

2015 global life sciences sector outlook

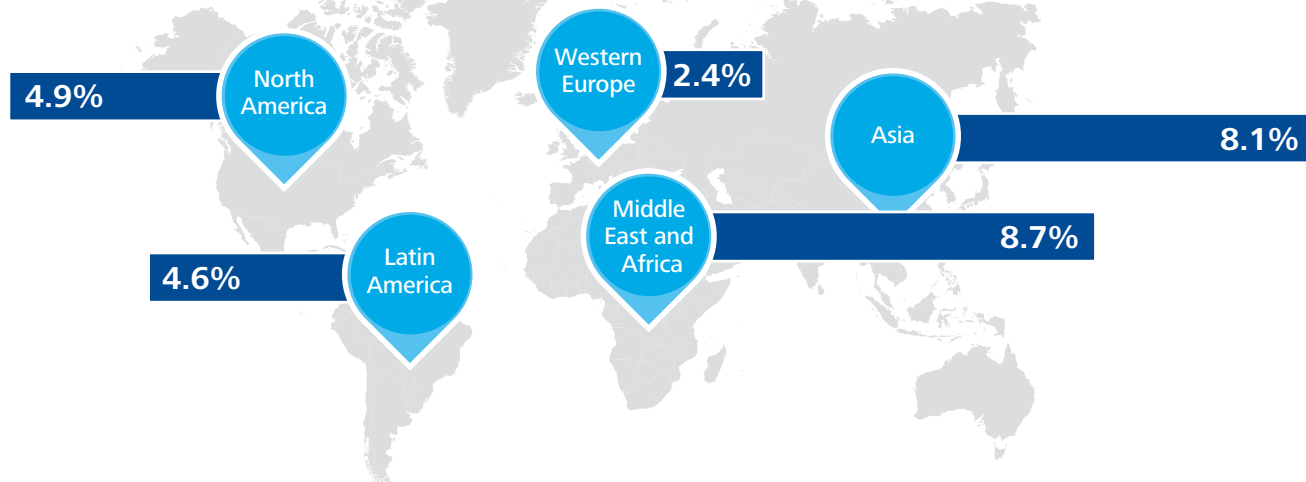
Deloitte Touche Tohmatsu Limited's yearly look at the topics, trends, and issues impacting the global life sciences sector

Sector overview

Global health care spend to grow at **5.2%** annually to 2018

% of GDP spent on health care globally is expected to decrease from 10.6% today to **10.3%** by 2018

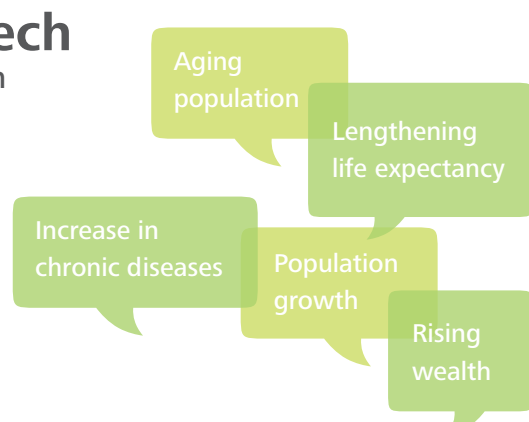
Where's the growth expected?



Market size



Drivers



Top issues and trends

Searching for innovation and growth

Companies continue to look for opportunities to replenish pipelines, foster innovation, and collaboration across the health care value chain, and seek revenue growth.

Use of generics

Loss of revenue from patent expiry

Over \$300 billion



R&D productivity has been in decline, but recent trends indicate a turnaround may be under way:

- » NPV of sector's R&D pipeline surging
- » NME approvals rising
- » Phase III approvals increasing (only bringing the most promising drugs to this stage)
- » Restructuring R&D to focus on most promising areas
- » Government investment from many countries in sector R&D efforts
- » Specialty pharma could see growth surge

Over \$300 billion

Life sciences-related M&A transactions in 2014



Acclimating to a changing regulatory and risk environment

Life sciences sector has a robust, complex and evolving regulatory landscape, driven by patient health, safety, and protection at its core, but is also adapting to different requirements and mandates throughout the world.



Transparency in product commercialization, executive pay, financial information accuracy, manufacturing processes, and clinical trial quality.

Security and privacy Health care's digitization and the proliferation of EMRs, networked medical devices, mHealth, cloud and data sharing among industry stakeholders increases complexity. Frequency and pace of cyber-attacks are increasing.

Drug and device safety — product safety standards are tightening set against a backdrop of heightened regulatory scrutiny and patient advocacy in areas such as social media and affiliate marketing programs.

Intellectual property protection — Continue to struggle to globally enforce intellectual property (IP) rights, particularly in some emerging markets.



Preserving and building shareholder value in an era of pricing pressures, generics competition, margin erosion, supply chain issues, and regulatory constraints, all of which can limit life sciences companies' ability to grow revenues. On the cost side, rising R&D expenses, marketing and sales outlays, and general operating cost increases can exert pressure on gross margins.



Governments in both developed and emerging markets are minimizing pharmaceutical spending growth by enacting **pricing** and **reimbursement** legislation.



Generic drugs account for around **70%** of the U.S. drug market by volume, but generics are feeling the pressure:



» Tighter price controls and other sales constraints are impacting revenues



» Downstream effects of slowing patent expiries

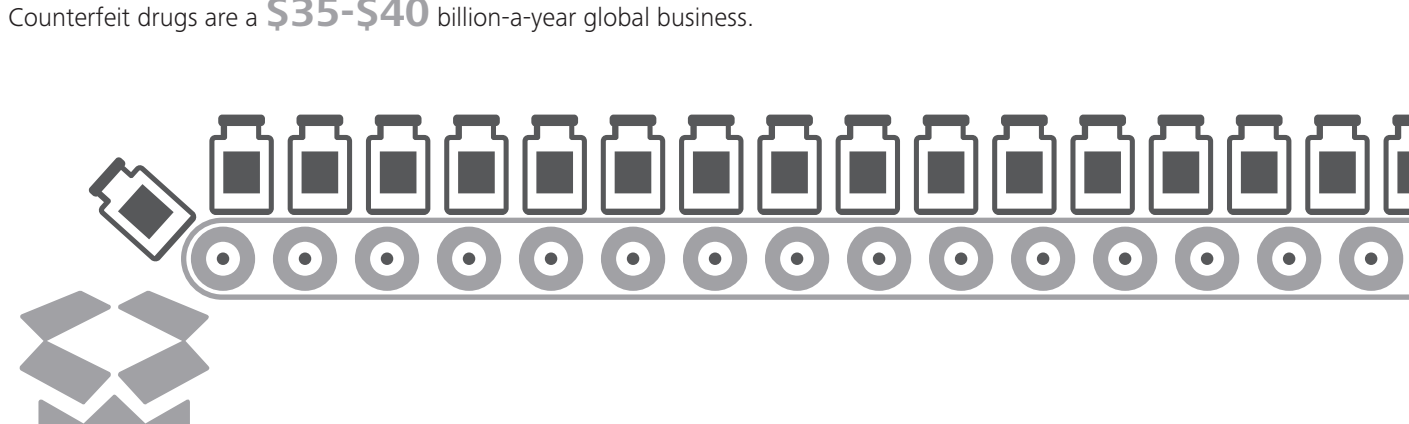


» Increased global competition



Supply chain — Learning how to understand and control supply chain operations at "arm's length" is an inherent challenge for life sciences companies doing business in the global marketplace.

Counterfeit drugs are a **\$35-\$40 billion**-a-year global business.



Preparing for the 'next wave' — Life sciences companies will need to develop capabilities to provide real-world evidence of positive patient outcomes, potential products, manufacturing capabilities, value-based pricing and contracting, reimbursement, market access, and marketing.

New stakeholders, new conversations

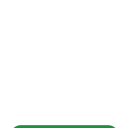
The changing roles and influence of stakeholders along the care continuum call for a more cross-functional, collaborative customer model that effectively targets all critical decision-makers.



Personalized medicine The alignment of science, education, research, informatics, and training is enabling a more personalized approach to life sciences product development and, in the process, transforming the future of health care decision-making and delivery.



The 'next' emerging markets As growth in developed markets slows, life sciences companies are expected to continue expanding their presence in emerging markets through acquisitions and joint ventures.



Technology-enabled health care Technology innovation to health care delivery (wearables, sensors, digital medicine, and novel drug delivery systems) can help to drive down costs and improve treatment regimens.



Talent Life sciences companies are competing globally for increasingly scarce technical and professional skills. A recent survey showed that **75 percent** of respondents rated workforce capability as "urgent" or "important"; however, only **15 percent** believe they are ready to address it.

To learn more about the global trends and issues impacting the life sciences sector as well as outlooks for 12 countries, please visit our 2015 global life sciences sector outlook at www.deloitte.com/2015lifesciencesoutlook.

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