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Big Pharma remains bullish in the face of Covid-19


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So far so good, as much of pharma shrugs off the full-year impact of Covid-19.

One of the biggest questions about Covid-19 is how it is affecting the work of pharma companies. Judging from the comments in the recent first-quarter results from some of the industry's biggest companies, the answer is not very much.

Indeed, many big pharma companies have taken a surprisingly upbeat view of the pandemic during the first quarter, notwithstanding its decimation of other industries. So far Merck & Co is the sole company deviating from the script and cutting full-year guidance – hanging a $1.7bn price on the expected reductions to its pharma sales.

Much of the rest of pharma's buoyancy was due to short-term boosts to top lines, as wholesalers stockpiled more product to head off future availability concerns. Novartis, Bristol-Myers Squibb, Glaxosmithkline and Lilly were among those reporting significantly increased first-quarter demand, with Bristol alone adding $500m in sales due to "Covid-19 related buying patterns".

What must be concerning all pharma watchers will be how future sales patterns settle beyond the first quarter. The recent sales uplift is bound to unwind in subsequent quarters, and it would be foolish not to expect volatility in demand as the year goes on, despite assurances from some companies of a return to normal from the second quarter.

The doctor won't see you now

One area where demand has already fallen off is physician and hospital-administered medicines. Merck's full-year pullback was driven by the fact that two thirds of its products are physician-administered.

Patient concerns about going to doctor's offices and hospitals have been compounded by lockdown restrictions that have in some cases made travelling to appointments highly risky or impossible. Added to these hurdles, doctors are increasingly closing surgeries to reduce infection rates or finding themselves re-deployed to front-line work.

All of this has resulted in a falling off in injected and infused medicines. Merck's biggest seller, Keytruda, is hospital administered, and seven of 10 of its biggest-selling products are vaccines – hence its full-year downgrade.

Glaxo said it had seen a decline in Shingrix prescriptions as containment measures limited patients' ability to access the vaccine, adding that its meningitis portfolio could be hit by delays in children going back to school. Sanofi also reported a falloff in travel vaccine sales owing to reductions in global travel, while Novartis said its ophthalmology business had been affected.

If the unavailability of doctors is posing a challenge for delivering certain medicines, it is hitting new launches equally hard. With sales teams unable to access physicians to both promote products or educate them on the use, new product initiations are slowing.

Bristol-Myers Squibb said it would hold off launching its new multiple sclerosis treatment Zeposia despite receiving approval in March. Zeposia would have been entering a highly crowded market, and Bristol's hesitation is presumably to give the product the best start possible.

Meanwhile, the industry's smaller, worse-funded companies will not have the luxury of allowing such a delay, and face the prospect of much lower sales. As such, how the sales of some of the industry's biggest new launches fare over the following quarters will be a useful indicator of the sector's health *(Covid-19 adds a new danger to drug launches)*.

Clinical holding pattern

Another, albeit long-term, indicator of sector health is clinical trials. There was a mixed response among the big pharma groups when it came to clinical trial updates, with some reporting the continuation of key studies.

A separate analysis from *Evaluate Vantage*, however, showed that over the past two months there has been a 15-fold increase in clinical trial suspensions. In April alone suspensions hit 731, up from 49 in April 2019.

Not running trials can equate to savings for companies; Gilead said the $50m R&D expenses it had racked up for remdesivir had been more than offset from it pulling down the shutters on clinical trials. But clinical trials are the life blood of the industry, and with no data to move products through the clinic, or file and launch new products, there will eventually be a knock-on effect.

Even with all these difficulties most big pharma companies still expect a return to "normal" by the end of the year. But the virus is storing up some longer-term headaches for the industry that might make achieving normality more difficult.

Delays to treatments could increase mortality rates, and clinical trial suspensions will hit the industry's longer-term health – additionally stalling licensing deals and M&A that are based on positive data. The rise in unemployment in the US, the industry's biggest market, will leave millions uninsured, further denting pharma sales. There is also no certainty that there will not be a second wave of Covid-19 later on in the year.

But it is not all gloom. One of the most striking themes of first-quarter calls was the increasing use of telemedicine and digital health applications. Glaxo said it would "see an increase of digital engagement", while Novartis's chief executive, Vas Narasimhan, said: "Digital technologies have really taken hold in pharma. All our AI efforts been taken to scale because we have had no choice."

For those in the right pharma divisions Covid-19 could be opening up and accelerating opportunities.

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