



Highlights From the 41st JP Morgan Healthcare Conference

(Sources: Articles by Scrip Intelligence, FiercePharma
and MedCity News)

Several significant takeaways dominated this year's 41st J.P. Morgan Healthcare Conference, which met in-person for the first time since before the COVID pandemic. CEOs from the largest pharma companies talked about the effects of the U.S. Inflation Reduction Act (IRA), innovation, and areas of focus going forward.

Policies under the IRA that allow Medicare to negotiate drug prices have been looming large over the industry. Industry leaders have been strategizing how to adjust to the first introduction of Medicare price negotiation while waiting for details as to which products will be affected and how the program will work.

At the start of the meeting one big pharma CEO noted that the priority through the year will be how to ensure the IRA does not limit innovation in small molecules and new technologies. Industry leaders see the U.S. IRA incentivizing biologics and broadly discouraging R&D. But industry leaders also acknowledge that the biopharma industry can rise to meet the challenges of the IRA as it has adapted to shifting policies in the past dating back to the establishment of the Food, Drug and Cosmetic Act, the Hatch-Waxman Act, and the creation of Medicare Part D. The IRA is just the latest of circumstances to which the industry must adapt.

Johnson & Johnson CEO Joaquin Duato clarified the company's current thinking on M&A, which he said remains solidly focused on early- to mid-stage deals, adding that J&J's most successful business development deals have been those that are centered around assets that are immediately after proof-of-concept or just prior.

"We have a disciplined capital allocation strategy and disciplined metrics in order to evaluate those opportunities, and normally these companies...do have a fair valuation from the Street and it's more challenging and they have a higher bar," he noted.

Biogen's Christopher Viehbacher, CEO (formerly of Sanofi) pointed out that Biogen, while having seen much success in its focus on multiple sclerosis, needs to navigate the company down a path of more sustainable growth. Two potential blockbusters (in the same year) include partnerships with Eisai Co., Ltd. for its Alzheimer's drug *Leqembi (lecanemab)* and Sage Therapeutics' depression drug *zuranolone*. As far as Biogen's portfolio, Viehbacher does not anticipate the company veering very far from its neurology focus.

Merck & Co. CEO, Rob Davis, and president of Merck Research Laboratories, Dean Li, made it clear during their presentation that the big pharma is pushing business development. With US\$45 billion in revenue through its Q3 2022 (excluding sales of the COVID-19 treatment *Lagevrio (molnupiravir)* representing 29% growth, Davis said Merck is going to leverage its strong cash

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◆ U.S. wholesaler **AmerisourceBergen (ABC)** will change its name to **Cencora** to reflect its focus on expanding outside the U.S. and beyond drug distribution. ABC, one of the largest distributors of medicines and other healthcare products in the U.S., said it expects to begin using the new name in the second half of 2023. "As a global company, the name AmerisourceBergen was becoming less and less reflective to us of how we felt about the company," said Chairman, President & CEO *Steve Collis*. ABC is the latest healthcare company to rebrand as it seeks to redefine its business.

◆ **Walgreens Boots Alliance (WBA)** announced first quarter 2023 sales of US\$33.4 billion, a 1.5% decrease year-over-year (up 1.1% on a constant currency basis.) The company also invested US\$3.5 billion in debt and equity to support VillageMD's acquisition of Summit Health, which closed January 3, 2023. WBA's CEO, *Rosalind Brewer*, said, "WBA delivered a solid start to the fiscal year, as we continue to accelerate our transformation to a consumer-centric healthcare company. We're making significant progress in driving our U.S. Healthcare segment to scale and profit, including the recent VillageMD acquisition of Summit Health."

◆ **Alfresa (Japan)** has established a new wholly owned subsidiary, named **Cell Resources**, dedicated to regenerative medicine products. A cell culture and processing facility is being built with the aim of supplying master cells to support drug makers that develop regenerative medicine products. Cell Resources will handle operations from cell extraction to the manufacturing of regenerative medicine products according to a company press release.

◆ Proposed changes to a European Union pharmaceuticals law will include stronger obligations for the supply of medicines and earlier notifications of shortages, according to EU Health Commissioner *Stella Kyriakides*. Kyriakides told a session of European Parliament that shortages of antibiotics are a growing problem for European countries. The proposal to revise the pharmaceuticals legislation is planned for March of 2023.

◆ **McKesson Corporation** announced that the company has received approval by the **Science Based Targets Initiative (SBTi)** for its near-term climate change targets that contribute to reducing its greenhouse gas (GHG) emissions. McKesson joins more than 2,000 companies committed to setting and achieving targets to reduce GHG emissions that are aligned to the goal of limiting global temperature rise to 1.5°C.

◆ **Eli Lilly and Company** announced plans to invest an additional US\$450 million and create at least 100 new jobs to expand its manufacturing capacity at the company's Research Triangle Park (RTP) facility in North Carolina. The expansion includes additional parental filling, device assembly and packaging capacity to support an increased demand for

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JP Morgan (cont.)

flow to build the pipeline both internally and externally. In the last five years, Merck has spent US\$6.5 billion on business development, including M&A and fees paid under licensing and collaboration agreements. This has brought the company 16 mid- to late-stage programs, plus several earlier-stage programs. Li added, “We are here because we are looking for partners that we have been successful at working with and we encourage all these partners to come see us because we are open for business and we’re interested in advancing our pipeline with you.”

Bristol Myers Squibb chief commercialization officer, Chris Boehner, outlined the company’s anticipated US\$10 billion in annual sales from new product launches – this on top of more than US\$25 billion in new annual revenue by 2029 that the company will bring in from nine recent product launches, including three products launched in 2022 (Camzyos for obstructive hereditary cardiomyopathy, Opdualag for melanoma and Sotyku for psoriasis).

Emma Walmsley, CEO of GSK, spoke about the company’s priorities, highlighting infectious disease and HIV as primary focus areas, while less focused on oncology as it has been in the past. “Infectious diseases and HIV represent around two-thirds of our pipeline and our primary focus for R&D,” she said.

Meanwhile, GSK’s *Shingrix* vaccine for shingles has been a big growth driver and the company has another big opportunity in vaccines for respiratory syncytial virus (RSV). Its RSV vaccine for older adults is pending at the FDA with action expected by May 3, 2023.

Amgen Inc. came to the conference eager to execute deals of all sizes as it rebuilds a portfolio suffering from multiple losses of exclusivity (LOEs) and anticipating future biosimilars and generics of key products. With the LOE of osteoporosis blockbuster *Prolia* in 2025 and oral psoriasis therapy *Otezla* in 2028, the company is still in the market for a wide range of deals even after its December announcement of the acquisition of Horizon Therapeutics.

“We’ll continue to look across a range of opportunities to acquire external innovation and also to license external innovation,” CEO Bob Bradway said during the Q&A following his presentation. He also reiterated the position that Amgen’s capital allocation priorities have not changed in any meaningful way.

Speaking at a fireside chat, Pfizer CEO Albert Bourla said the COVID-19 virus is “all over” and “keeps mutating.” Infection creates a very short-lasting immunity, Bourla said, noting that people can “get the same strain after six months.” With these infection dynamics considered, Bourla said Pfizer’s scientists expect COVID-19 to be around “for the years to come.” Going forward, he also expects social distancing will disappear and the U.S. COVID-19 vaccination rates will stabilize at lower levels than seen during initial rollouts. These low vaccination rates will cause more severe disease during future waves of infection, which will drive increased demand for treatments.

Bourla also commented that in order to reach Pfizer’s 2030 revenue goals, the company is facing its most important 18 months in the history of the company, due to its anticipated 19 drug launches or label expansions during that period. Those

launches, in total, should generate US\$20 billion in sales by 2030. Included in that group is an RSV vaccine, *elranatamab* for multiple myeloma, *ritlectinib* for alopecia areata and many other products. While specialty care accounts for a large portion of healthcare costs, companies are focusing more on primary care; having a strong strategy in the primary care arena is what they will continue to focus on moving forward.

Lyle Berkowitz, CEO of telemedicine startup KeyCare, spoke on how companies are focusing on owning primary care because it is the largest funnel to a significant customer base to whom other care and services can be delivered.

“We are not necessarily seeing very large-scale M&A, but we are seeing single-digit billion-dollar type bolt-on deals,” said Matthew Leskowitz, managing director of healthcare investment banking at Goldman Sachs.

In Brief (cont.)

Lilly’s incretin products to treat diabetes. Since 2020, Lilly has committed approximately US\$4 billion to new manufacturing facilities in North Carolina, including US\$1.7 billion for the development and expansion of its site at RTP.

- ◆ Three Japanese pharma firms – **Shionogi & Co., Ltd.**, **Ono Pharmaceutical Company, Ltd.** and **Mitsubishi Tanabe Pharma Corporation** - announced a new collaborative pre-wholesale logistics project to deliver more efficient distribution to wholesalers, optimize delivery labor in an ageing society and comply with tightening regulations. Under the agreement, the companies will use a joint base owned by an external company in an approach aimed at addressing multiple pressing challenges in the sector, including quality assurance. Additionally, the companies hope to reduce the need for delivery drivers given the ever-decreasing number of workers in Japan’s rapidly ageing society, and to comply with local labor regulations due to take effect in April of 2023.

- ◆ **AstraZeneca**, through a subsidiary, is commencing a tender offer to purchase all outstanding shares of **CinCor Pharma, Inc.** for US\$26 per share in cash at closing, plus a non-tradable contingent value right of US\$10 per share in cash payable upon a specified regulatory submission for a *baxdrostat* product. The tender offer is subject to certain conditions, including the tender of shares representing at least one more than 50% of the total number of Cincor’s outstanding shares and other customary conditions.

- ◆ South African pharmacy chain **Clicks Group** reported slower turnover growth for the 20-week period ending January 15, 2023, reflecting a sharp drop in COVID-19 vaccinations. Turnover rose by 2.9% versus growth of 10.4% a year earlier. Excluding vaccinations, turnover rose by 7.8% to 15.6 billion rand (US\$902 million) reflecting good volume growth following strong Black Friday and Christmas trading. “Clicks reported particularly strong growth in beauty, personal care and baby, with customer purchasing behavior normalizing after the relaxation of COVID-19 regulations,” CEO *Bertina Engelbrecht* said.

(Sources: Company Press Releases, FiercePharma, Drug Store News, Pharma Japan, Scrip Intelligence, and the Wall Street Journal)