



## Macro Trends from Industry CEOs

(Source: An article by Jessica Merrill for Scrip)

Global tensions and US drug pricing pressure are growing risks to the pharmaceutical sector that could have long-lasting implications, according to some of the industry's top CEOs, who participated in a panel discussion at the Galien Forum in New York City on the 26<sup>th</sup> of October.

Pfizer Inc. CEO Albert Bourla, Eli Lilly and Company CEO David Ricks, and Seagen Inc. CEO David Epstein discussed pressing issues for the pharmaceutical industry in the post-COVID era.

A new war in the Middle East, coming on top of the ongoing war between Ukraine and Russia, and mounting tensions between nations like the US, China and India, could disrupt business and present new risks to the sector's supply chains, commercial efforts and R&D, the CEOs agreed.

"The first thing of course is that people are losing their lives," CEO Albert Bourla said. "But clearly there are implications on everyone." We are heavily interconnected to the supply chain and every time you have these types of risks you feel threatened that these can be disruptive, and disruption in our case means that medicines cannot be given to people."

The industry's supply chains were put to the test during the early stages of the COVID-19 pandemic, when many countries sought to stockpile medicines or ingredients, underscoring how quickly the global system can be disrupted and emphasizing the biopharma industry's reliance on manufacturing outside the US. Given the industry's investment and expansion into China, any changes to the relationship between China and the US are also a concern, Bourla added.

Eli Lilly's David Ricks also pointed to revenue risk if access to certain commercial markets is restricted, although thus far, he said the impact has been small.

"Russia/Ukraine at least are much smaller than China, but even with that, China is what, 6%-7% of our global industry in revenue? Most of the Chinese pharmaceutical market is domestic, which is interesting...probably the biggest risk I worry about is more of a long-term one, which is adding risk to the already incredibly risky operation of R&D," Ricks said.

The US and much of the Western world have come to agree mostly on regulatory standards and intellectual property enforcement for drugs, and even generally on the value of medicines, Ricks added.

Epstein, who leads Seagen, took a smaller biopharma company's viewpoint. "As a medium-sized company ... one of the decisions we would have been making if we were a standalone company in the future would have been which other markets to enter, where you take risks and build up commercial infrastructure, drug development infrastructure, where you put manufacturing plants," he said. "It's already pretty difficult for a small-to-medium company to find the capital to do that. It's a big choice, and now, if you overlap on top of that, a country's borders might be closed or

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## In Brief...

◆ **Cencora Inc.** (formerly **AmerisourceBergen**) reported fourth quarter and fiscal year 2023 financial results, with revenue of US\$68.9 billion for Q4, a 12.7% year-over-year increase. Fiscal 2023 revenues came in at US\$262 billion, 9.9% higher than the previous year. "Cencora delivered strong performance in fiscal 2023, which was a seminal year for our company as our purpose-driven teams took key steps to executive on our strategic imperatives and advance our position at the center of healthcare," said *Steve Collis*, Chairman, President and CEO of Cencora.

◆ **McKesson Corporation** reported Q2 2024 revenues of US\$77.2 billion, an increase of 10% year-over-year. U.S. pharmaceutical segment revenues were US\$69.7 billion, an increase of 16.2% over the prior year. McKesson CEO, *Brian Tyler*, commented "We're very pleased to report another solid quarter in fiscal 2024 with adjusted results above expectations, demonstrating our ability to consistently execute against company priorities and create sustained value for our shareholders."

◆ **Cardinal Health** posted Q1 2024 revenues of US\$54.8 billion, an increase of 10% from the first quarter of last year. "With strong first quarter results and an improved outlook for the year, we are continuing our operating momentum into fiscal 2024," said *Jason Hollar*, the company's CEO. First quarter revenue for Cardinal Health's pharmaceutical segment increased 11% to US\$51 billion, driven by brand and specialty pharmaceutical sales growth from existing customers.

◆ Despite a challenging business environment, **CVS Health's** total revenues for the third quarter of 2023 increased to US\$89.8 billion, up 10.6% compared to the prior year period.

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## Nadro celebrates 80th Anniversary

(Source: An Article by Alejandra Matarazzo Escandón)

Nadro, the leading pharmaceutical wholesaler in Mexico and an IFPW member, celebrated its 80th anniversary with a gala dinner hosted by Pablo Escandón-Cusi in Mexico City on October 17, 2023.

More than four hundred people participated, including prominent figures of the Mexican health sector, pharma executives and numerous business partners that have contributed to Nadro's success over the years. The event combined multimedia footage of the Company's past, present and vision of the future with traditional Mexican cuisine, each relevant to the respective period in Nadro's history since the 1940s.

Nadro was founded in Mexico by Eustaquio Escandón-Galindo and a group of Mexican businessmen in 1943, after it became evident that the challenges brought by the second world war required stronger, local participants to guarantee the proper distribution of medicines to every corner in Mexico.

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## Macro Trends (cont.)...

that my people might get attacked, it adds a level of risk that most small companies just simply won't be able to do things."

Geopolitical tensions also create another uncertainty to the already challenging environment for raising capital from venture capital, he added, reflecting on his experience working at Flagship Pioneering for six years before joining Seagen last year.

The three CEOs also took the opportunity to underscore some of the potential serious and unintended consequences of new US drug pricing policy stemming from the U.S. Inflation Reduction Act that will pave the way for the Centers for Medicare & Medicaid Services to negotiate drug prices for certain big-selling drugs beginning in 2026. Much of the focus was on one of industry's standard talking points since the legislation was first passed in 2022 - unintended consequences stemming from the shorter nine-year life cycle granted to small molecule drugs before facing negotiation versus the 13 years granted to biologics.

Ricks speculated the result of the negotiation policies will mean there will be less investment in small molecules, less investment in medium-sized indications and less investment in drugs for older patients.

Ricks said Lilly has already changed more than half a dozen research programs to adapt to the law. In some cases that could mean accelerating new indications to run programs in parallel because the time clock for a drug starts when it first reaches the market.

Another consequence of the time clock could be that drug makers choose to launch a drug outside the US first before launching in the US, something that does not often happen today. A company may choose to hold off on a US launch to debut with multiple indications at once.

Epstein said a company the size of Seagen would face serious challenges running clinical trials in parallel

"As a small or medium company, how would it be possible that we could do three or four Phase III pivotal trials in parallel? Where is that capital going to come from? And, if we get it wrong, the company is gone," Epstein said.

He also highlighted a provision for orphan drugs that exempts them from negotiations as long as they are only approved for only one indication. The exemption would be removed if a second indication is approved, something that is common with drugs for rare diseases as a way to make them commercially viable. That's the case with Seagen's *Adcetris (brentuximab vedotin)*, for example, which is approved for seven orphan indications.

Pfizer's Bourla said the Medicare price negotiation program is more about politics than drug pricing.

"The thing that upsets me is that none of these consequences were intended," Bourla said, adding "When they voted for this bill, they didn't want to do any of these things, but they were so furious to vote for something that would be against pharma because they're thinking this is their main political win."

## Nadro (cont.)

Pablo Escandón-Cusi took over the CEO role from his father in 1977, and is currently the Executive Chairman of Nadro. Pablo and Alejandra, two of his siblings now hold executive positions in the Company.

The keynote speaker for the event was Dr. Julio Frenk, currently President of the University of Miami and former Minister of Health of Mexico, who in 2004 successfully implemented Mexico's universal health coverage program.

During his speech, Dr. Frenk mentioned: "I have worked

closely with Pablo over the years developing ideas to bolster our National Health System, and have identified the opportunities where the private sector can support it, understanding the social contribution that a wholesaler like Nadro adds to the fast response that the public health system can provide to patients throughout the country. Especially now, with the large number of restrictions faced by the Mexican population, the goal is to promote better health outcomes. Nadro has a social vision and entrepreneurial drive that not only allows it to meet its corporate objectives, but to achieve a broader goal of better serving the health needs of Mexicans".

Following Dr. Frenk's speech, Mr. Escandón-Cusi took the podium to deliver his remarks, stating that "Over the years, Nadro has withstood numerous challenges, but continues at the forefront of technological and operating excellence in a very complex and scattered market, where the points of distribution are mostly comprised of thousands of independent pharmacies in every part of Mexico. Nadro has implemented numerous customized programs to modernize these mom and pop pharmacies, including inventory management, technology and point of sale solutions. The number of distribution orders and sales financing is much more intense and critical per store in Mexico than in other, more developed countries, and Nadro remains the cornerstone upon which these small businesses rely to remain competitive".

Finally, Mr. Escandón-Cusi thanked the audience and concluded the event, saying "While we are just turning 80, we have all the energy to continue to perform at a high level for many more years. With your joint participation, we will deliver on our mission to bring health to every corner of Mexico. More health equals less inequality, and less poverty. Thank you".

*IFPW extends its heartfelt congratulations to Nadro on this incredible milestone, and sends best wishes for continued success in the future.*

## In Brief (cont.)

The company generated operating income of US\$3.7 billion, compared to US\$3.9 billion from the prior year period, primarily driven by a number of factors. According to company officials.

- ◆ UK-based **GSK's** RSV vaccine, *Arexvy*, brought in US\$860 million in the third quarter, significantly more than **Pfizer's** *Abrysvo* during the same period. GSK CEO, *Emma Walmsley*, said during a press call, "The key point here for GSK is this pivot to the prevention agenda, which is just better for everybody – burdened healthcare systems, patients and general practitioners." GSK highlighted the vaccine's 94.6% efficacy in older adults with some underlying medical conditions, a message that seems to resonate with healthcare providers.

- ◆ Both **Eli Lilly** and Company and **Novo Nordisk** anticipate strong growth for their competing GLP-1 products. Lilly's *Mounjaro* (for type 2 diabetes and slated for approval by the U.S. Food and Drug Administration for weight loss) and Novo Nordisk's *Ozempic/Rybelsus* (for type 2 diabetes) and *Wegovy* (for weight loss) are experiencing high demand. Lilly hopes to double its capacity for *Mounjaro* by the end of 2023. *Mounjaro* posted more than US\$1.4 billion in sales, up roughly 43% from the second quarter. Novo Nordisk reported Q3 *Wegovy* sales of nearly US\$1.37 billion, up 730% year-over-year.

*(Sources: Company Press Releases, Drug Store News, Reuters, Scrip and Yahoo! Finance)*