



Dr. Jonathan de Pass,
Founder and Director,
Evaluate

In the year of the 25th anniversary of the founding of Evaluate Pharma, Jonathan de Pass shares some thoughts and experiences in a special interview.

He starts off by revealing that things could have been very different.

“When I left medical school the plan had been to found the UK equivalent of Genentech,” he says. A short, but painful, conversation with the Dean of Manchester Medical School quickly put paid to that. “He said I didn’t really have much to offer other than ideas and to come back when I had some money.”

Describing it as a light bulb moment, Jonathan realised he needed to go into the City to understand financing of pharma and biotech companies. Fast forward ten years as an industry analyst, and he was itching to leave.

After seeing his brother-in-law’s success selling projections to the energy industry, the idea emerged to create consensus forecasts for investors in pharmaceutical companies. Unfortunately, pharma investors initially did not see the value.

“When I first took Evaluate Pharma to a few money managers it was crushing. I had spent the best part of three years building it, and they looked at it and said: “We are not interested in consensus, we want to know what you think,” he says.

Jonathan freely admits that in terms of Pragmatic Marketing, it could not have been a worse approach: build a product and then try to find the market. Fortunately, he did find interest from the pharma companies themselves.

Even here a bit of Pragmatic Marketing might have come in handy: “I remember one large client telling me after I sold them a sub for \$12,500 that they were spending \$250,000 doing what we were providing in our CD rom,” he says. [As a reminder, until 2002, Evaluate Pharma was posted to clients monthly on a CD Rom].

Once the company pivoted to focus on industry clients, success came quickly: 10 of the top 20 drug developers signed up within 12 months. “There was a real need here, pharma companies wanted to benchmark their internal forecasts against the consensus view and we were doing something they were spending a lot of time and money on,” he says.

The rest, as they say, is history.

Jonathan also kindly agreed to answer a few questions on his experience of pharma over the years, read on...



Lisa Urquhart, Editor,
Evaluate Vantage chats
to Evaluate’s founder.

When you started Evaluate, what were the main themes shaping the biopharma industry?

There was an obsession with blockbuster drugs for chronic conditions affecting millions of people, as well as conditions of affluence; like peptic ulcers, hypertension and osteoarthritis. They were prescribed regularly, so the industry worked like a subscription business with people taking them for the rest of their lives. It was a constant revenue flow for each patient of several hundred dollars or a few thousand a year and you multiply that over millions, then it was a sizeable business model.

But the big question was, how do you keep this revenue stream going? The problem you have if you are trying to produce the 20th arthritis drug is that you've got to show a better profile than the 19 that come before. You also have to show that it is safe in millions of millions of so people, so you pretty quickly run up against a big wall in terms of cost and feasibility.

25 years ago the space was dominated by names such as Glaxo Wellcome, Schering Plough and Astra. How do you think the consolidation among big pharma has changed the industry?

With the big focus on blockbusters, the concern was all about scale, with many pharma companies asking how do we keep growing when a big selling drug goes off-patent? A lot of the time the answer was let's just merge with another big company; and what we would see post-merger was the rationalisation of the R&D programme. So half the new and promising drugs in a pipeline would be kicked out, leaving the merged company with the same issues.

What has become clear, if you look at the share prices of big companies, they had a big run up through the 1990s while they were making money from blockbusters and then a lot of them merged. The merged entities have only really moved sideways in terms in share price over the last 20 years.

The mergers did not deliver what was promised in terms of a machine for blockbusters, and smaller new entrants have become very successful in more niche indications. So it can be argued that consolidation among big pharma hasn't produced the goods.

How have the needs of our clients changed over the last 25 years? And what underlying trends are those changes reflecting?

When we started, pharma lapped up our original product because they were used to benchmarking their internal numbers against analyst numbers. Providing a consensus view saved them huge amounts of work.

But what has changed since then is the need for ever more granular data, as medicine has moved from one size fits all towards more personalised treatments. Look at the rise of CAR-T.

Niche indications or treatment programmes have become so much more important, so we have had to provide ever more sophisticated analysis. Our sales by indication was a big hit because we were able to help people to understand these niches.

Over the last 25 years what advances in the industry have surprised you the most?

I've been surprised by the growth of niche indications, orphan drugs and the fact there was so much money to be made because of pricing. I don't think 25 years ago people thought you could charge hundreds of thousand dollars per patient per year.

The ability to extract enormous prices made orphan drugs and niche indications really worth going after. That created a rethink of the pharma business model and allowed the spawning of lots and lots of new entrants.

The other thing that has changed is that a big chunk of the industry now comes from complex biologics and the erosion curve post-patent expiration is completely different. You have much greater longevity for these products and that has had a big impact. Also the FDA and the regulatory environment is changing, it's becoming more liberal.

Back in 1998 you correctly predicted that European and UK drug makers would lose prominence to the US. What was behind your thinking?

While we wanted to be as controversial as possible to gain interest, the numbers spoke for themselves. The forecasts from the analysts were that the US companies were going to overtake Europe. And the great thing about working with consensus, is whatever flack I was going to get I could say "These are not my numbers, that's what the financial markets are predicting."

Also, the industry in the US was more dynamic and that has always been the case. You have more companies and more capital. The US was also a more risk-taking environment than Europe and you could charge higher prices [for drugs], so you could get the returns. It was inevitable that the US would be leading the way.

Equally, what do you think of some of your other predictions? For example that biologics would not grow much, and the rise of lifestyle drugs rather than oncology/immunology drugs?

Are you trying to embarrass me? [laughs]. I think what no one really saw coming was the rise of genomics. Even though I might have mentioned it, it was just a glint in the eye [25 years ago].

Because of what happened in genomics, tackling oncology became less of a mars shot, and more of moon shot, something that could be done with a big effort.

But there are still areas where we have made little progress. There is still a long way to go in CNS and mental health, one of the many intractable disease areas. One example is that there has been no real new progress in depression in 30 years and none in Alzheimer's.

Where do you think the future disruption will come from in the industry?

The obvious big one will be digital health, but it is vast and means very different things to different people. In term of future disruptive geographies, India and China are again the obvious ones.

It's not going to be long before we see some major advances coming out of China. If you think of the way they are collecting data on very large populations, there will come a point when they will have the ability to mine genetic data that will eventually feed through to mind-blowing solutions.

What are your thoughts on the future of pharma?

The thing I would be most excited about is the ability for people to live long lives healthily. But I'm not sure I can get my head around all the implications for extending life given what is happening to the planet.

There is an intersection between the pharma industry, population and climate change. Hopefully we will find a sweet spot, and be able to handle all of the diverse threats not only to human health, but the health of the whole planet.

Thank you to Jonathan for sharing his insights with us.

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