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With Uncertainty Challenging Big Pharma, Execs Opt For Lower-risk Bets

(Source: An article by Michael Gibney for PharmaVoice)

The challenge of uncertainty looming in the pharma industry from last last year continues into 2025. While some milestones like the outcome of the U.S. election have put some questions to rest, big pharma still faces a series of unknowns that have impacted their M&A strategies.

Reported earnings for the fourth quarter of 2024 and full year suggest executives are going back to the basics to overcome the challenges of the year ahead, including a focus on smaller, more consistent deals as well as focusing on new medications to replace the losses of yesterday's bestsellers. Here's what some of those CEOs had to say.

J&J's CEO, Joaquin Duato, provided insight into the company's wide net for acquisitions, last year picking up Ambrx, Proteologix and Yellow Jersey Therapeutics, each with valuations of US$2 billion or less. Additionally, J&J kicked off 2025 with a US$14.6 billion purchase of Intra-Cellular Therapeutics, larger than any pharma deal in 2024.

Is J&J aiming for more of those bigger deals as the year goes on? Not necessarily, according to Duato. Deals like the Intra-Cellular acquisition are opportunistic, he said, and while they create value as outliers, they don't make up the company's bread-and-butter business development strategy. In many ways, that reflects a wider trend in the industry, with pharmas placing smaller and more precise bets on earlier-stage assets that serve to build up a pipeline overtime.

And as J&J's pharma revenues feel the weight of competition to the blockbuster immunology drug *Stelara*, the company managed to pour US$17 billion into R&D last year and US$32 billion into acquisitions in the last 12 months, which includes the buyout of Intra-Cellular. Those commitments illustrate the company's full-steam-ahead approach to Stelara competition and other headwinds like Medicare redesign.

AbbVie faces some of the same headwinds as J&J in terms of overcoming the loss of a major blockbuster, but for the seller of the immunology blockbuster *Humira*, those winds blew a little harder. In 2022, Humira represented more than a third of AbbVie's overall revenues, whereas in the same year, *Stelara* made up a much smaller portion of J&J's total sales. To compensate, the company has worked to bring patients over to its new meds *Skyrizi* and *Rinvoq* (expected to bring in US$24 billion in revenue this year), and that bet is paying off, CEO Rob Michael said.

That represents a growth of US$6 billion from last year that would surpass *Humira's* peak revenue of just over US$21 billion in 2022 before competition became an issue.

Novartis faces a big patent cliff for its cardiovascular drug *Entresto* this year, and generic competitors will likely bring revenue down quickly. But the company has been growing its pipeline and, according to a report in *The Wall Street Journal*, is looking to do

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- **Sycamore Partners** has agreed to pay US$11.45 per share in cash for **Walgreens Boots Alliance**, representing an equity value of approximately US$10 billion. This will result in Walgreens no longer being a public company. The total value of the deal, including debt and potential future payouts, would be almost US$24 billion. The deal is expected to close in the fourth quarter of 2025
- The state of Delaware's investment board approved a US$30.2 million grant to **Merck**, contingent on the company's decision to set up operations at the Chestnut Run Innovation & Science Park outside the city of Wilmington. A representative from the Delaware Prosperity Partnership (DPP, an economic development organization, confirmed the grant's approval. A Merck spokesperson verified that the company is "considering Delaware as a potential location to develop a new commercialization and launch facility." However, Merck is weighing other locations to set up its new manufacturing plant. Separately, Merck is building a new US$1 billion, 225,000-square-foot manufacturing plant slated to produce bulk substance for its megablockbuster HPV vaccine *Gardasil* has opened in North Carolina. The new plant is built on the 262-acre campus it has occupied since 2004, where the pharma giant produces a variety of vaccines including shots to prevent chickenpox, measles and rubella. The complex manufactured more than 70 million doses last year, with the figure expected to increase this year, a Merck spokesperson said in an email.
- **Pfizer** CEO *Albert Bourla, Ph.D.*, outlined the company's

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UK Lifts Drug Rebate Rate Drawing Criticism from Pharma Industry

(Source: An article by Angus Liu for FiercePharma)

The U.K. government is proposing to raise the rebate rate under a national drug cost program, drawing complaints from the Association of the British Pharmaceutical Industry (ABPI).

As one of the two policy tools the U.K. uses to control drug costs, the government in some cases receives sales-based rebates from biopharma companies. On Friday, the U.K. government proposed to lift the payment rate for newer medicines under the program, called the statutory scheme, from 15.5% now to 32.2% in the second half of 2025.

The dramatic increase is meant to bring the annual average to 23.8% so that the levy is roughly in line with payments under the other program, called the voluntary scheme, or VPAG.

In late 2024, the U.K. government and the ABPI agreed on a 22.9% rebate rate for the voluntary scheme in 2025. While the voluntary scheme involves negotiations between the government and the industry, the statutory scheme does not. Drugmakers pick one of the two programs to join, and

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Uncertainty *(cont'd.)*...

more in the obesity space.

But those opportunities won't come easy, CEO Vasant Narasimhan said, and Novartis is likely to first stick with its growing expertise in RNA, cell and gene therapies. The Swiss drugmaker is working on its own obesity drug, and something would need to be very special to stand out as an acquisition target in that space, which is in very high demand.

Meanwhile, the company is looking to achieve sales growth above 5% through 2029, outpacing generic competition impacts with a pipeline that provides "protection well into the 2030s" he said.

Merck & Co. is facing significant challenges in 2025 with a major headwind for sales of the HPV vaccine *Gardasil* in China and the question of incoming competition for the cancer drug *Keytruda*, which was the bestselling treatment in the world last year.

Merck had once expected to rake in US$11 billion from *Gardasil* by 2030, but with low sales in China, that target has evaporated. CEO Robert Davis said the Chinese landscape for the vaccine is "challenging," but other aspects of the business will carry the weight. Particularly when it comes to *Keytruda's* loss of exclusivity by the end of the decade, the company is looking at "a hill versus a cliff."

In 2020, Pfizer achieved a major feat in developing the first approved COVID-19 vaccine, bringing billions of doses to the world. As the pandemic subsided, those numbers rapidly deteriorated. Now, executives believe that volatility is behind them as revenues stabilize. In the last year, the company actually reported better-than-expected sales for both the vaccine and the antiviral pill *Paxlovid*.

However, because COVID products aren't expected to be the only contributor to Pfizer's future success, the company is using its cash position to pump up the pipeline in oncology and other areas where it hopes to be an even stronger player in the years to come, according the company CEO Albert Bourla. The company could have between US$10 billion and US$15 billion in business development firepower in 2025 should it choose to focus on those areas.

UK Lifts *(cont'd.)*...

the U.K. government has been trying to keep the two "broadly commercially equivalent."

The industry group further pointed to the 24.7% rate the government is proposing for 2026 (and 26.4% for 2027), arguing that there is a real risk the rates continue to increase beyond record levels for years to come.

According to the U.K. government, the prior 15.5% rate calculated for the statutory scheme was based on data up to the first quarter of 2024. However, sales later went above expectations, first prompting an increase in the voluntary scheme rate and now the statutory scheme rate since the two are meant to be largely similar.

Currently, only 2% of the total branded medicines market has chosen the statutory scheme, as the alternative tends to have slightly lower rates, according to the ABPI. The voluntary scheme currently runs from 2024 to 2028.

By ABPI's estimate, the industry will need to pay around US$4.4 billion to the government under the voluntary scheme this year.

The rate change comes as the National Health Service works to limit spending on branded medicines. The statutory scheme caps the system's annual drug spending growth rate at 2%.

In January, word came out that AstraZeneca abandoned a planned investment at its vaccine production site in Speke, Liverpool, due in part to limited financial contributions from the U.K. government.

"We need a certain level of support to make this economically viable," AZ's CEO, Pascal Soriot, told reporters at a press event in February. "And it was not possible for the government to justify it, which we totally understand, and on our side, we cannot justify it either."

In contrast, AstraZeneca in November committed to an additional US$2 billion investment in the U.S. to boost the company's R&D and production footprint by the end of 2026.

"It's not an AstraZeneca issue. It's an industry issue," Soriot said at the press conference. "The U.K. needs to continue working on improving the investment environment to attract investment and address issues of access."

In Brief (cont.)

potential response if pharmaceutical tariffs come into play. Pfizer's local manufacturing setup is already well positioned in the U.S., and the New York-based drugmaker could bring additional resources into the country if the situation demands, Bourla said at TD Cowen's 45th Annual Healthcare Conference in Boston. Bourla made his comment against a backdrop of uncertainty as pharma execs and industry watchers weigh the effects of potential tariffs.

- New research suggests that antidepressants can accelerate cognitive decline in people with dementia. At the same time, some drugs appear to be less harmful than others, which can help doctors make better treatment decisions, according to the study published in *BMC Medicine*. Antidepressants are often used to relieve symptoms such as anxiety, depression, aggressiveness, and sleep disturbances in dementia sufferers. However, a new observational study based on data from the *Swedish Dementia Registry (SveDem)* shows that patients with dementia who are treated with antidepressants experience an increased cognitive decline compared to patients who do not receive this medication.
- **Janssen Pharmaceutical** (a subsidiary of **Johnson & Johnson**) is discontinuing its commercial transactions with the **Toho Holdings Group**, including its major wholesaler subsidiary Toho Pharmaceutical at the end of March, a company official stated. Janssen will, however, continue its business with **Saywell**, a Toho group company based in Hiroshima. Toho is one of Japan's big 4 drug wholesalers with nationwide distribution networks.
- **Bristol Myers Squibb** has agreed to buy out its **Abecma** partner, **2seventy bio**, for a total equity value of about US $286 million. Considering 2seventy's cash on hand of US$184 million, the Big Pharma firm is essentially paying $102 million for the biotech. The $5-per-share purchase price represents an 88% premium to 2seventy's closing price on Friday. But the deal amount still came 41% below Leerink Partners' US$487 million valuation for 2seventy based on the biotech's expected future cash flows.

(Sources: Drug Store News, Fierce Pharma, Pharma Japan and Scrip Citeline)