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Monthly News Brief

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M&A and Spinoffs

**Biotech M&A is Picking Back Up: Here are the Latest Deals (BioPharma Dive)**
Over the last few years, pharmaceutical M&A hit record highs as larger companies turned again and again to young biotechs for innovation. While M&A was plentiful in 2018 and 2019, and even held up during the onset of the pandemic, 2021 and 2022 were much quieter. Analysts and other industry watchers have been forecasting a rebound for some time, which is yet to materialize.

**Baxter to Sell Biopharma Solutions Unit for $4.25B to Private Equity (MedTech Dive)**
Baxter is looking to sell its biopharma solutions business for $4.25B to private equity firms Warburg Pincus and Advent International and will use the proceeds to reduce debt. The biopharma solutions business provided contract manufacturing and other support services for pharmaceutical companies and is expected to generate ~$600MM in revenue in 2023. The biopharma solutions business will now operate as an independent contract development and manufacturing organization (“CDMO”).

**FTC Sues to Block Amgen’s $28B Horizon Buy in Alarming Sign for Biopharma M&A (Fierce Pharma)**
The FTC has filed a lawsuit to block Amgen’s proposed ~$28B acquisition of Horizon Therapeutics, arguing Amgen could leverage its existing product portfolio to “entrench the monopoly positions” of Horizon meds for thyroid eye disease and chronic gout. The antitrust challenge marks the first time that the FTC has reached beyond specific product overlaps in its reviews and instead focused on companies’ past behaviors around drug pricing. The FTC’s broad approach could cool the M&A market on other biopharma deals after a relatively slow year in 2022.

**Earnings and Projections**

**Pfizer, Moderna Among Many Biopharma Giants to Post Q1 Sales Declines, as Novo Nordisk Led Growth Charge (Fierce Pharma)**
The effects of the COVID cliff were apparent as companies reported their first-quarter results. Of 20 leading biopharma companies, only six experienced revenue increases compared to the same period last year. The companies that emerged with the most successful COVID vaccines in Moderna and Pfizer took the biggest hits. Novo Nordisk grew by 27% and was the only one of the six biopharmas with a revenue increase that experienced double-digit growth fueled by sales of its diabetes and obesity drugs.

**Baxter, GE HealthCare, Philips are at Risk from Changes in Hospital Spending (MedTech Dive)**
Moody’s forecasts medical device companies will experience volatile equipment orders from hospital customers for at least the next 12 to 18 months due to the belief that a potential recession, coupled with inflation that has increased the cost of labor and utilities, may drive some hospitals to reduce spending on medical devices. Baxter, GE Healthcare, and Philips are more exposed overall to hospital capital budgets due to limited recurring sales compared to other large players in the industry.

**Making us Thinner will See Fatter Profits for Pharma (Fierce Pharma)**
Bloomberg analysts project sales of branded anti-obesity drugs could hit $44B by 2030, in a market that was worth $2.5B in 2022. The market is set to be dominated by Novo’s Saxenda and Wegovy, as well as Eli Lilly’s Mounjaro. According to Bloomberg, nearly 70% of that figure will come from the U.S. as analysts expect a slower ramp-up in Europe and a 20% price discount to the U.S., given the use of health technology assessors in Europe.

**The Use of Medicines in the U.S. 2023: Usage and Spending Trends and Outlook to 2027 (MOVA Institute)**
The U.S. market for medicines grew 5% reaching a total value of $429B in 2022. Total net spending on medicines in 2027 is expected to be unchanged as volume growth will be fully offset by lower prices, including patent expiries and the effects of legislation. Over the next 5 years, medicine spending will grow between 1.4% on a list price basis and -2 to 1% after discounts and rebates.

**Regulation**

**A Win for Indiana Patients: “Sharing the Savings” Legislation Now Law (PhRMA)**
Indiana Governor signed a new law that will ensure that Indiana Patients aren’t paying more for their medicines than their health insurance company or the middlemen known as pharmacy benefit managers. This concept, known as “share the savings,” puts money back in patients’ pockets by requiring insurers and the PBMs they work with to share 85% of rebates, discounts, and other price concessions they receive from manufacturers directly with patients at the pharmacy counter.

**The Top Pharmacy Benefit Managers of 2022: Market Share and Trends for the Biggest Companies (Drug Channels)**
In 2022, the PBM market remained highly consolidated although there were some share shifts among the largest players. Approximately 80% of all prescription claims were processed by three companies: Caremark/CVS Health, Express Scripts/Cigna, and OptumRx/UnitedHealth. PBMs are facing unprecedented scrutiny from Congress, state legislatures, and the Federal Trade Commission (FTC). Five of the six largest PBMs are now jointly owned by organizations that also own a health insurer.

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