

Global Development of the Pharma Industry

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1 Purpose of this Document

This document provides an overview of global revenues in the pharmacological industry over 10 years. The values for 2006 and beyond are forecasts. The annual growth is being analyzed and consequences of the figures are being discussed. Should you find any value questionable or to be updated, please contact us at office@mqs.at.

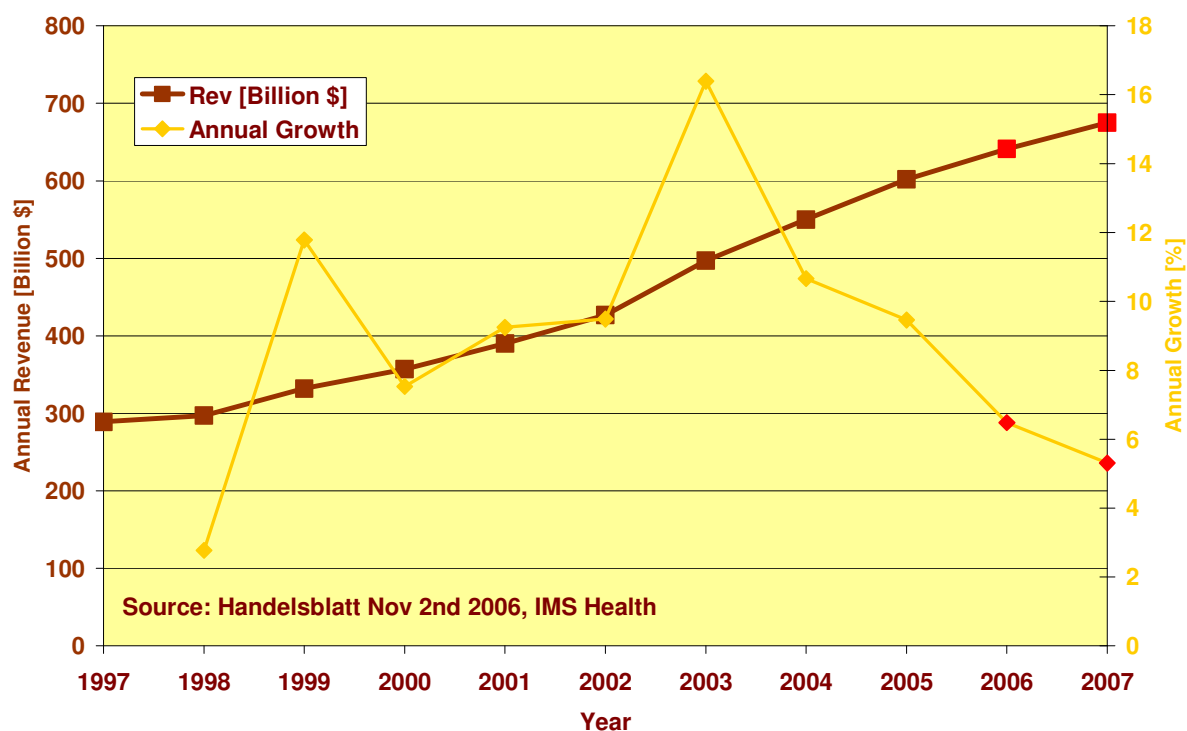


Figure 1: Worldwide annual revenues in billion \$ and growth rates in percent of pharmaceutical companies between 1997 and 2007. Values for 2006 and 2007 are forecasts and hence marked in red.

2 Revenues 1997 - 2007

This document is based on data, published in references [2],[3] and [4]-[6]. The data are summarized in Figure 1. The following observations and comments can be made:

- While the absolute revenues show a steady growth over the years of 1997 to 2007 it is clear that the pace of revenue growth slowed down significantly from 2003 where growth in excess of 16% was observed to a forecast for 2007 with a forecasted growth rate of 5,3 %.
- Besides market-saturation phenomena there are two trends putting pressure on pharma revenues:
 - The need of many health insurance providers to cut costs.
 - The expiration of patents which open up the market to those manufacturers which did not have to invest into development of the product. In 2006 and 2007 the forecasted revenue figures affected by expiring patents are 23 and 16 billion dollars respectively [3]. See Chapter 3.
- Biotech-products and cancer medication still show high growth rates – 13-14% is expected for Biotech [3].
- The facts mentioned above lead to a diversified assessment for pharma companies, depending on their engagement in stagnating areas, growth sectors and their patent portfolio and its expiration spectrum.

3 Generic Drug Production

The area of generic drug production is determined by the amount of expiring patents. We have compiled the leaders in this business for 2006 in Table 1 and Figure 2. In Figure 3 we have shown the sales volume of expiring patents per year. When drugs can be produced as generic ones the price drops – hence the cumulated sales volume of the drugs related to expiring patents is higher than the expected sales volume in the generics-area.

Company	Headquarter	Sales 2006 [Mill. \$]
Teva	Israel	8.408
Sandoz	Switzerland	5.959
Watson	USA	2.743
Barr	USA	2.374
Merck Generics	Germany	2.282
Ratiopharm	Germany	2.136
Stada	Germany	1.569
Ranbaxy	India	1.381
Actavis	Iceland	1.379
Mylan	USA	1.257
		29.488

Table 1: Annual revenues and country of headquarter of the top ten generic drug producers in 2006 – currency unit is billion dollars. The combined revenue of the top 10 in 2006 was 22 billion Euros. Source is [4].

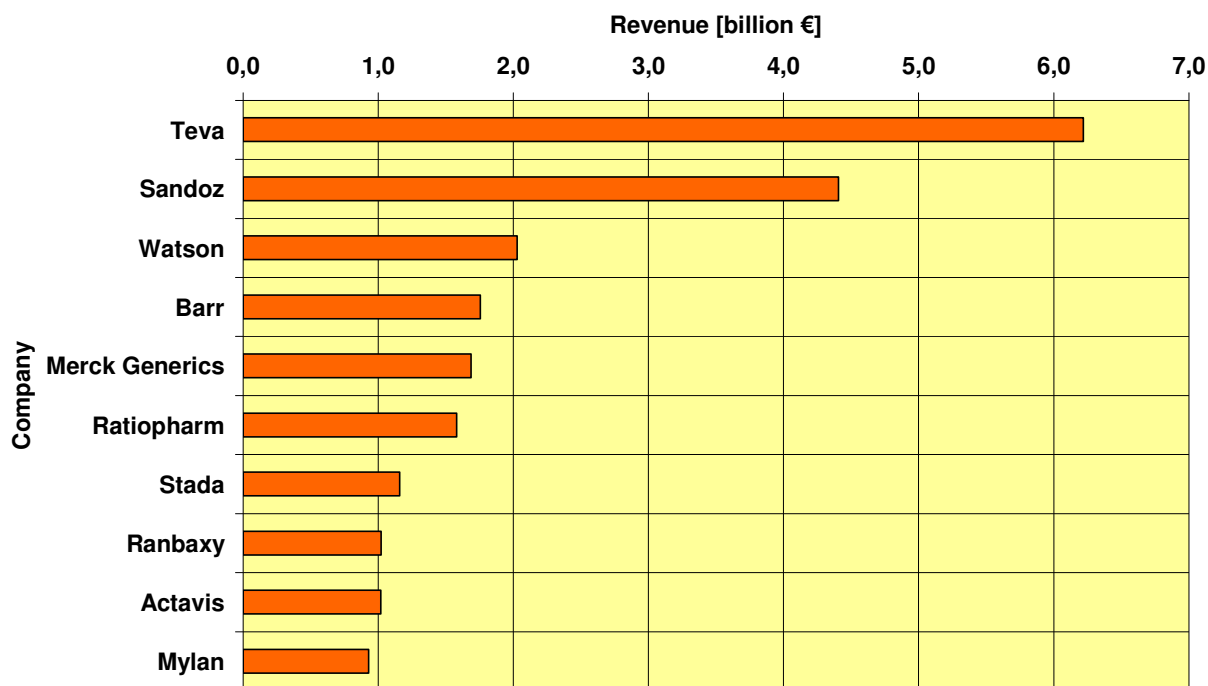


Figure 2: Annual revenues of the top ten generic drug producers in 2006 – currency unit are billion Euros. Source is [4].

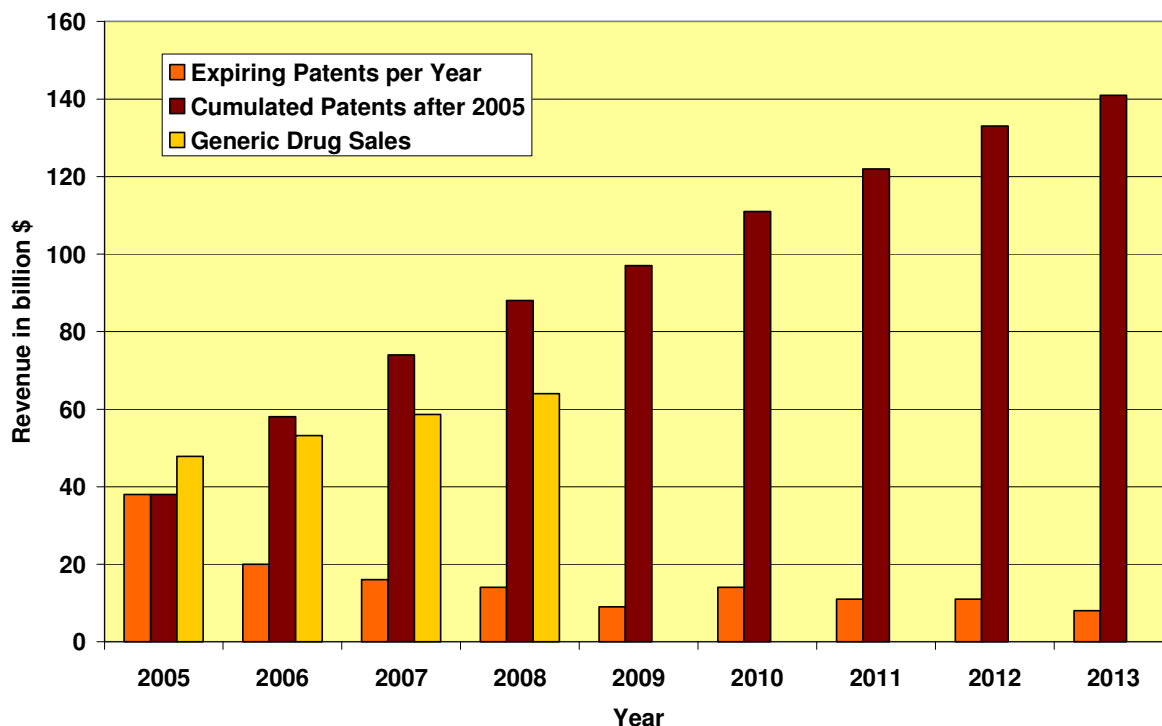


Figure 3: Sales volume of drugs related to expiring patents in billion \$, per year and cumulated from 2005, as well as forecasted volume of generic drug sales per year – sources are [5] and [6].



4 Conclusions

We have provided a summary of global pharma revenues with the following conclusions:

- The growth in global revenues from 1997 to 2007 shows a significant slowdown after 2003.
- Pressure to reduce costs for health insurance providers and expiring patents will put further pressure on obtainable revenues.
- The assessment of companies in this sector depends on the distribution of their product portfolio in growth and stagnating segments.

Updates of this document will appear whenever relevant data are available to re-assess the annual global revenue figures and their growth rates. If you should find Sections not clear enough or if information, you expected, was missing, please contact us at office@mqs.at.

5 References

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- [2] Article in "Handelsblatt", November 2nd 2006.
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