

Roche and Lilly most vested in research



[Edwin Elmhirst](#)



The world's largest drug companies splashed out a record \$78bn on R&D last year, with Roche and Lilly the biggest spenders.

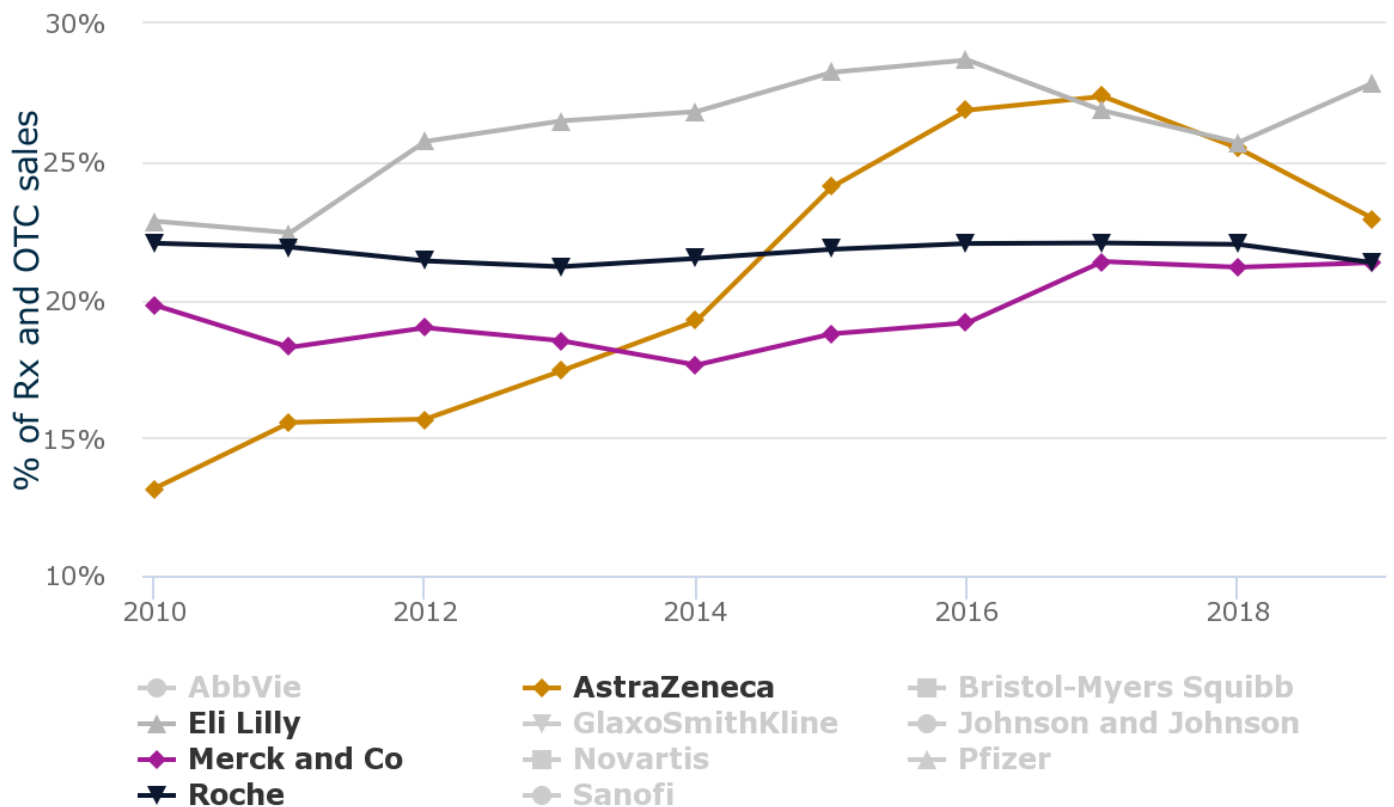
The pursuit of tomorrow's medicines is an expensive undertaking for the 11 companies that fall into the big pharma category. *Evaluate Vantage's* annual look at R&D bills shows that more was ploughed into research last year by this group than ever before.

Total spending by this cohort climbed 5% in 2019 to \$77.6bn; while these numbers are not adjusted for inflation the jump looks like representing a real increase. Roche stands out as a company that has been boosting its R&D investments over the past couple of years, while Lilly remains the most committed in terms of the proportion of its sales that it puts back in.

Lilly might not be one of the big spenders in real terms, but with a huge 28% of sales being ploughed back into research it remains the sector's most generous re-investor. The company is not known for its M&A action, though it struck the biggest takeout in its history last year with the \$8bn Loxo Oncology deal, which perhaps signals a shift in strategy.

Big patent expiries that hit companies' top lines can cause this ratio to fluctuate, of course. AstraZeneca is an example here: it has seen a big jump in its sales-to-R&D spend ratio over the past couple of years as blockbusters like Nexium and Seroquel lost exclusivity. Its real R&D bill has remained largely the same.

R&D spend as a % of Rx and OTC sales



Source: Evaluate; Interactive chart/legend

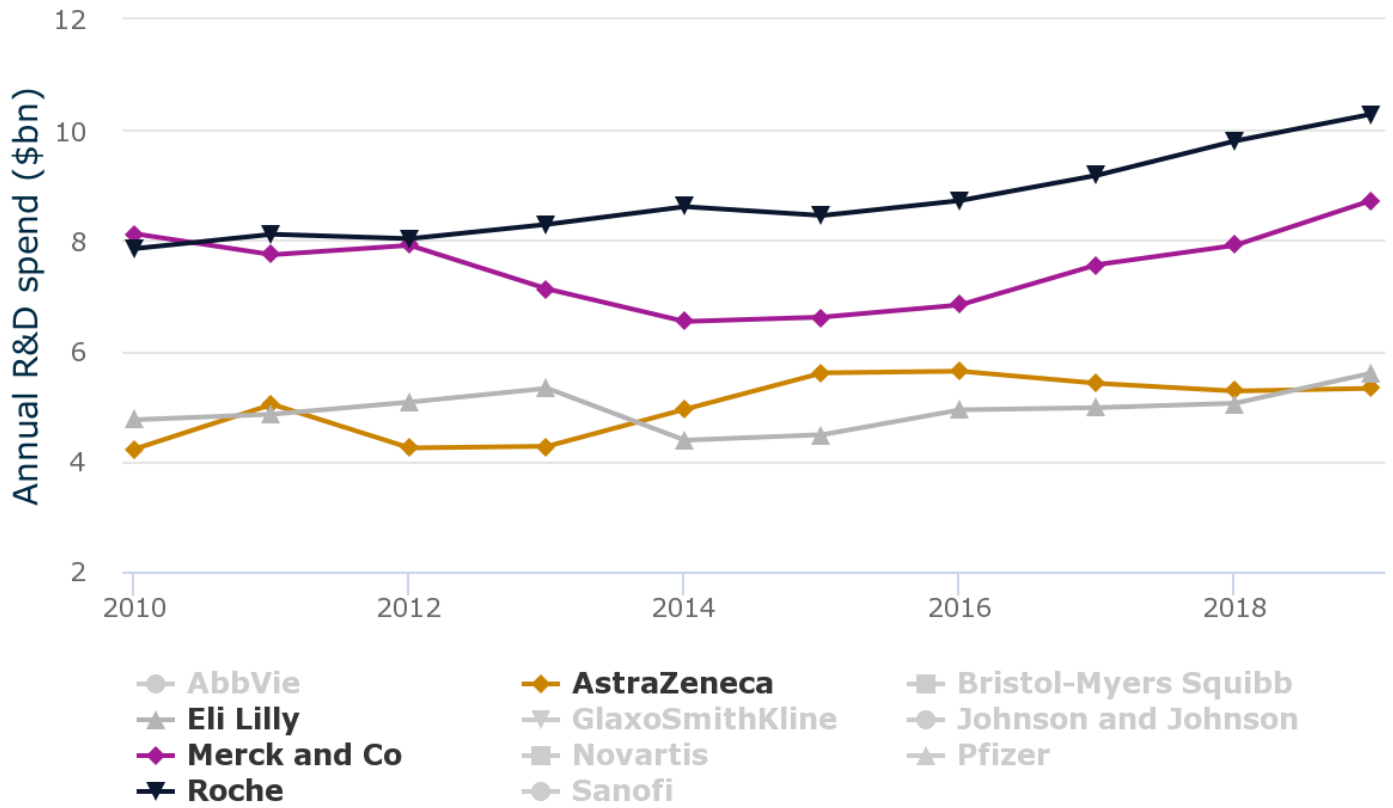
In real terms, however, Roche spends more on R&D than any other big pharma group. Its sales-to-spend ratio might have dipped notably last year, but the \$10.3bn it invested in drug development – 21.3% of its drug sales – makes it one of the sector’s biggest spenders.

Merck & Co too seems to have been actively ploughing in more, and presumably the huge investment in Keytruda must have something to do with this. Its sales-to-R&D ratio has surged from 17.6% to 21.3% since 2014, while its 2019 spend hit a high for the decade at \$8.7bn.

Abbvie has doubled its R&D spending since becoming a standalone company, to \$5bn a year, though as a proportion of sales this represents a jump of only a couple of percentage points.

Sanofi is considered one of the sector’s laggards in terms of R&D productivity, and its sales-to-spend ratio has crept up slightly over the decade, but its real spend has shifted little. As these figures are not adjusted for inflation, this arguably represents a scaling back. With a new chief executive, Paul Hudson, at the helm it will be interesting to see where the company pitches its spend in the future.

Big Pharma R&D spend



Source: Evaluate; Interactive chart/legend