

Pharmaceutical Market Update

Pharma Post-4Q 2024 Update

March 2025

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Don Hooker, CFA
Director of Research
dhooker@bourne-partners.com
+1 980-414-0945



Jeremy Johnson
Senior Managing Director, Head of IB
jjohnson@bourne-partners.com
+1 704-714-8351



Robert Stanley
Director, Head of Pharma Coverage
rstanley@bourne-partners.com
+1 704-714-8354



Carson Riley
Director
criley@bourne-partners.com
+1 615-483-9689



Oliver White
Associate
owhite@bourne-partners.com
+1 704-388-4765



Luke Habecker
Associate
lhabecker@bourne-partners.com
+1 407-489-8402



Bourne's Pharmaceutical Expertise

Pharma Sector Expertise



Industry Segments

- Big Pharma
- Commercial-Stage Biopharma
- 505(b)(2) Development
- Generic Pharmaceuticals
- Established Brands
- Royalty Monetization
- Priority Review Voucher (PRV) Market



Transaction Structures

- Sell-Side M&A
- Buy-Side M&A
- Product Divestiture
- Licensing & Partnership Deals
- Alternative Financing Solutions



Pharma



Pharma Services



Healthcare Services



Consumer Healthcare

Select Pharma Transaction Activity

<p><i>has been acquired by</i></p>	<p><i>a carve-out from</i></p> <p><i>has been acquired by</i></p>	<p><i>has acquired</i></p> <p><i>Buy-Side M&A</i></p>	<p><i>entered royalty monetization transaction with</i></p> <p><i>Sell-Side M&A</i></p>	<p><i>has acquired a portfolio of products from</i></p> <p><i>Buy-Side M&A</i></p>
<p><i>has licensed Bizengri® from</i></p>	<p><i>has acquired assets from</i></p> <p><i>Buy-Side M&A</i></p>	<p><i>has been acquired by</i></p> <p><i>Sell-Side M&A</i></p>	<p><i>has sold assets to</i></p> <p><i>Sell-Side M&A</i></p>	<p><i>has licensed injectable 505(b)(2) asset to</i></p> <p><i>Sell-Side M&A</i></p>



Section One

Pharmaceuticals

i. Pharmaceutical Marketplace Update

ii. Pharma Macro Trends / Environment

iii. Monitoring the IRA Medicare Price Negotiations

iv. The Emerging Trade Policy of President Trump

v. Perspectives from the Chinese Pharma Industry

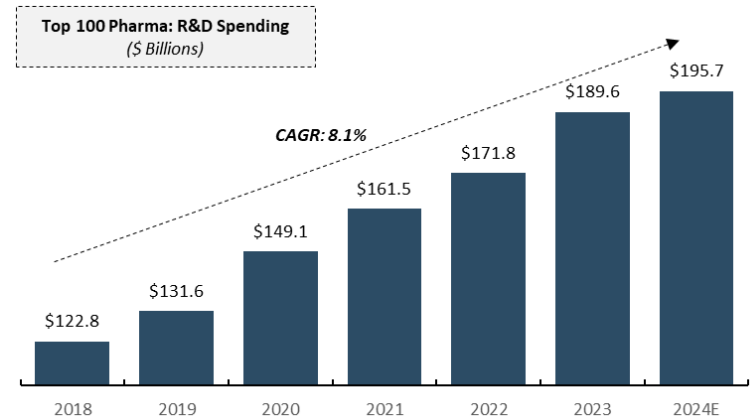
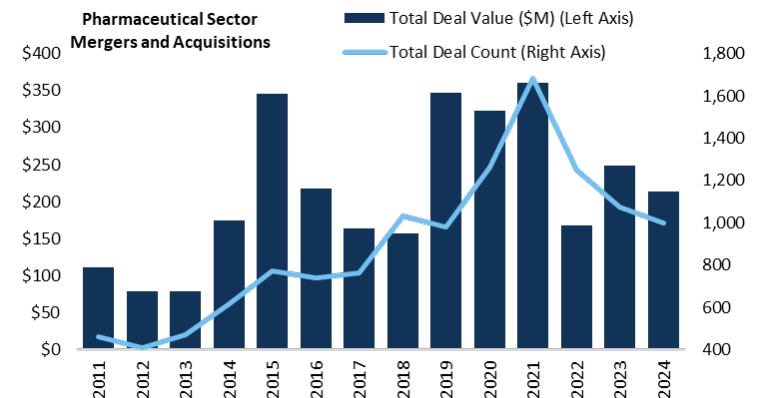
Pharmaceutical Marketplace Update

In our view, **the pharma industry needs to ‘double-down’ on organic and inorganic innovation to navigate a challenging marketplace.** There is a looming “patent cliff” with the top 20 biopharma companies collectively facing as much as \$180 billion of potential revenue headwind over the next five years. Also, with the election of President Trump, we see an ongoing effort to put downward pressure on drug pricing, building on recent legislation such as the *Inflation Reduction Act (IRA)*. In our view, any pressure on Medicare (and Medicaid) pricing could have a ‘ripple’ effect on commercial pricing.

The year 2024 proved to be a quiet year for pharma industry mergers and acquisitions with only 39 deals (greater than \$50 million in size), according to the *Biopharma Dive* database. And none of these deals were over \$5 billion. This compares to 38 deals in 2023 (8 were over \$5 billion) and 43 deals in 2022 (3 over \$5 billion). In our view, this appears to reflect a broader trend of smaller biopharma firms marketing their own products – versus having to partner or sell-out to a larger sponsor.

In January 2025, the JP Morgan Healthcare Conference featured several sizable pharma acquisitions. In our view, this could be an indicator of a much more active year for M&A activity in the pharma space. For example, J&J announced plans to acquire Intra-Cellular Therapies for \$14.6B. This would be the largest biopharma acquisition since Pfizer purchased Seagen for \$43B in early 2022. Also, at the JP Morgan Healthcare Conference, GSK announced plans to acquire IDRx, as part of a shift by GSK towards oncology (away from vaccines).

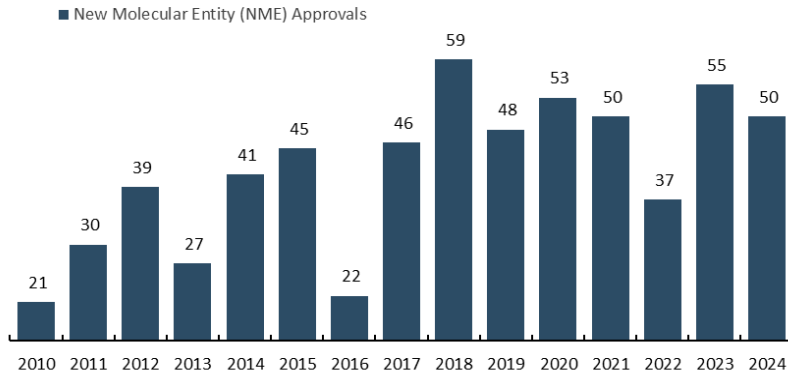
Separately, **the Trump administration appears relentlessly focused on rebuilding U.S. domestic pharma manufacturing** using tariffs and trade policy. This has already resulted in a number of major pharma companies on-shoring their drug manufacturing with others indicating that they would be considering reshoring strategies in the near-term.





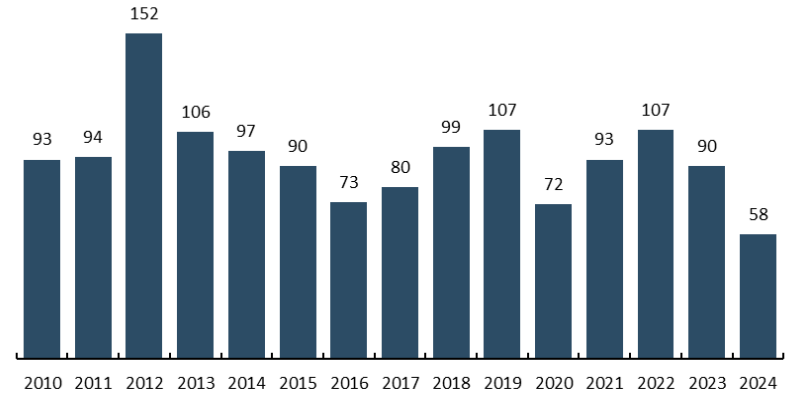
Pharma Macro Trends / Environment

Trends in New Drug Approvals



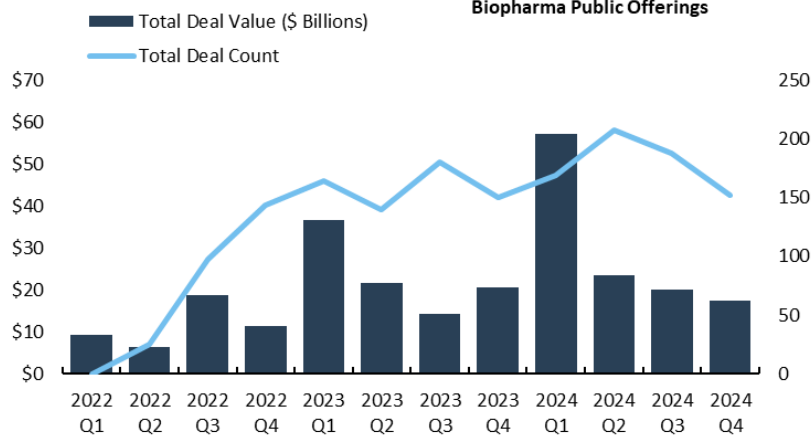
Source: U.S. Food and Drug Administration (FDA) and Bourne Partners

First Generic Drug Approvals (ANDA)



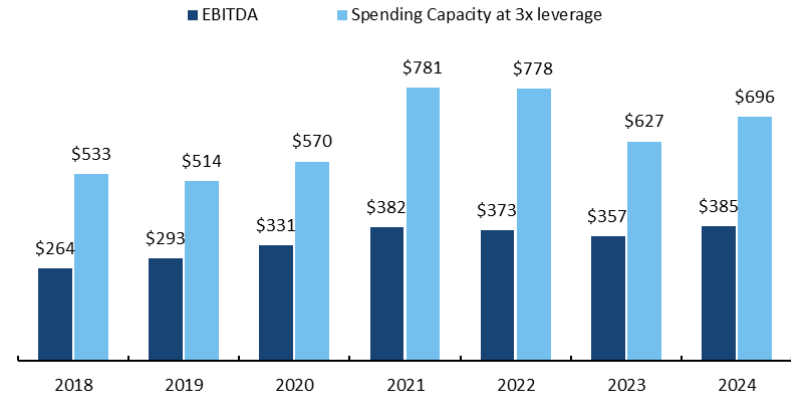
Source: U.S. Food and Drug Administration (FDA) (As of November 25, 2024)

Biopharma Public Offerings



Source: S&P Global Intelligence (As of December 31, 2024)

Spending Capacity for Top 50 Pharma (\$ Billions)



Note: Spending Capacity calculated as 3x EBITDA – Net Debt
Source: S&P Global Intelligence and Bourne Partners

Monitoring the IRA Medicare Price Negotiations

It appears that the Trump administration will continue the Medicare drug price negotiation program of the *Inflation Reduction Act (IRA)* of 2022. However, the administration has requested input on ways to “improve” the program. In our view, this could include eliminating the so-called “pill penalty,” which sets a shorter time in which small molecule drugs are protected from the negotiations, and/or adding more flexibility for pharma companies in the negotiation process.

In January 2025, the *U.S. Centers for Medicare and Medicaid Services (CMS)* disclosed its second list of fifteen (15) drugs that will be subject to IRA Medicare price controls. Altogether, these fifteen drugs account for \$41B of annual Medicare Part D spending (~14% of total Part D spending) with the price cuts on these fifteen drugs taking effect in 2027.

The true economic impact of the IRA-driven Medicare price cuts is still an ongoing source of debate. For instance, the first round of IRA price cuts announced in August 2024 may actually prove to be less than the rebates health plans were already securing for their members for these drugs. According to comments by IQVIA, only one of the ten drugs subject to the first round of Medicare price cuts is actually outside of the range of existing contracted prices with the pricing for the other nine drugs being basically the same as before.

Name of Drug	Manufacturer	Use	Gross Medicare Spending (\$ Mils)	Number of Beneficiaries (000s)
Ozempic / Rybelsus / Wegovy	Novo Nordisk	Diabetes, Obesity	14,426.6	2,287
Trelegy Ellipta	GSK	Asthma, COPD	5,138.1	1,252
Xtandi	Astellas, Pfizer	Prostate Cancer	3,159.1	35
Pomalyst	Bristol Myers Squibb	Multiple Myeloma	2,069.1	14
Ibrance	Pfizer	Breast Cancer	1,984.6	16
Ofev	Boehringer Ingelheim	Pulmonary Fibrosis	1,961.1	24
Linzess	AbbVie, Ironwood	Constipation, IBS	1,937.9	627
Calquence	AstraZeneca	Leukemia, Lymphoma	1,614.3	15
Austedo	Teva	Chorea, Tardive Dyskinesia	1,531.9	26
Breo Ellipta	GSK	Asthma, COPD	1,421.0	634
Tradjenta	Boehringer Ingelheim	Diabetes	1,149.0	278
Xifaxan	Salix (Bausch Health)	IBS	1,128.3	104
Vraylar	AbbVie	Bipolar Disorder, Schizophrenia	1,085.8	116
Janumet	Merck & Co.	Diabetes	1,082.5	243
Otezla	Bristol Myers Squibb	Psoriasis	994.0	31
Total			\$40,683.1	5,702

Note: Note: Gross Medicare Spending includes spending in the Medicare Part D program from November 2023 to October 2024.
Sources: The Centers of Medicare and Medicaid Services and Bourne Partners and Bourne Partners



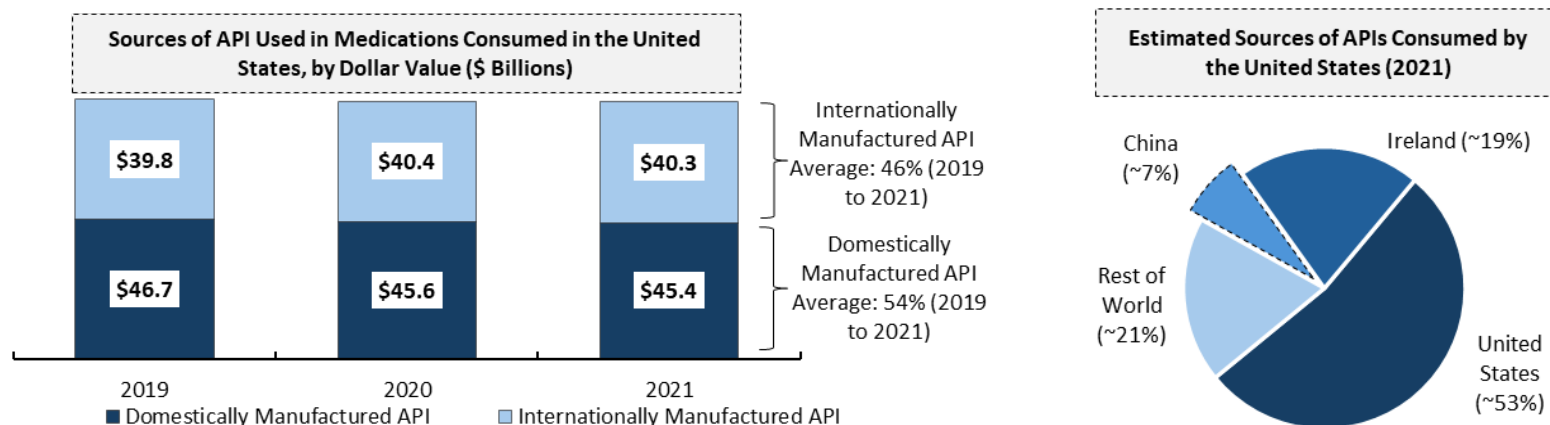
The Emerging Trade Policy of President Trump

President Trump appears relentlessly focused on rebuilding U.S. domestic pharma manufacturing -- as a matter of “national security.” During his first weeks in office, Trump used the authority given to him under the *International Emergency Economic Powers Act* to impose sizable tariffs on pharma imports from China and Canada, among others.

In February 2025, President Trump hosted a closed-door meeting at the White House with pharma executives and the lobbying group *Pharmaceutical Research and Manufacturers of America (PhRMA)* to discuss the geopolitical importance of the pharma industry. Per media reports, President Trump warned the pharma executives that their companies might face penalties if they do not relocate manufacturing operations back to the United States.

Immediately thereafter, **Eli Lilly and Co (NYSE: LLY) announced plans to invest a very significant \$27 billion in new U.S. manufacturing capacity as part of a broader reshoring strategy.** This investment will mainly focus on the production of active pharmaceutical ingredients that the U.S. pharma industry would typically import from abroad.

Other pharma companies have made similar announcements. Johnson & Johnson (NYSE: JNJ) announced plans to invest over \$55 billion domestically over the next four years, including a new state-of-the-art biologics production plan in North Carolina. Also, at a recent investor conference, the CEO of Pfizer (NYSE: PFE) mentioned that Pfizer may bring manufacturing back to the United States, and Merck (NYSE: MRK) announced plans to invest \$1 billion in production capacity in North Carolina as well.



Sources: Avalere Health and Bourne Partners

Perspectives from the Chinese Pharma Industry

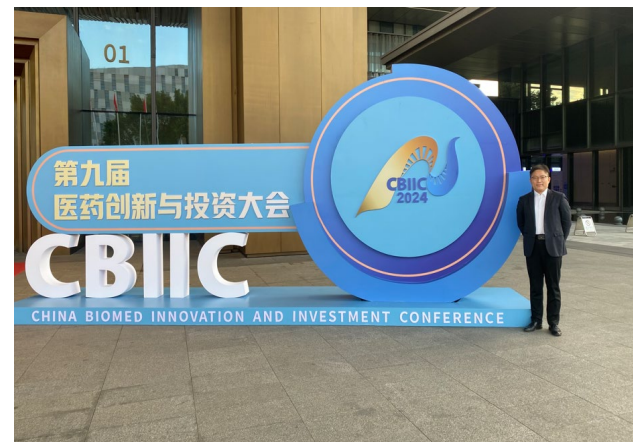
In December 2024, Bourne Partners attended the **9th China BioMed Innovation and Investment Conference** in Guangzhou, China. There is a lot to talk about, but we heard THREE (3) main topics of conversations: i) a lack of domestic/Chinese pharma demand, ii) the need for a national pharma strategy, and iii) rising tensions with the United States.

Lack of Domestic Pharmaceutical Demand. China currently lacks a healthy marketplace for commercial medical insurance/coverage. This, in turn, limits the ability of the local population to afford new drug therapies developed by domestic Chinese pharma companies. The development of a marketplace for commercial medical insurance will require a system of regulations and laws that do not currently exist. The challenge here is that China is an enormous country with significant differences between regional populations. Therefore, local governments will need to take a leadership role in creating the regulatory and legal environment needed to support the development of commercial medical insurance.

National Strategies to Make China More Pharma Independent. The Chinese government executes “National Strategies” to enhance what it deems to be its national interests, including the development of an independent pharma and life sciences industry. “Healthy China” and “Technological Power” are two national strategies in the life sciences space designed to help domestic Chinese pharma companies become more self-sustaining and scientifically independent from the rest of the world. However, there is still limited collaboration/integration between the Chinese biopharma industry and domestic medical providers and universities -- as well as with the rest of the Chinese economy.

Trade Tensions with the United States. Most in China believe that the “tensions” with the United States are temporary and that Chinese pharma companies should continue to operate as they have in the past. However, there are still fears that the recent election of President Trump could lead to less global trade with the United States. Biopharma is viewed as an area where the U.S. has a competitive advantage over China. In response, the Chinese government is evaluating ways to retailor its domestic biopharma industry towards its domestic population. In particular, there is a lot of focus on Chinese CROs given that they have notable cost and supply chain advantages, making them difficult to displace.

Sources: Bourne Partners



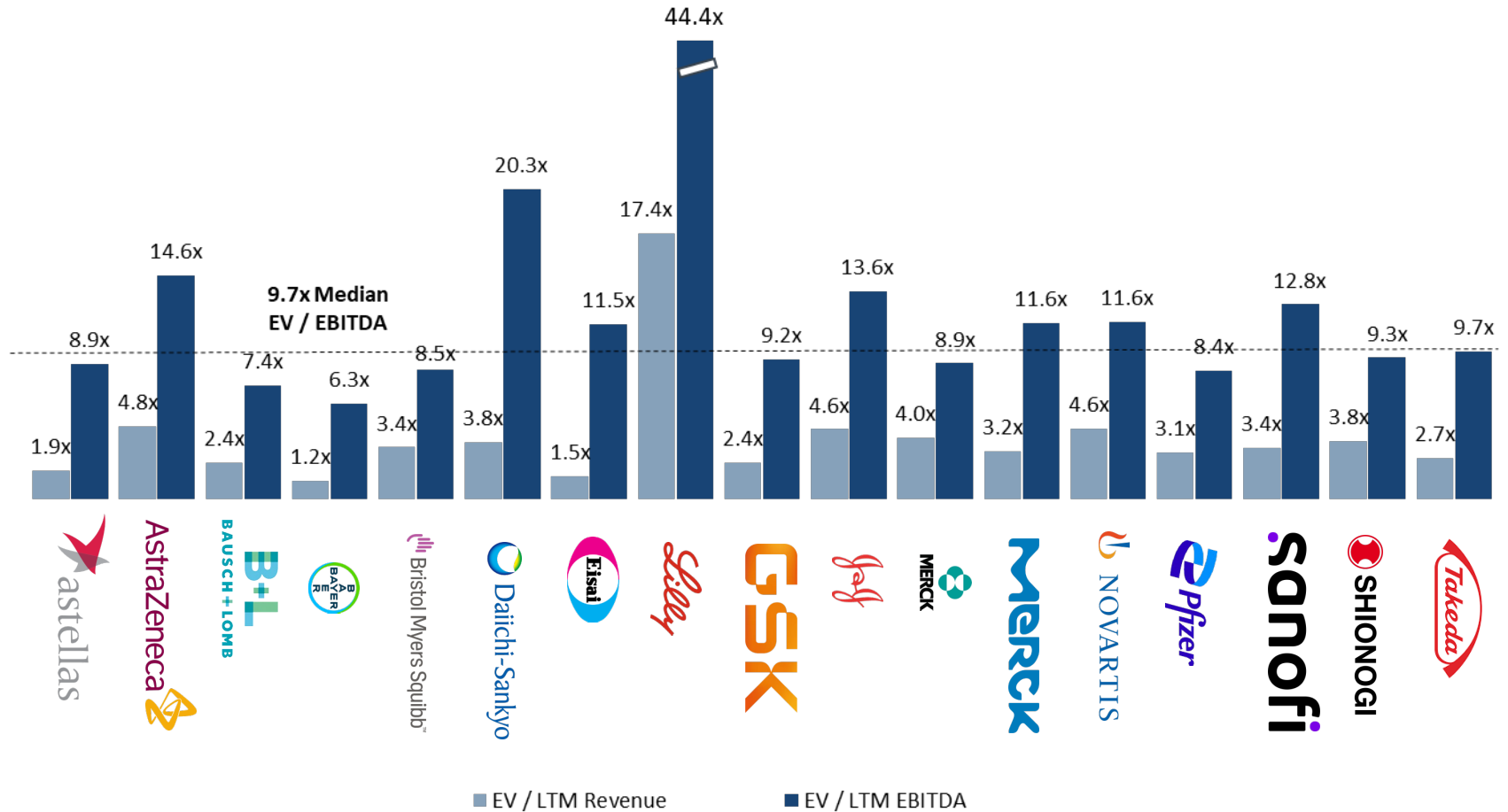
Select Recent Pharma Merger/Acquisition Announcements

Date	Target	Acquirer	Description of Target	Deal Value
Mar-2025	 CHIMERIX	 Jazz Pharmaceuticals	Provider of purification and filtration technologies used in the production of biologics and cell/gene therapies	\$935 Mil
Jan-2025	 ANTHOS THERAPEUTICS	 NOVARTIS	Clinical-stage biopharma company developing medicines for stroke and systemic embolism in patients with atrial fibrillation	\$925 Mil
Jan-2025	 Intra-Cellular THERAPIES	 Johnson & Johnson	Biopharma company focused on the development and commercialization of drugs for central nervous system disorders	\$14.6 Bil
Jan-2025	 IDRx	 GSK	Clinical-stage biopharma company focused on precision therapeutics for the treatment of gastrointestinal stromal tumours	\$1.0 Bil
Nov-2024	 POSEIDA THERAPEUTICS	 Roche	Clinical-stage biopharmaceutical company pioneering donor-derived CAR-T cell therapies	\$1.0 Bil
Oct-2024	 BIOTHEUS 普米斯生物技术	 BIONTECH	Clinical-stage biotech company focused on novel antibodies to address oncological or inflammatory diseases	\$1.4 Bil
Oct-2024	 ALIADA THERAPEUTICS	 abbvie	AbbVie will acquire Aliada to access novel assets for central nervous system diseases, including for patients with Alzheimer's disease	\$2.6 Bil
Aug-2024	 REVANCE THERAPEUTICS	 CROWN	Aesthetic and therapeutic offerings, including DAXXIFY for injection and the RHA Collection of dermal fillers	\$924 Mil
Jul-2024	 jnana Therapeutics	 Otsuka	A chemoproteomics small molecule/drug discovery platform that leverages a high-throughput, binding-based screening approach	\$800 Mil
Jul-2024	 MORPHIC	 Lilly	Morphic offers oral integrin therapies for chronic diseases, including autoimmune, cardiovascular, and metabolic diseases, and cancer	\$3.2 Bil

Source: Healthcare Dive and Bourne Partners



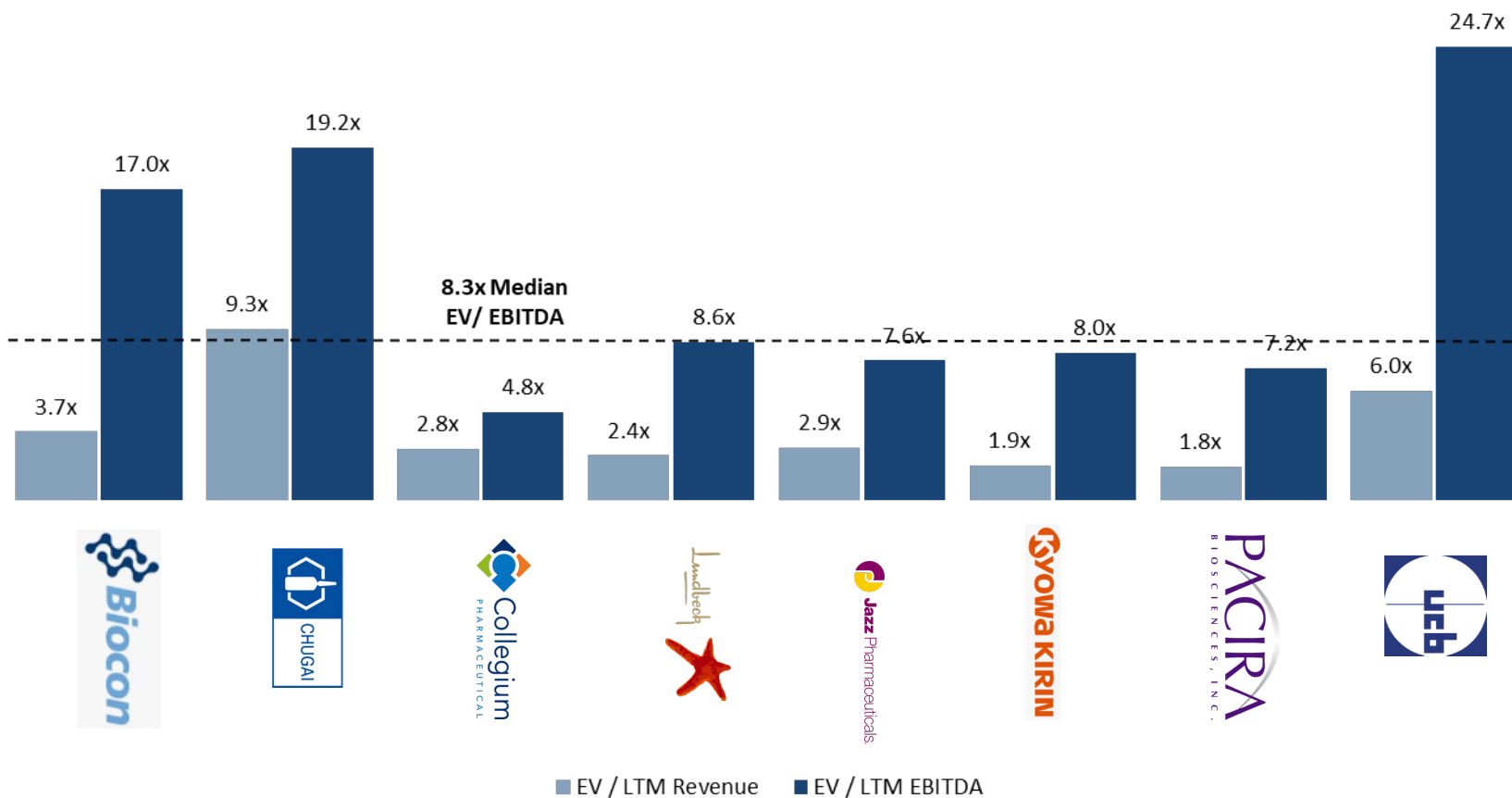
Select Large Cap Pharma Trading Valuations



Note: Market values as of the close of business March 21, 2025.
Source: S&P Global Market Intelligence



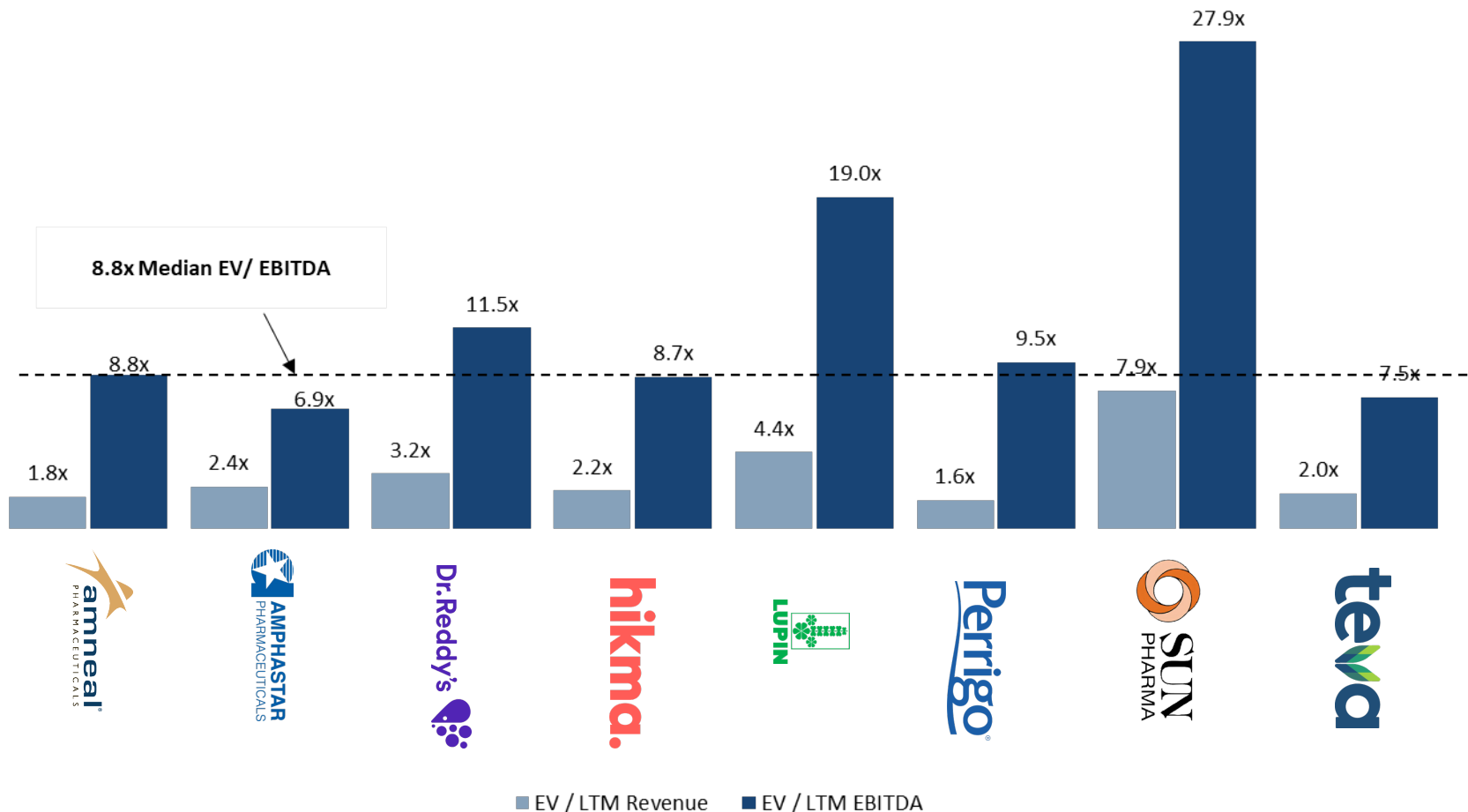
Select Branded Pharma Trading Valuations



Note: Market values as of the close of business March 21, 2025.
Source: S&P Global Market Intelligence



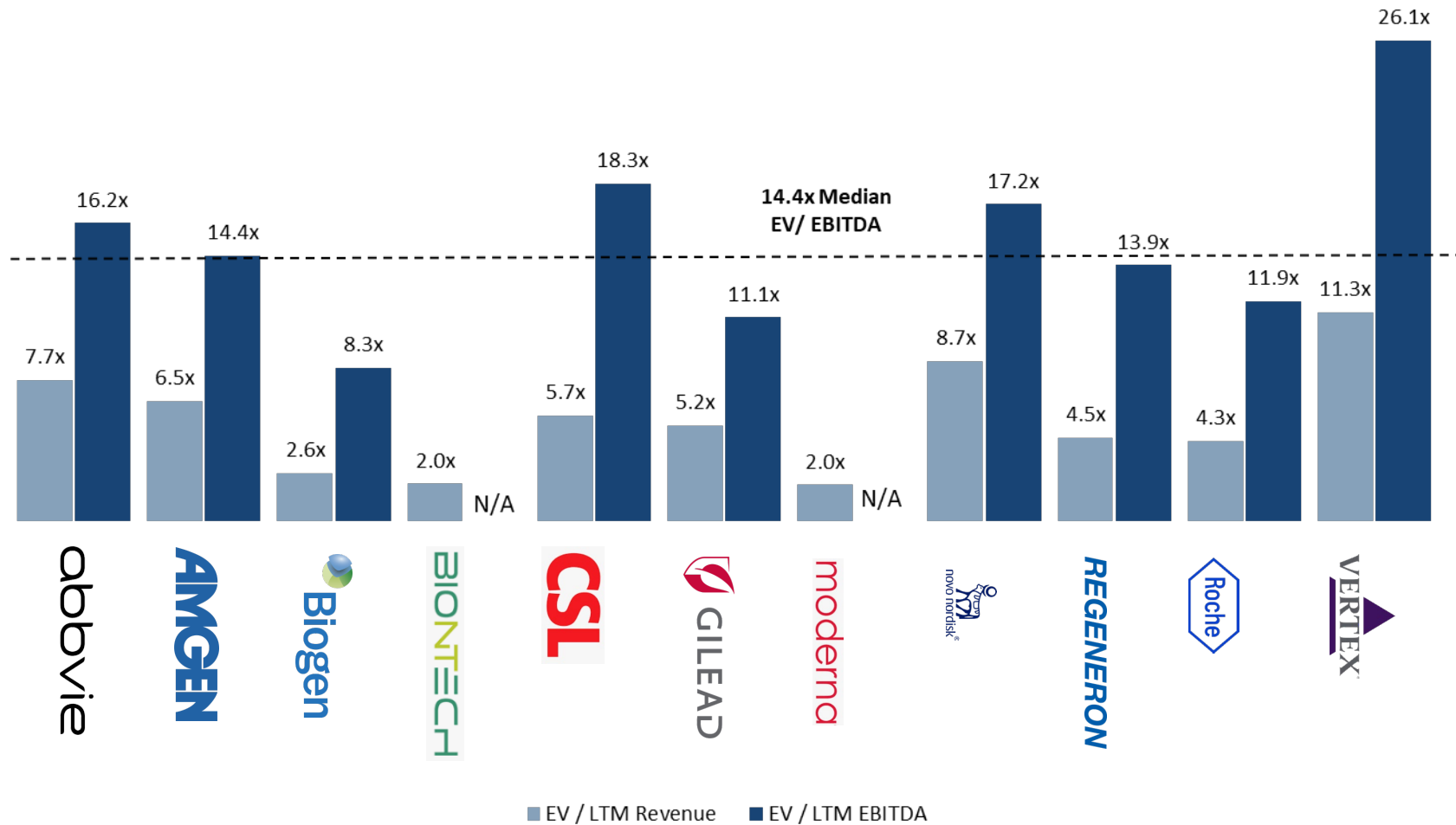
Select Generic Pharma Trading Valuations



Note: Market values as of the close of business March 21, 2025.
Source: S&P Global Market Intelligence



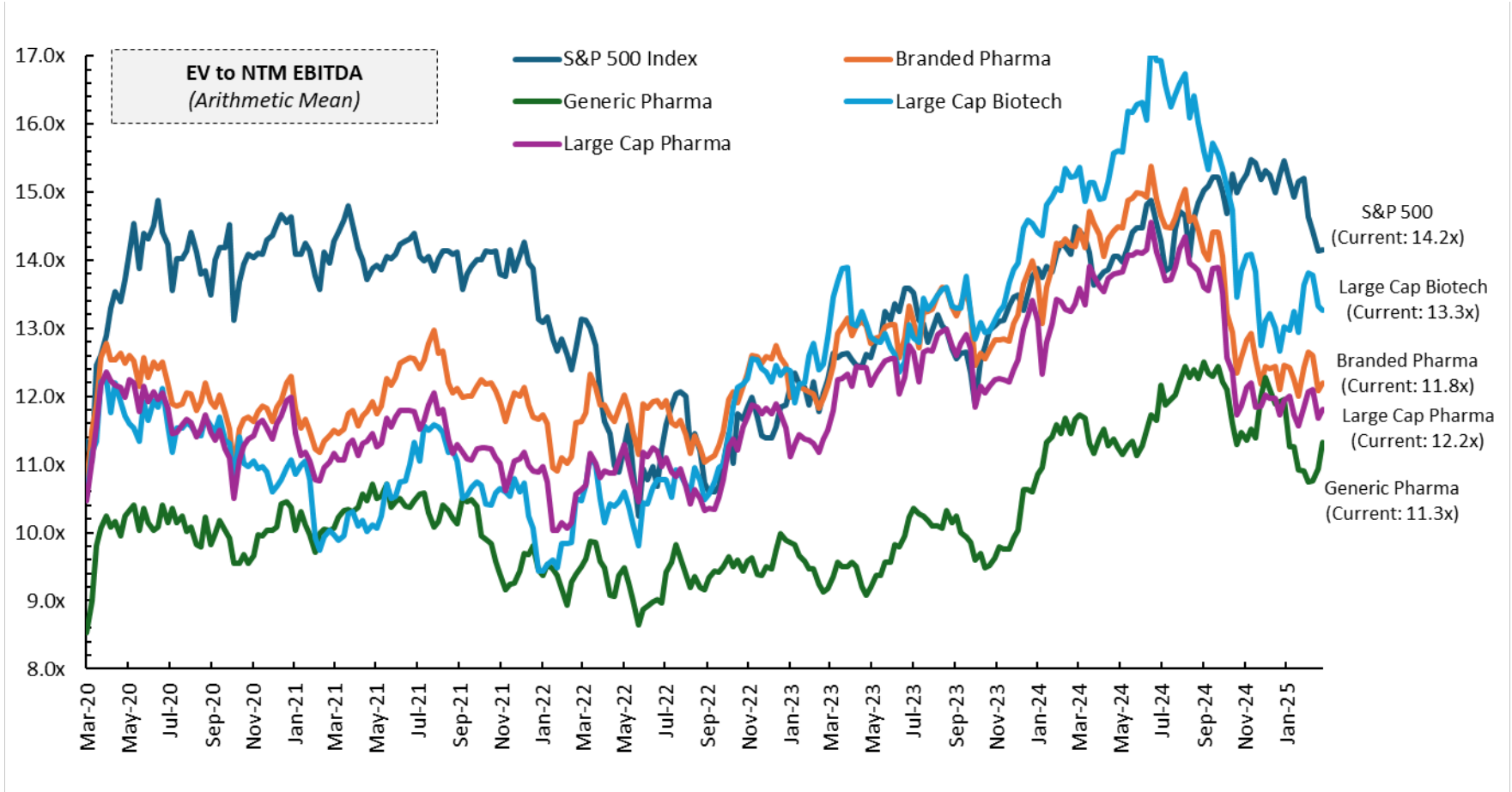
Select Large Cap Biotech Trading Valuations



Note: Market values as of the close of business March 21, 2025.
Source: S&P Global Market Intelligence



Bourne Pharmaceutical Indices (By Sub-Segment)



Note: Market values as of the close of business March 21, 2025. See pages 11-14 for components of the above indices.
 Source: S&P Global Market Intelligence

Section Two

A modern conference room with a large wooden table and black chairs, overlooking a city skyline with skyscrapers. The room has large windows and a dark blue overlay on the left side.

Bourne Partners

i. Thought Leadership

ii. Bourne Partners Overview

iii. Investment Bank Overview

Bourne Partners Overview

Our Service Offering

For over twenty years, Bourne Partners has focused exclusively on providing investment banking advisory services and making direct investments in the Pharmaceutical, Pharma Services, Healthcare Technology and Services, Pharmacy Services, and Consumer Health and Wellness industries. Since 2015, we have successfully executed on **over \$15B** in transactions, having worked with many leading companies and private equity investors in these core focus areas.

Value Beyond the Deal

Total Perspective

Experience advising, investing in, building, operating, buying, and selling companies
Unmatched 360° perspective for every project

Uncompromised Service

Direct involvement of senior management throughout process
High level of attention regardless of transaction value

Global Reach

Experience working with companies around the globe
Extensive network of potential international buyers

Investment Banking

Mergers and Acquisitions

Sell-side and buy-side assignments
Transaction Experience: \$10M - \$3.5B

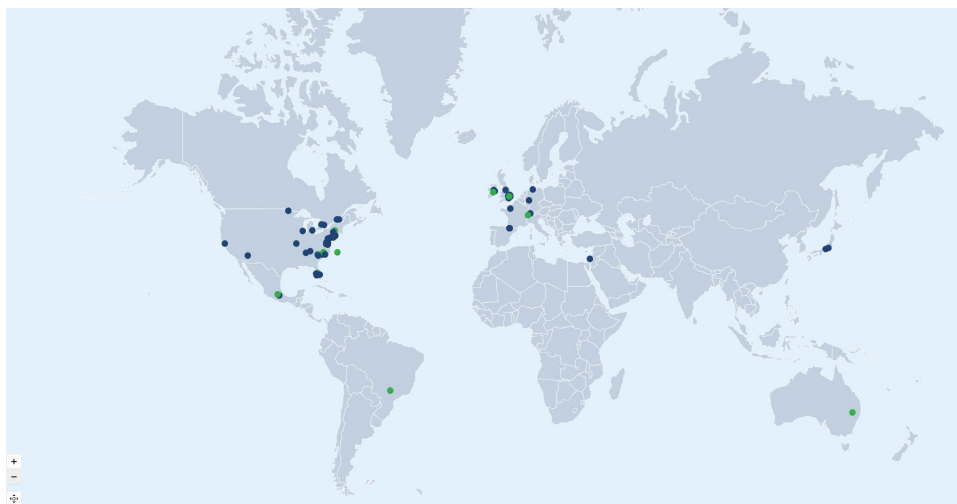
Capital Sourcing

Debt / Equity / Hybrid
\$10 - \$500 million raises

Business Development Support

Development stage and approved products
Local and international

Geographic Coverage



Sector Expertise

Pharma & Life
Sciences

Pharma
Services

Healthcare
Services

Healthcare
Technology

Consumer
Health



550 South Caldwell Street, Suite 900
Charlotte, NC 28202
+1 704.552.8407

