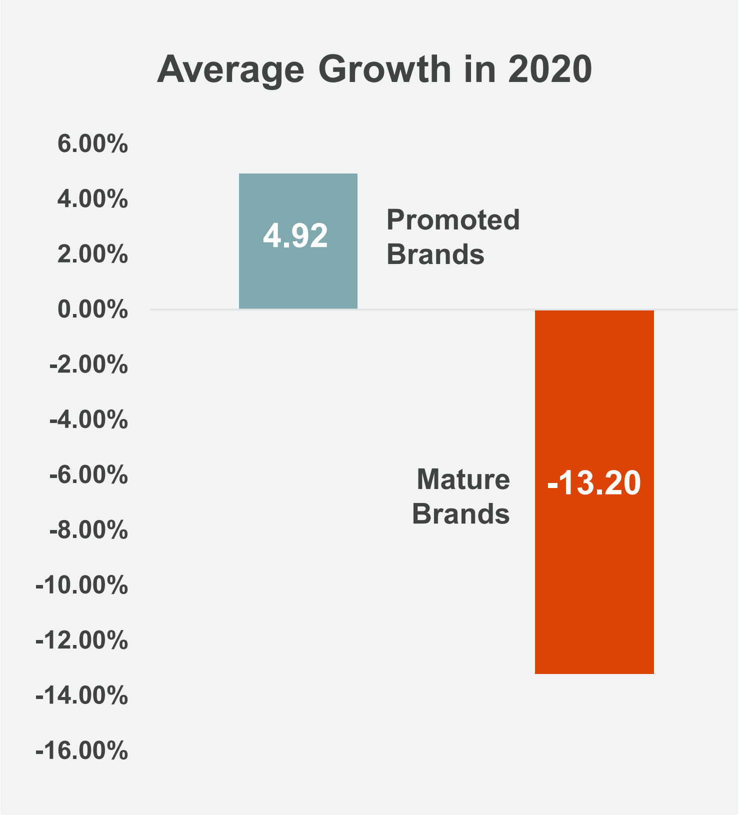
MOVING FORWARD IN PHARMA:
Reigniting Revenue for Mature Brands

Faruk Abdullah, EVERSANA MANAGEMENT CONSULTING, Senior Managing Director, U.S. Consulting
Krista Pinto, EVERSANA, Executive Vice President, Commercial
Anurag Singh, EVERSANA Asia Pacific, Consultant

Quantifying the total impact that COVID-19 has had on the pharmaceutical industry will take time and analysis. However, we do have early indications of how COVID-19 is impacting promoted vs. non-promoted in-line brands in market. Currently, the effects of COVID-19 are proving to be more severe for mature, in-line brands. Despite recent headwinds, these pharma brands historically provide reliable support to biopharma companies' revenue and allow manufacturers to serve patients while investing in new treatment areas. It is estimated that approximately $31.4B* of these "recurring" revenue stream brands are facing failure due to COVID-19-related impacts.

Many biopharma companies have been unable to quickly coordinate resources and strategies to address this industry-changing issue. Even after a COVID-19 vaccine is in distribution, mature brands will not automatically rebound. In fact, if biopharma companies do not act now, the plummeting value of mature brands could become an irreparable situation, resulting in fewer funds to support patient health moving forward.



What is the Impact on Mature Brands?

The financial impact to mature, in-line brands since the beginning of the pandemic has been drastic. The funds generated from these reliable and predictable products are used to reinvest in clinical development; disease state education; and other critical efforts that translate to improved healthcare value for patients, providers and payers. The rapid deterioration of the brands during COVID-19 has had severe impacts to pharma companies that depend on mature brands to support current and future treatment initiatives.

A mature brand, and more specifically a vulnerable mature brand, is an in-line product

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that is promotionally sensitive but does not require significant proactive investment or attention from commercial teams. In return, these brands generate stable patient adherence through those who have a long-standing history of utilizing and gaining benefit from these treatments. What makes these brands vulnerable is the sensitivity they have to patient access to medication and patient utilization.

The COVID-19 pandemic is causing a profound shock to the healthcare system by creating a situation in which patients are stopping utilization of products or are not going to healthcare providers to determine if a mature brand is a good candidate to treat their conditions. Vulnerable mature brands are not a monolith; rather, they fall within several archetypes. These archetypes are based on dimensions such as promotional sensitivity and generic market dynamics.

Rebounding Efforts Need to Start Now

We analyzed a sample of vulnerable mature brands to understand the financial impact they experienced during the onset and ongoing spread of the COVID-19 pandemic. The results indicated a massive revenue reduction that persisted during the course of the pandemic. Overall, these vulnerable mature brands lost over $3.9B of revenue over a 9-month time frame.

A natural assumption would be that once a COVID-19 vaccine is widely distributed and society returns to previous levels of travel and healthcare utilization, revenue trend lines would naturally bounce back to their pre-pandemic performance. However, there are two challenges to this assumption.

The first challenge is timing. Even with access to a COVID-19 vaccine, a significant amount of time will be required for vaccines to be distributed, for populations to be fully vaccinated, and for social norms to return to something resembling a pre-pandemic world. This could go well into 2021, which would keep vulnerable mature brands' market value depressed through that time frame.

The second challenge is product adoption. Vulnerable mature brands require a certain degree of market awareness, disease education and patient interaction with HCPs to understand and identify these products for appropriate use. As mature brands continue to lose patient access and adherence during the course of the pandemic, these brands also lose brand awareness and the attention and investment they receive from manufacturers. This is not something that should be assumed will automatically return once the pandemic is "under control."

Manufacturers have several options available to them to maximize the value of their mature brand portfolio.

1 Option 1: Divest/Spin Off

Companies can sell their mature assets or create company spinoffs to secure initial value from the purchase/spinoff. This also allows the company to repurpose internal resources to other aspects of their portfolio they feel will yield a better return for their efforts and add significant patient value. The downside to this option is that selling these mature brands at depressed revenue levels will lead to sub-optimal values in return.

2 Option 2: Maintain

Companies can continue to maintain their mature brand portfolio. Through this option, they can continue to receive the reliable annual revenue from these assets, even if this revenue is deteriorating over time. The degree of investment and internal attention may continue to be modest for these brands, but certain companies may feel this is sufficient for their expectations of these products. However, what they lose out on is recovering the market share and patient utilization these products once had pre-COVID-19.

3 Option 3: Re-ignite

Companies also have the option of facing the issue head-on by shaping and executing a path to turn the performance of these brands around and generate significant value from a clinical and financial perspective. Depending on the market characteristics of each brand, potentially high return-on-investment tactics can be deployed to blunt the revenue impact these brands are experiencing as a result of the pandemic and reverse their revenue trajectory. The key is to understand how to restore these mature in-line brands without drawing too much from internal resources and without wasting productivity on strategies and tactics that don't meaningfully move patient access and adoption.

Conclusion

Although the impact the pandemic is having on vulnerable mature brands is profound, manufacturers do not have to sit back and accept their fate. Rather, they have a clear option to recover the value destroyed by the pandemic and generate economic and clinical value for the healthcare system. Just as the rest of society will find a way to recover and come out of the pandemic stronger, manufacturers have an opportunity to do the same for their mature brand portfolio.

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*Source: EVERSANA: Data compiled from quarterly reports of Novartis, GSK, Sanofi, Pfizer and BMS, which explicitly report 'mature' brand figures and compare data from 9 months in 2019 to 9 months in 2020.