

## EP Vantage 2018 Preview - M&A and investor money to drive sector in 2018



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With maturing pipelines and the threat of biosimilars hanging over some big pharma groups, 2018 could see an uptick in M&A, according to *EP Vantage's* [2018 Preview](#), out today.

The free report also predicts another record year for venture financing and that the IPO window will remain open, as signalled by the return of crossover funds to private funding rounds. With pricing rhetoric easing, sentiment next year will be driven by closely-watched R&D assets and important drug launches, particularly in the fields of immuno-oncology and rare diseases, the report concludes.

Click [here](#) to download a free copy of the *EP Vantage 2018 Preview*.

The report highlights how the passing of US tax reforms, including a repatriation holiday, could lead to a new push on M&A, reversing the sluggish atmosphere of 2017. This year the only significant deals were Gilead's \$11.9bn takeout of Kite and Johnson & Johnson's \$30bn acquisition of Actelion.

As for the potential acquirers in 2018, the smart money is on some of the industry's biggest players, with much speculation surrounding a possible bid from Pfizer for Bristol-Myers Squibb.

The need to stock up pipelines could also help tempt others into the market. However, if the valuations of targets remain high the industry could also display the caution it is famed for, and some industry observers are expecting a lot of share buy-backs.

### **Pricing moves down a rung**

The review also looks at how the pricing debate has evolved over the past year, when there were fears of substantial pressure on drug prices with a new leader ensconced in the White House. Thankfully for pharma, President Trump's capricious gaze has been turned to other pressing issues, including the actions of NFL players.

With little movement nationally, the issue of pricing has shifted to state level.

The report also highlights that the power wielded by payers is unlikely to diminish next year, and that therapy areas beyond the likes of diabetes and respiratory drugs could come under pressure.

### **The cost of innovation**

New drug launches expected in 2018 could present further challenges to payers. In particular, Spark is expected to hit the market with the US's first approved gene therapy, Luxturna, and Ionis's RNA-based therapy inotersen could be marketed by November; both products are likely to set high reimbursement hurdles.

The progress of the industry's first CAR-T products will also be one of the most closely watched stories next year, and there are high hopes for the sales of these game-changing products.

However, the slow launches of other innovative drugs including Entresto and the PCSK9 inhibitors could serve as reminders that the bullish expectations of sellside analysts might need to be more closely aligned to the cost-sensitive world in which the industry operates.

On the positive side for pharma, the report predicts that the wave of innovation that brought these products to the market looks set to continue, with the FDA far from acting as a brake.

Despite his relatively short tenure, new FDA commissioner Scott Gottlieb is widely viewed positively by the industry, as the agency appears to be speeding up approvals and on track to green-light 43 novel drugs before the end of the year.

### **Sentiment setters**

Looking to 2018, much of the innovation in the industry will remain focused on the white-hot area of immuno-

oncology. Results in several critical I-O combo trials utilising innovative targets such as IDO, Lag3 and CSF-1R will be closely watched, alongside readouts in first-line lung cancer, including data from Bristol-Myers Squibb's Checkmate-227 study, overall survival results from AstraZeneca's Mystic trial and the full data from Roche's Impower-150 trial.

Success or failure in these trials will undoubtedly have an impact on sentiment for the whole I-O space and, given the investment in this area, potentially the wider pharma industry. While the outlook for 2018 looks positive at present, how this plays out will hinge on continued clinical trial success.

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