

Pharma development budgets grow as Roche remains a believer



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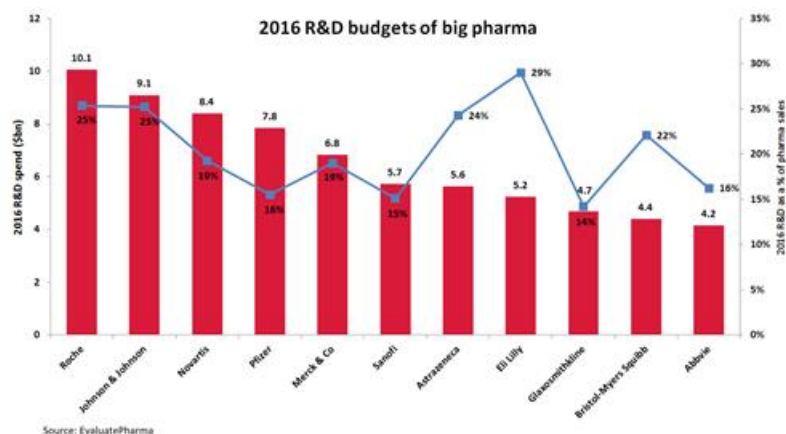
Roche was once again the sector's biggest spender on drug development last year, its R&D bill touching \$10bn for the first time. The Swiss company also remained one of the most enthusiastic investors in science among the world's biggest pharma groups, data collated by *EvaluatePharma* show.

However, in terms of budget growth, Abbvie has increased spend on its development labs more than any other major over the past five years, percentage-wise. The company is working desperately to replace Humira, which in the meantime is generating plenty of cash to support its growing R&D investment (see analyses below).

Development of its hepatitis C franchise and support of a move into oncology has seen Abbvie's research bill grow by almost 63% since the company was hived off from Abbott Laboratories. This growth is expected to moderate in the coming years, although with Humira's patent life far from clear the company remains under huge pressure to find new growth drivers.

Astrazeneca has also ramped up R&D spending as huge patent expiries such as those of Seroquel and Crestor eroded its top line. The company claims to be spending 40% of its budget on oncology, highlighting the importance of approaching readouts from candidates like durvalumab ([Astra's Mystic mystery and other surprises in store, January 17, 2017](#)).

However the graph below shows that these two companies are still on the lower rungs when it comes to overall size of development budgets. As well as Roche, Johnson & Johnson and Novartis spend double and then some, compared with Abbvie.



This analysis also shows the proportion of pharma sales - *EvaluatePharma* classifies this as prescription and OTC sales, plus royalties and milestones.

Given Lilly's steadfast commitment to R&D it is not surprising to see that the company stands out here - although it has also just come through a heavy period of patent expiries, which has shrunk its top line. The Indianapolis group has always ranked highly on this metric, however, with Roche and J&J also enthusiastic supporters of their own labs.

Bristol-Myers might still rank as one of the smallest spenders but it has also been upping its investments over the past five years, its immuno-oncology forays no doubt accounting for much of this.

Change in total R&D budget 2012-16	
Abbvie	63%
Astrazeneca	33%
Johnson & Johnson	19%
Bristol-Myers Squibb	19%
Pfizer	13%
Roche	11%
Eli Lilly	-1%
Novartis	-8%
Sanofi	-9%
Merck & Co	-14%
Glaxosmithkline	-15%
<i>Group total</i>	6%

Moving in the opposite direction, meanwhile, is Glaxosmithkline, which has shaved 15% from its R&D bill over the past five years as its top line has also shrunk. With a new chief executive on the way in, signals of any change to this strategy are keenly awaited.

Merck & Co has also slashed its development budget over the past five years, an interesting finding considering the huge sums its I-O efforts must be consuming. Still, from a trough in 2014 these costs have been growing again, and the success of its flagship checkpoint inhibitor Keytruda suggests that these investments were worth it.

For all the attention on R&D externalisation and collaborations with small biotechs, it is clear that big pharma remains a huge internal investor in drug development. But as ever the cash that goes in can only be justified by the products that come out the other end. And, on this measure, some of these companies have more to prove than others.

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