows that their average **profitability** has **decreased** by **3 points of percentage** between **2021** and **2023**
- Investment in **R&D increased** from **18.7%** in 2021 to **21.3%** in 2023 (**+2.6 pts**)…
- .. But remain **lower** than **marketing, sales and general expenses** over all the period
- With an average operating result of **23.5%** in 2023, the **level of performance** remains **high**, which is the **Achilles heel** of pharmaceutical companies when **negotiating price** and **reimbursement** of their drugs with governments and payers

Note: panel of the 15 biggest pharma companies in terms of prescribed sales (drugs & vaccines) in human health in 2023

Sources: Companies aannual reports (2023) – Smart Pharma Consulting analyses

[1] After restatement of the non-recurring USD 10.2 B R&D expense recorded by MSD in 2023 following its acquisition of Prometheus

Best performers are focused on innovative Rx-bound drugs and generate an important share of their revenues from the USA, which is the most profitable and dynamic market

Development strategy matrix – Principles

Strategic segments

Geographical coverage	Rx branded focused	Diversified
Focused	AbbVie Lilly	J&J
Diversified	Novartis AstraZeneca	Bayer MSD

Focused / Rx branded focused

- Activities concentrated in the USA, EU4[1]+UK and Japan
- Portfolio mainly centered on the innovative branded ethical segment

Higher profitability
Lower growth perspectives

Focused / Diversified

- Activities concentrated in the USA, EU4[1]+UK and Japan
- Broad portfolio including generics, OTCs, food supplements, medical devices, vaccines, etc.

Moderate profitability
Moderate growth perspectives

Diversified / Rx branded focused

- Strong presence, incl. in Latin America, Africa and Asia[2]
- Portfolio mainly centered on the innovative branded ethical segment

Moderate profitability
Higher growth perspectives

Diversified / Diversified

- Strong presence, incl. in Latin America, Africa and Asia[2]
- Broad portfolio including generics, OTCs, food supplements, medical devices, vaccines, etc.

Lower profitability
Higher growth perspectives

Note: Rx branded focused: Prescribed drugs and vaccines ≥ 75% of total product sales – Geographically focused: >50% of sales in a single geographical region (e.g., USA, Europe, Japan, etc.)

Sources: Smart Pharma Consulting analyses

[1] France, Germany, Italy and Spain – [2] Including segments of the population with lower income and/or from rural areas

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

Development strategy matrix – Application

Illustrative

- The US market is the largest national market, with a growth potential of +7.6% p.a. over the 2024 – 2029 period
- The US market and the Rx-bound (i.e., biotech and non-biotech originators) and vaccines segments generate the highest profits

Most attractive quadrant

- J&J whose 54% of sales came from the US market, and 64% from Rx-bound drugs and vaccines, generated an EBITDA of 29% in 2023
- This performance was 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

Note: Rx branded focused: Prescribed drugs and vaccines ≥ 75% of total product sales – Geographically focused: >50% of sales in a single geographical region (e.g., USA, Europe, Japan, etc.)

Source: Smart Pharma Consulting analyses based on pharma companies' website (2022 data[1])

[1] Excepting Takeda and Astellas for which data are from Apr. 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

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 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: Smart Pharma Consulting analyses

[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&A and spin off operations to focus their business on the most attractive strategic segments

Pharma 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

Sources: "World Preview", Evaluate (Jul. 2025) – Smart Pharma Consulting analyses

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

The worldwide pharma market will remain one of the most attractive sector, but with important differences according to the considered countries and strategic segments

Key takeaways

1. Healthcare expenditure should keep on growing faster than national economies due to demographic factors and willingness of citizens to have better access to healthcare

2. The pharma market was 1.7 time more profitable[1] in 2023 and should grow 1.9 time faster by 2029 than other sectors

3. France should remain the 5^{th} largest market worldwide by 2029 with a ~2.9% market share

WORLDWIDE MARKET OVERVIEW

4. The French pharma market contributes to ~1.5% of the worldwide profits compared to ~80% for the USA

5. The selected strategic segments – where to play – depend on their respective attractiveness and the companies' capabilities to win

6. Over the recent years, the largest pharma companies have refocused their activity on innovative Rx-bound drugs and vaccines, selling their generics, biosimilars, OTCs and mature brands that are less profitable

Source: Smart Pharma Consulting

[1] In net profit terms, compared to other sectors

Smart Pharma
CONSULTING

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

Market Insights Series

- This series provides practical tools and recommendations to enhance the efficacy and efficiency of the most important activities or processes in place within pharma companies
- Our tools and recommendations are based on both:
  - Our consulting experience in the pharma sector
  - Our research for innovative, pragmatic and useful solutions
- Each issue is designed to be read in less than 20 minutes and not to exceed 20 pages

Global Pharma Market

Situation Analysis & 2024 – 2029 Perspectives

- This paper analyses the attractiveness of the global pharma market, considering its size, growth rate and level of profitability over the 2024 – 2029 period
- The evolution of the cost structure and profitability of the top 15 pharma companies is highlighted,…
- … as well as their corporate strategy based on the strategic segments and countries they focus on, with the help of the Smart Pharma Consulting "Development Strategy Matrix"

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)
  - Training activities for pharma executives
  - The publication of articles, booklets, books and expert reports
- Our publications can be downloaded from our website:
  - 43 articles
  - 73 position papers covering the following topics:
    1. Market Insights
    2. Strategy
    3. Market Access
    4. Medical Affairs
    5. Marketing
    6. Sales Force Effectiveness
    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

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