



PETRA JANTZER - THE NEW IMPERATIVE VIDEO TRANSCRIPT

Petra Jantzer

Petra Jantzer [00:00:04] Good morning. My name is Petra Jantzer. I'm a senior managing director in Accenture and responsible for our global life sciences business.

Reflecting on the last few years, there are many accomplishments of our industry that we can all be very proud of.

First, science is better than ever. We've seen multiple COVID vaccines and antivirals being delivered at an astonishing speed, a first personalized cancer vaccine demonstrating meaningful clinical outcomes, early promises in the Crisper technology to treat sickle cell disease and beta thalassemia, and an increasing shift from response to remission data points in oncology trials. When taken together, we can see that the slope of the innovation curve in life sciences is not only pointing upwards but has grown steeper in nature.

At the same time, we are facing a new macroeconomic situation today where inflation persists, economic downturn looms, and the new legislation on drug pricing in the US puts additional pressure on profitability. Central banks are steadily increasing interest rates and are signaling that this trend will likely continue. Impacts have rippled across markets, driving new volatility, depressing valuations and most significantly increasing the cost of capital. As the last decade of low cost of capital comes to an end, it is impacting all players in the industry. Everyone is looking for higher returns on their investments and it is important to understand what's happening in various markets. First, the public markets have been stalling over the last year. Both the number of biotech IPOs and the funds raised from them have declined by over 95%. Of those who went public in 2020 and 2021, 83% are trading below their offering prices.

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That trend has since flipped for companies who appeared in 2022. But despite this, the SBI continues its downward trend, having dipped more than 30% compared to this time last year. Like most markets, unfortunately. Second annual V.C. Investment in 2022 has been very high. In 2021 and 2022, VCs raised more than \$40 billion in health care. Given that it takes typically 4 to 5 years to deploy 90% of the capital raised, there's plenty of capital to be invested in the next few years. However, with the increasing cost of capital and a few other hurdles, VCs are becoming a bit more risk averse. And in fact, that later stage funding rounds are already down. Lastly, it's important to understand BioPharma's role in this as well.

Traditionally, the top 30 biopharma companies have relied heavily on M&A for growth, with more than 60% of their marketed assets having come from acquisitions over the past 15 years. However, 2021 has been a particularly slow year for M&A due to high transaction premiums. Despite the biotech public market slowdown, the transaction premiums are still very high. Albert BOURLA said once biotech stock valuations are cheaper, but those you want to buy are not. And truly examples are Amgen Chemocentrics 116%. Premium BMS Turning point 133% premium. Regeneron Checkmate 250% premium. As a result, we continue to see few M&A deals. Traditional M&A deals to acquire late-stage assets are still less appealing to large pharma companies due to the high transaction premiums. Many companies have instead been focusing on acquiring bio platforms that come with early-stage assets. Given the flexibility in various options that platforms can generate, we expect those deals to continue.

Finally, we've seen a continuous increase in non-dilutive deals such as collaborations, which we also expect to see more of. Many of these in 2022, or what we call ecosystem deals that focus on acquisitions of know-how and capabilities to innovate faster or reach customers in a new way. For example, through analytics, A.I. data, new devices, or companions. That takes me to what I'm most excited about for 2023. The unprecedented pace of innovation we saw in the past few years is just the beginning of what we view as a significant and lasting shift for the life sciences industry.

So, I'm very excited about how science and tech will converge to enable our industry to discover and deliver unprecedented therapies to generate superior patient outcomes.

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