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Biotech Leaders Ponder Tariff Ramifications

(Source: An article by Joseph Haas, Mary Jo Laffler & Jessica Merrill for Scrip)

Several biotech execs speaking at the Needham Healthcare Conference said they do not expect siignificant impact from the Trump administration's threatened tariffs but are reviewing business practices to prepare.

The 90-day pause on most of President Trump's planned tariffs may have had a somewhat stabilizing effect on the stock market, but there is still significant volatility for the biopharma sector as the possibility of sector-specific tariffs on pharmaceuticals is still a possibility. Biotech firms are in a precarious position not only because of the potential impacts of tariffs, but due to the wider effects on capital markets.

Pre-commercial biotech companies may face less exposure to tariff policies than big commercial companies, but the smaller firms are also more vulnerable to setbacks, as they have less diversification and more financial pressure. Also, challenges for supply chains, the stock market downturn and the ramifications for capital markets, startup and pre-commercial firms pose considerable challenges.

Additional comments at the Needham Healthcare Conference on April 7-10 by several executives included the need to assess what tariffs on pharmaceuticals could mean for them.

There were several common refrains. These included that while the administration's first round of planned tariffs exempted pharmaceuticals, the firms were wary of and trying to prepare for sudden changes in a time of upheaval and uncertainty – including the expectation that the administration would still announce pharmaceutical tariffs in the future.

The administration's 90-day pause of the general tariffs on April 9th prompted a recovery in the sharp decline the markets have experienced in anticipating and reacting to the tariff policy. The most watched metrics for the biotech market – the XBI fund and the NBI index – hit their lowest values in 18 months. Year-to-date the XBI is down 17.46% and the NBI down 8.84% as of closing on April 11th.

The biotech sector has been struggling in recent years as macroeconomic pressures such as high interest rates and inflation led to poor financing conditions. The tight capital market started to ease in 2024, with an increase in startup funding, but biotechs are bracing for difficult times again. Even before the April 2nd tariff announcement, the first quarter saw a drop in activity.

In an interview with Scrip, EY's Americas Life Sciences Leader Arda Ural said as larger biopharma companies need to balance concerns about how tariffs might apply to off-shore manufacturing, responding to that with capital expenditures could diminish the focus and capital they can allocate for merger-and-acquisition activity. As a result, another source of financing for smaller companies might be constrained.

With company valuations fluctuating significantly, a potential

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In Brief...

- **Walgreens Boots Alliance's** second quarter sales increased 4.1% from the year-ago quarter to US$38.6 billion, an increase of 4.7% on a constant currency basis, reflecting sales growth in the U.S. retail pharmacy and international segments. "Second quarter results reflect disciplined cost management and improvement in U.S. Healthcare, which were partially offset by weaker front-end results in U.S. Retail Pharmacy, while significant legal settlements resulted in continued negative free cash flow," said CEO *Tim Wentworth*.
- **McKesson** has completed its acquisition of the controlling interest of **Prism Vision Holdings**, a leading provider of general ophthalmology and retina management services, worth approximately US$850 million. Prism physicians will retain an approximate 20% minority interest. McKesson said the acquisition enables the company to develop a retinal and ophthalmology platform and expand McKesson's differentiated value proposition, clinical services and distribution offerings.
- **Sanofi** is acquiring **Dren Bio's** clinical stage bispecific antibody with an upfront payment of US$600 million and an additional US$1.3 billion development and launch milestones tied to the deal. The CD20-directed antibody, named *DR-0201*, is a bispecific myeloid cell engager Dren has been evaluating in a phase 1 trial for B-cell non-Hodgkin lymphoma.
- Swiss pharmaceutical manufacturer **Novartis** announced that it is expanding its US manufacturing and R&D footprint in the country with a total investment of US$23 billion over the next five years. The investment includes a newly planned

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IQVIA 2025 Report Analyzes Trends in New Drug Launches and Other Areas

(Source: An article by Sandra Levy for Scrip)

The IQVIA Institute for Human Data Science released its *Global Trends in R&D 2025 report, Progress in Recapturing Momentum and Productivity of Clinical Development*, using a refreshed *Clinical Program Productivity Index* in Biopharma Innovation, which assesses the trends in R&D funding, clinical trial activity and new drug approvals and launches. It also examines the efficiency and productivity of clinical development, using a refreshed Clinical Program Productivity Index.Some of the key takeaways are listed below.

Biopharma funding levels in the past year continued to increase following the post-pandemic rebound of 2023, with growth contributions coming from IPOs, follow-on funding and other public and private sources. Excluding the 2020 and 2021 heights seen during the pandemic, funding reached a 10-year high of US$102 billion in 2024 — a substantial increase on the 2023 figure of US$71 billion.

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Biotech Leaders *(cont'd.)*...

acquirer has several options for deploying its cash that could be more appealing than M&A, Ural explained, including reducing debt, paying dividends to shareholders or initiating stock buyback efforts.

"So, in this big picture, M&A and capital expenditure [CapEx] will be competing," Ural said. "If the company must reallocate its global supply network, then it will have to use CapEx for that versus M&A and those other three options. So, the funds that were earmarked for M&A at some point, they need to be reconsidered and compete internally for global supply chain infrastructure, and we are not about other CapEx needs."

Recursion CFO Ben Taylor noted that the machine learning-driven drug discovery firm "in some ways, [is] in a better position than others to manage through a lot of that because we have a lot of internal capabilities and we've invested a lot into automation," he said. "That gives us more flexibility on whether we do things internally [or] externally," he added.

Jazz Pharmaceuticals CEO Bruce Cozadd said uncertainty about tariffs makes long-term planning much harder for companies like his, which makes significant revenue in the US on products manufactured outside of the country, with plants in the UK, Ireland and Italy. "We have yet to see a specific policy to react to," he told the meeting conference attendees, calling the threat of tariffs a "complex and evolving situation."

Manufacturing is an immediate concern industry wide. Acadia chief financial officer Mark Schneyer said he primarily focuses on the potential impact on active pharmaceutical ingredients (APIs).

Esperion CEO Sheldon Koenig said his company had been looking to increase domestic API production capacity even before the change in administration. "If we need to pivot and go to that US supplier for API, that will limit our exposure even more. So, we feel confident that we have a plan," he said. "We don't really see any true impact on us as it relates to tariffs, and again [that is] something that we'll be closely monitoring, allowing us to pivot accordingly."

IQVIA Report *(cont'd.)*...

In contrast, the volume of R&D deals between pharmaceutical companies declined in 2024, continuing the downward trend that began in 2022. More than half of the 1,016 deals made in 2024 were between emerging biopharma companies (EBPs), with the majority of the remainder involving EBP deals with larger companies. Partnerships between larger companies remained relatively rare, accounting for just over one in ten R&D deals. The volume of M&A deals also declined between 2023 and 2024, but the median value of these deals increased dramatically from US$153 million to US$405 million, with about half of the 2024 deals in the US$1 billion to US$5 billion range.

Inter-trial intervals now typically account for 17 months of total development time across an R&D program, an improvement since the 2022 peak of 32 months seen at the height of the pandemic.

The total volume of clinical trial starts stabilized in 2024 after the year-on-year seen in 2022 and 2023. The short-term volatility introduced by COVID-19 trials since 2019 has been partly counterbalanced by increasing trials from China-headquartered companies. U.S.-headquartered companies continued to account for the majority of trial starts in 2024, increasing from a 33% share in 2023 to 35% in 2024. Despite the dramatic long-term increase in the contribution of China-headquartered companies to trial starts, their share of trial starts did not change between 2023and 2024, remaining at 30% — but with more than 80% of these trials involving sites only in China. European companies accounted for a further 21% of trial starts in 2024, continuing the region's gradual long-term decline in this metric.

A total of 65 novel active substances launched globally in 2024, a decline from 2023 figure but still higher than in the pre-pandemic period.

The United States was the most-common first-launch country. Only 14 European launches are not yet available in the United States. Nearly 60% of new U.S. launches were first-in-class, including ten oncology medicines.

Artificial intelligence is rapidly gaining traction in R&D. Companies with a core focus on AI or machine learning sponsored or collaborated on at least 35 new trial starts per year in 2022, 2023 and 2024, with their technology most commonly having contributed to the target or drug discovery activities behind the investigational study drug. To read the full report, visit *https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/global-trends-in-r-and-d-2025*

In Brief (cont.)

US$1.1 billion R&D hub in San Diego, CA which is expected to open sometime between 2028 and 2029, and will serve as the "epicenter"' of the Novartis U.S. west coast biomedical research presence, company officials said.

- Shipping and logistics giant **DHL Group** is earmarking US$2.2 billion to bulk up its healthcare supply chain operations in order to meet growing demand from the biopharma industry. A portion of the investment will go toward the establishment of "pharma hubs" for multi-temperature shipment routes. The company further plans to expand cold chain capacity at current facilities and commission new temp-controlled delivery vehicles.
- **CVS Health** announced two leadership appointments – *Brian Newman* has been named executive vice president and chief financial officer designate, effective April 21, replacing CFO *Tom Cowhey* and *Amy Compton-Phillips M.D.* is the company's new executive vice president and chief medical officer effective May 19th. Both positions will report directly to *David Joyner*, CVS president and CEO.
- In an effort to boost production capacity of its semaglutide production in Latin America, **Novo Nordisk** is investing US$1.09 billion in an expansion of its manufacturing plant in Montes Claros, Brazil. The investment, which marks one of the largest pharmaceutical investments in the country, will bolster the existing Montes Claros facility's capacity to manufacture a variety of injectables, including GLP-1 medicines like *Ozempic* and *Wegovy*, company officials said. Novo expects the project to create 600 new jobs once complete.

(Sources: Drug Store News, Fierce Pharma, PharmaVoice, Scrip and World Pharma News