What next for Life Sciences?

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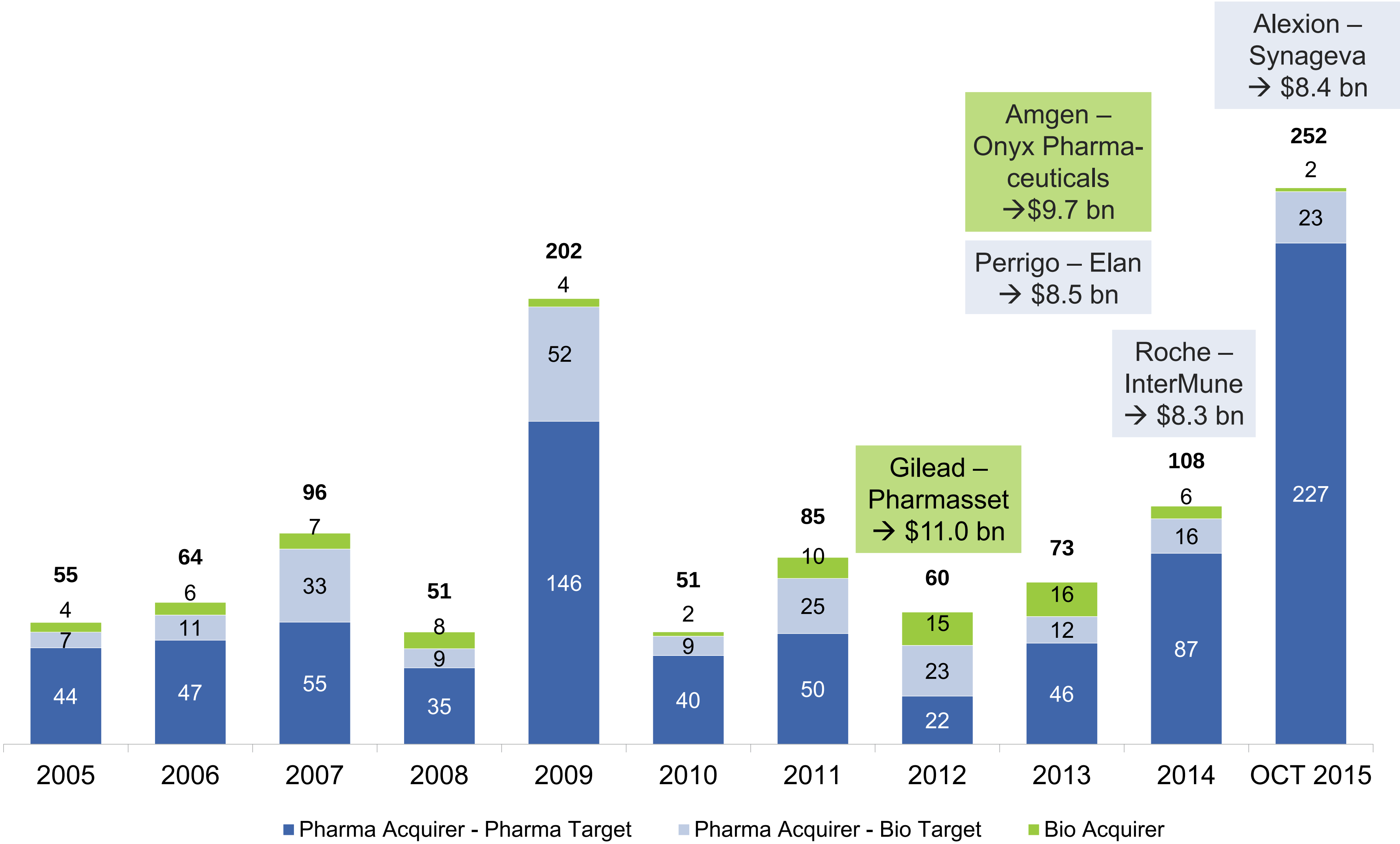
Big pharma is making deals, not drugs

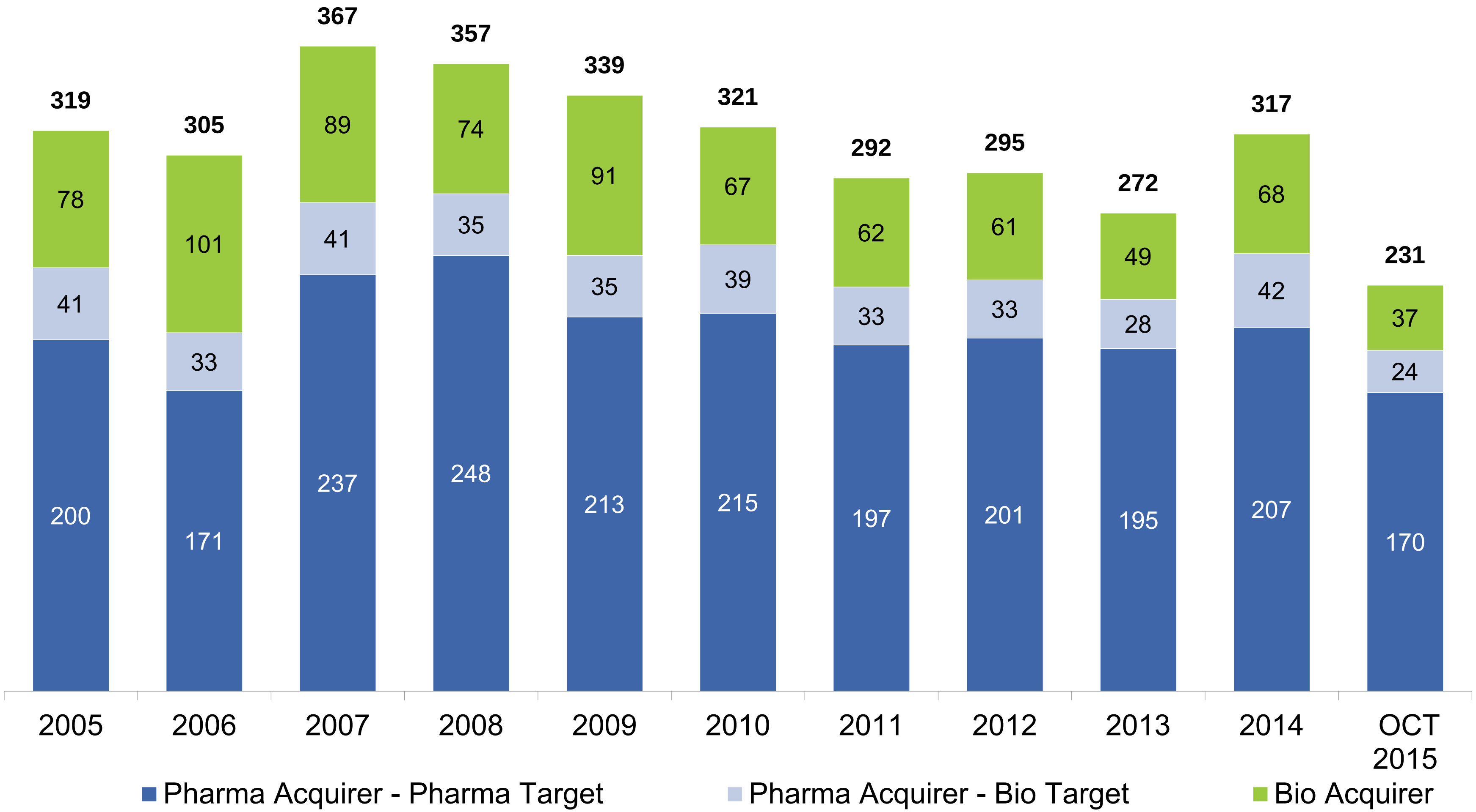
FINANCIAL TIMES November, 25th 2015

Life Sciences M&A – completed deals 2005 – 2015 (US$ bn)



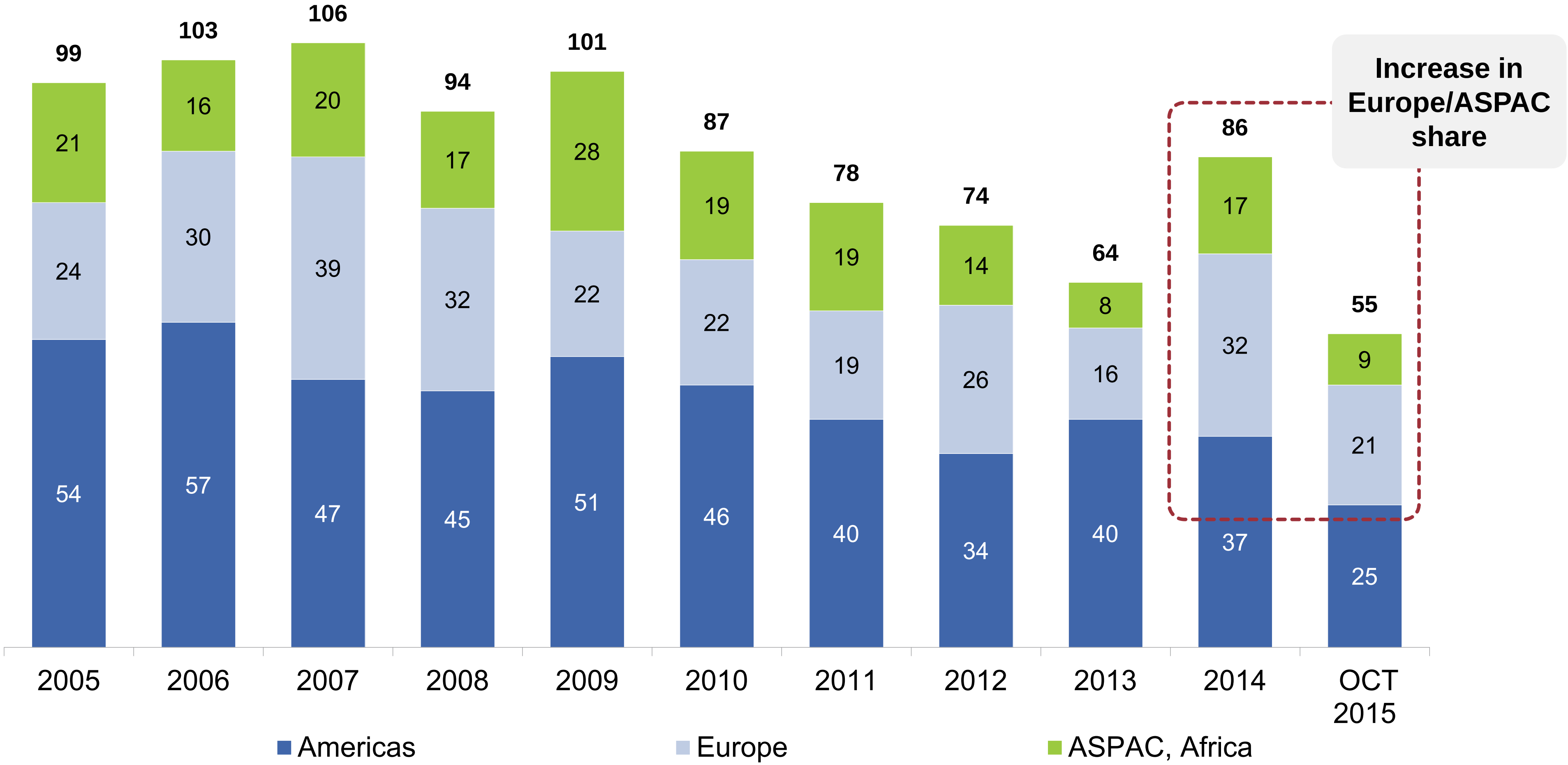
Source: Thomson One – November 2015, KPMG Analysis

Life Scienes M&A – # of completed deals 2005 – 2015 (by acquirer)



Source: Thomson One – November 2015, KPMG Analysis

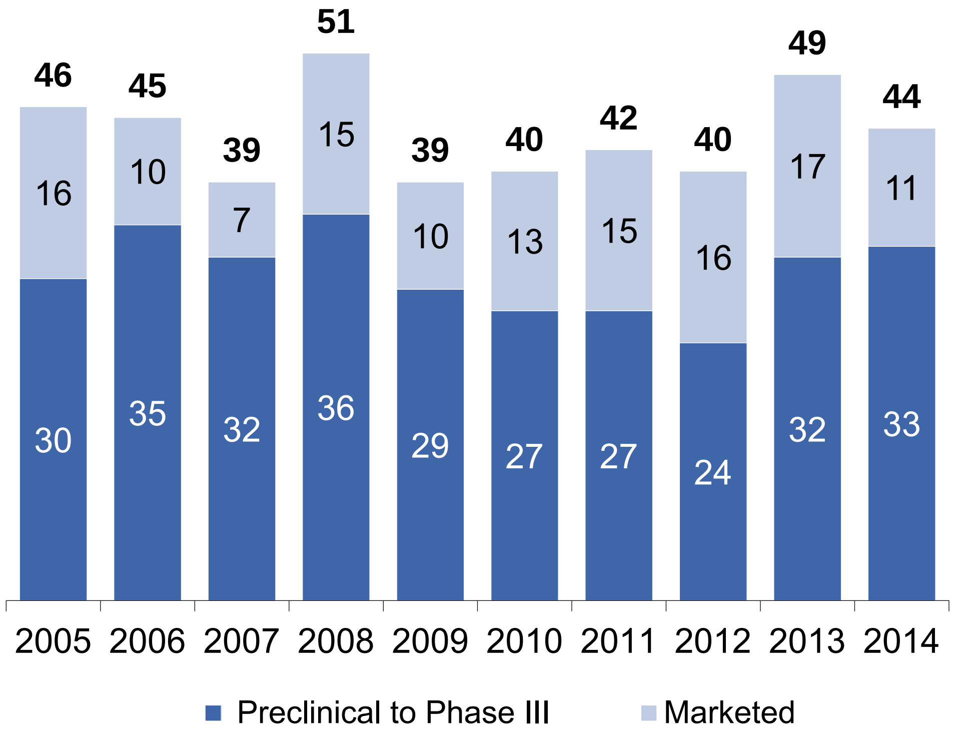
Biotech M&A – # of completed deals 2005 – 2015 (by region)



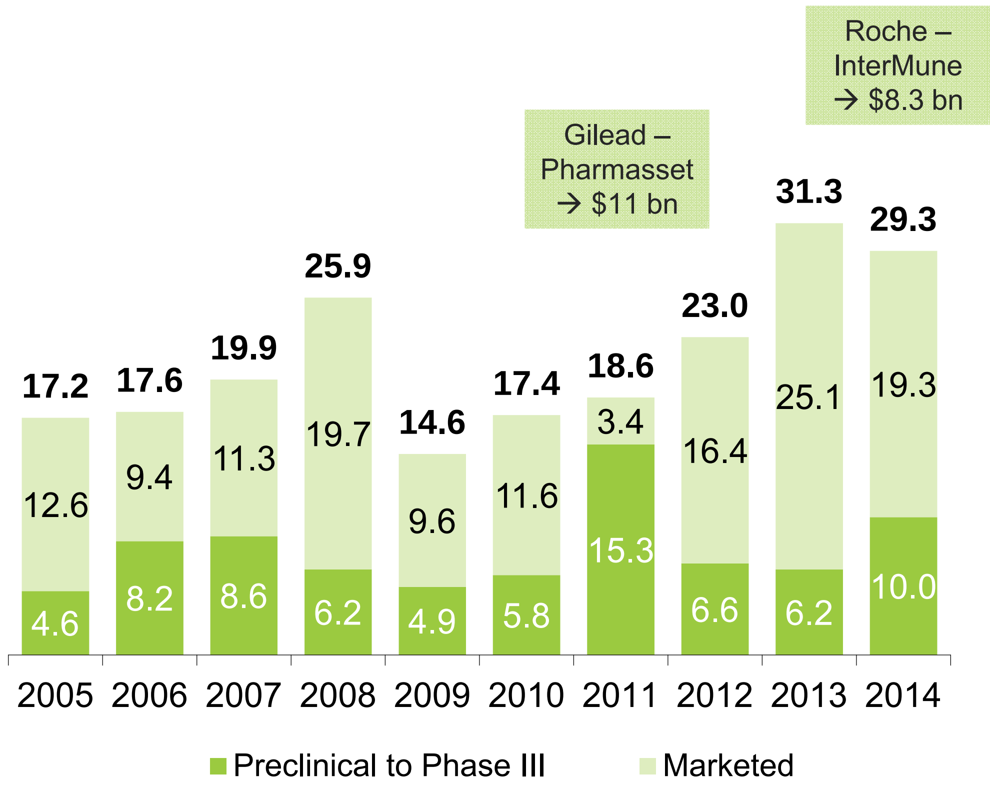
Source: Thomson One – November 2015, KPMG Analysis

Acquisitions of Emerging Therapeutic and R&D Stage companies

Number of acquisitions*



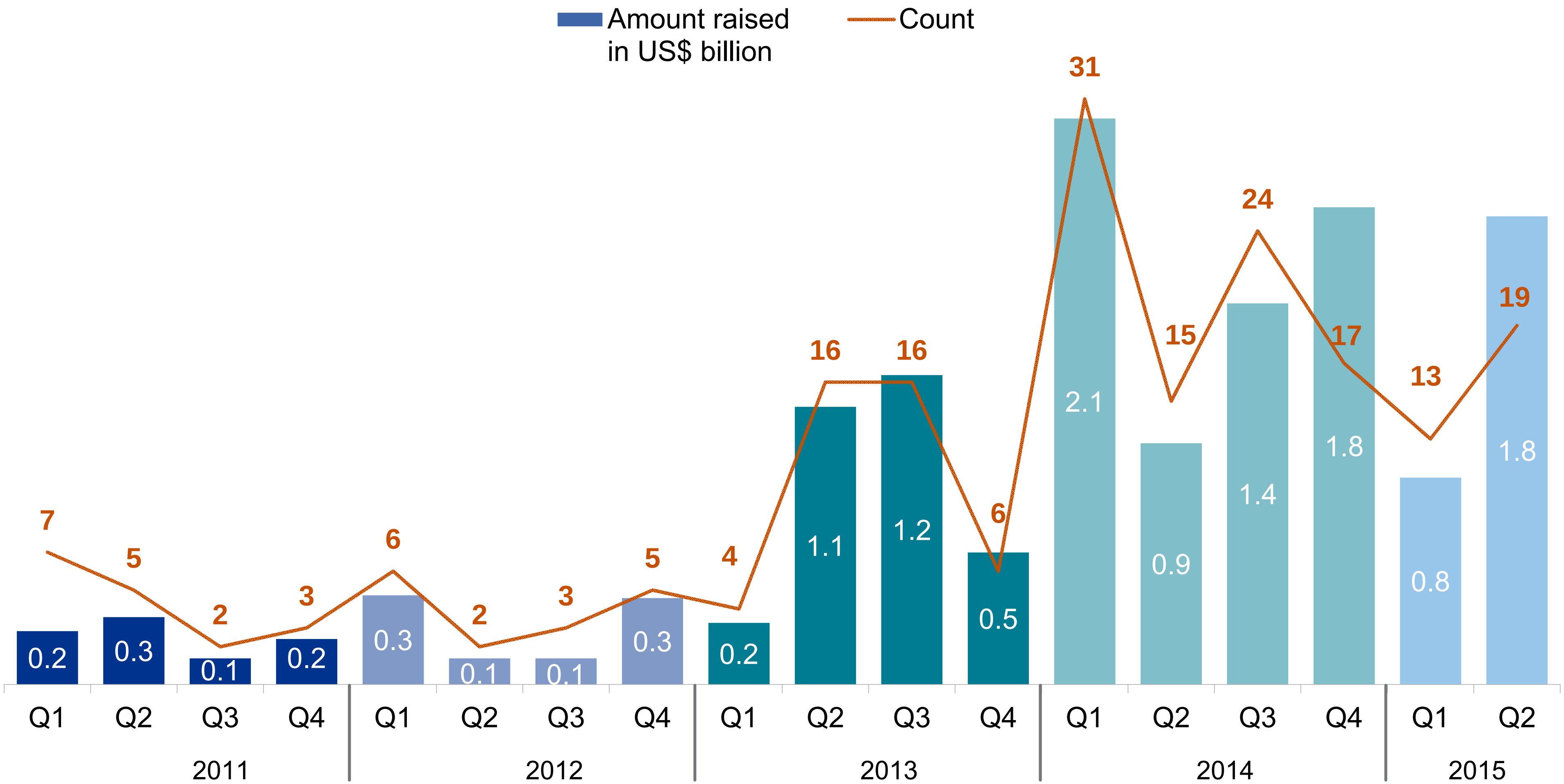
Deal value in US$ bn (up-front payments only)*



* Only deals > US$ 10m

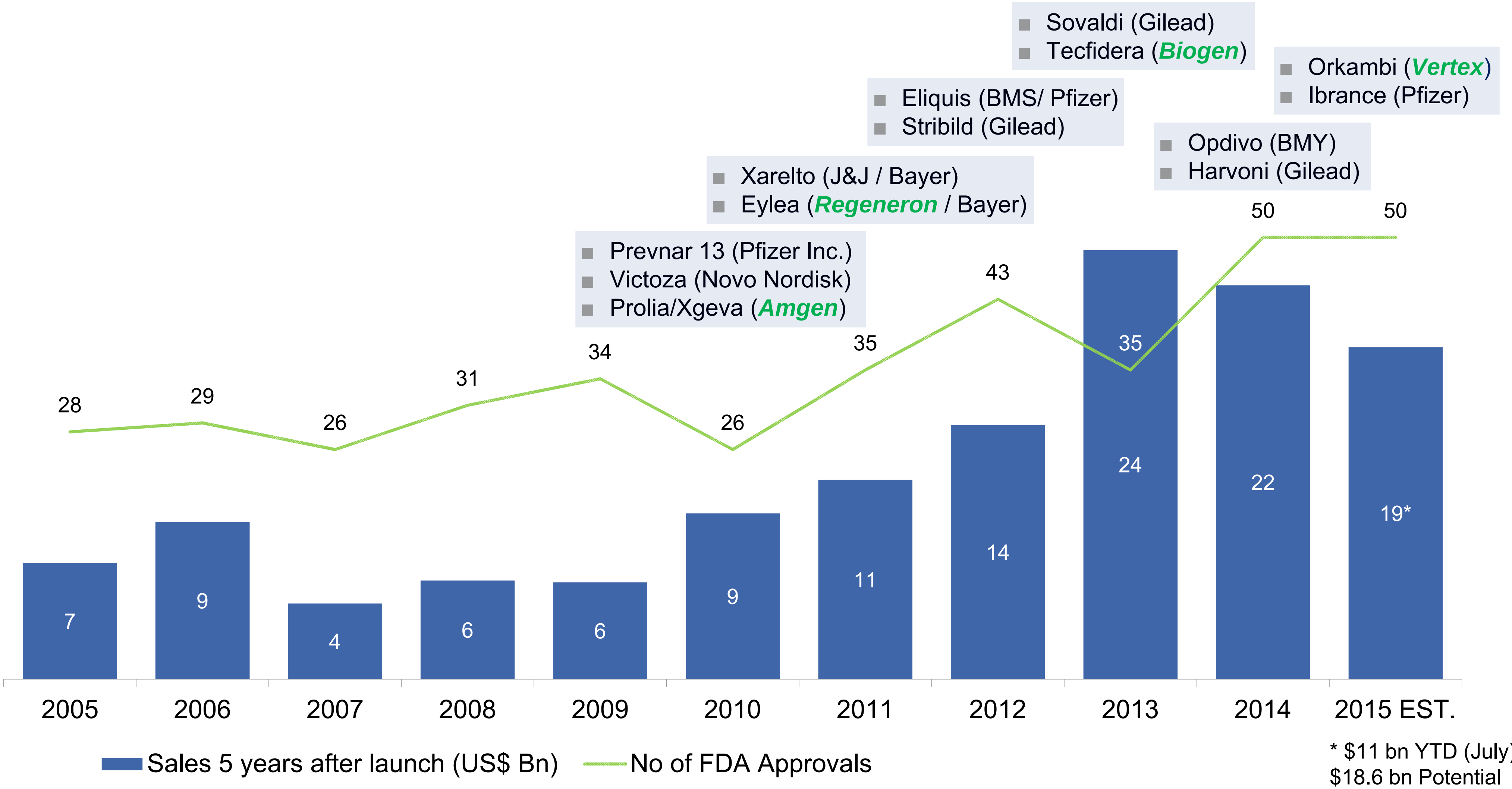
Source: Biotechnology Industry Organization – June 2015, KPMG Analysis

Biotech IPOs on Western Exchanges – $ raised & number of IPOs



Source: Evaluate Pharma – July 2015, KPMG Analysis

FDA approvals and projected US$ sales 5 years after launch

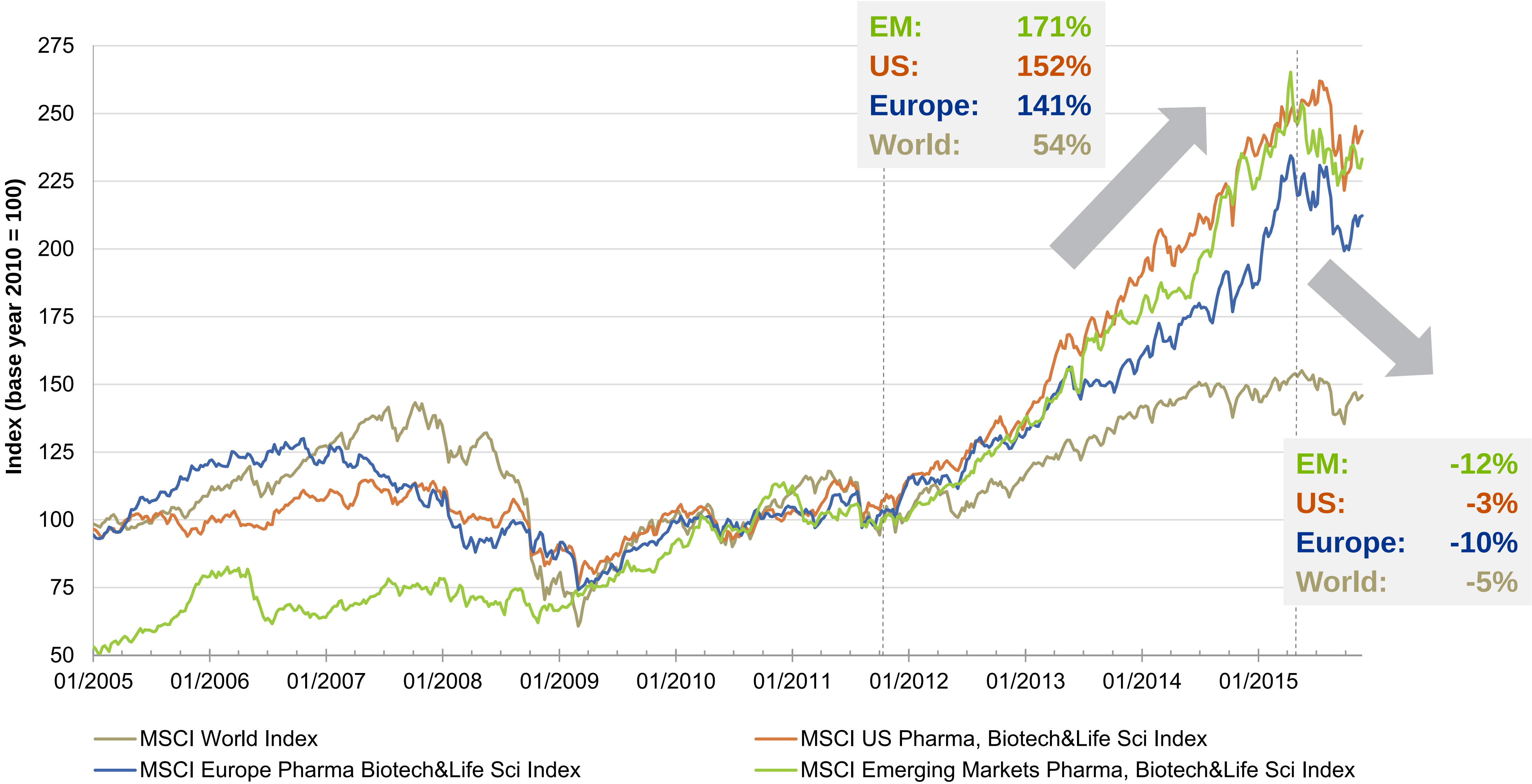


* $11 bn YTD (July), $18.6 bn Potential

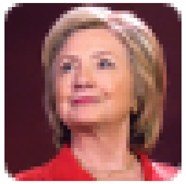
Biotechnology companies are italicized

Source: Evaluate Pharma – July 2015, KPMG Analysis

Development of regional Life Sciences indices 2005-2015



Source: Bloomberg – November 2015



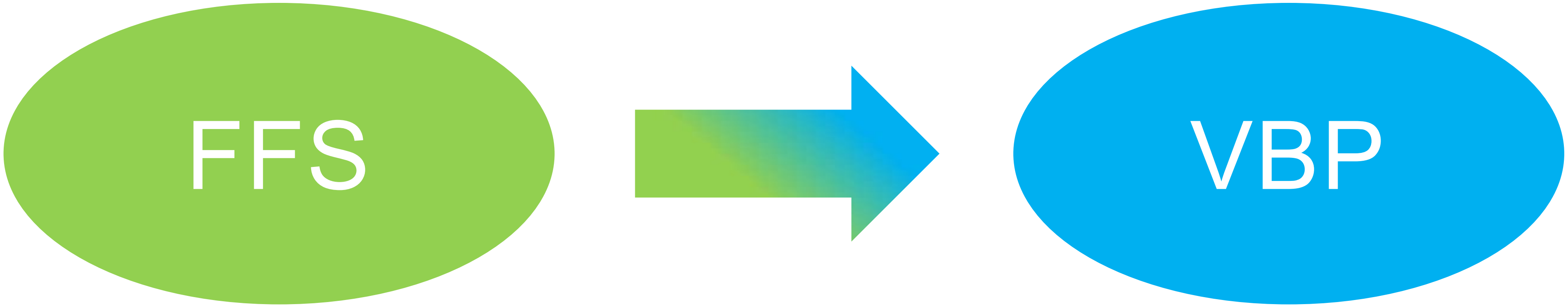
Hillary Clinton @HillaryClinton

Folgen

Price gouging like this in the specialty drug market is outrageous. Tomorrow I'll lay out a plan to take it on. -H

> **The New York Times** @nytimes
>
> Overnight, the price of a 62-year-old drug jumped to $750 a tablet from $13.50 nyti.ms/1PgyCpC

Value-based pricing reforming Life Sciences



FEE FOR SERVICE

Traditional volume-based fee-for-service payment

- Payment for visit
- Payment for prescription
- Payment for surgery

VALUE-BASED PRICING

Outcome and patient-centric metrics for payment

- All-inclusive care packages (e.g. a year of diabetes care)

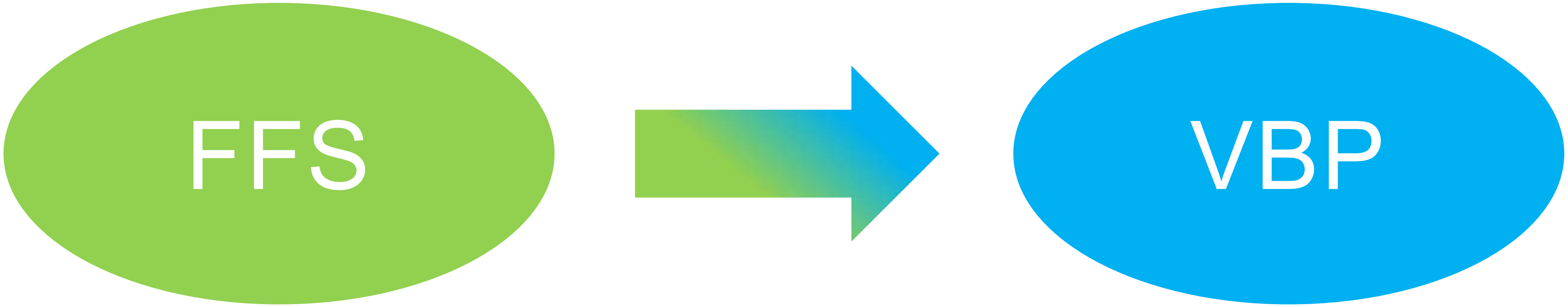
Value-based pricing in context of The New York State DSRIP

DSRIP

Delivery System Reform Incentive Payment

- Transformation of the NYS Medicaid Healthcare Delivery System
- Improve core population
- Improve patient outcomes
- ≥ 90% value-based payments by 2020

When is VBP appropriate?



- Evidence-based, outcome-focused disease management
- No generic versions
- Need to differentiate products
- Reimbursement challenges require innovative pricing strategy

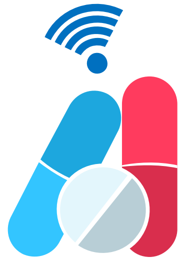
VBP needs Real World Evidence

Real World Evidence along the Life Sciences value chain

REVISITING
FAILED DRUGS

BUSINESS
INTELLIGENCE

3-D PRINTING



PERSONALISED
MEDECINE

Population → Discovery and Development → Manufacturing → Sales & Marketing → Patient

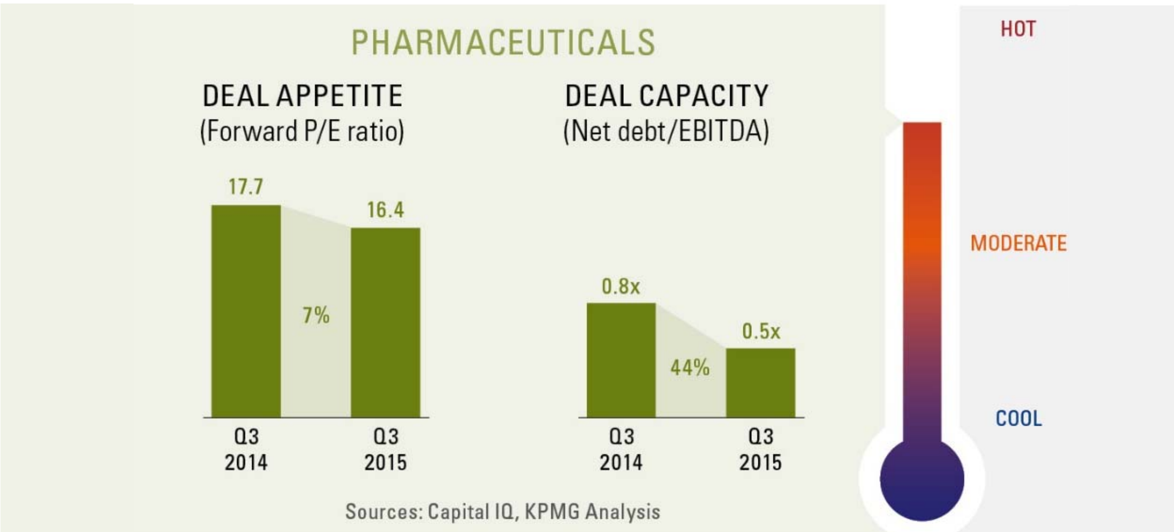
BETTER TRIAL
DESIGN AND
ANALYSIS

PREVENTIVE
MEDECINE

PRODUCT
PERFORMANCE

ADVANCED
ANALYTICS

Making drugs, and deals



Deal drivers

- Market consolidation
- Asset swaps
- Portfolio shifts / optimization
- Patent cliff
- Strong valuations
- Geographic expansion
- Cheap funding
- Tax inversion


THANK YOU