Evaluate Vantage

May 18, 2021

Bristol’s buy moves it to the top of the sales charts

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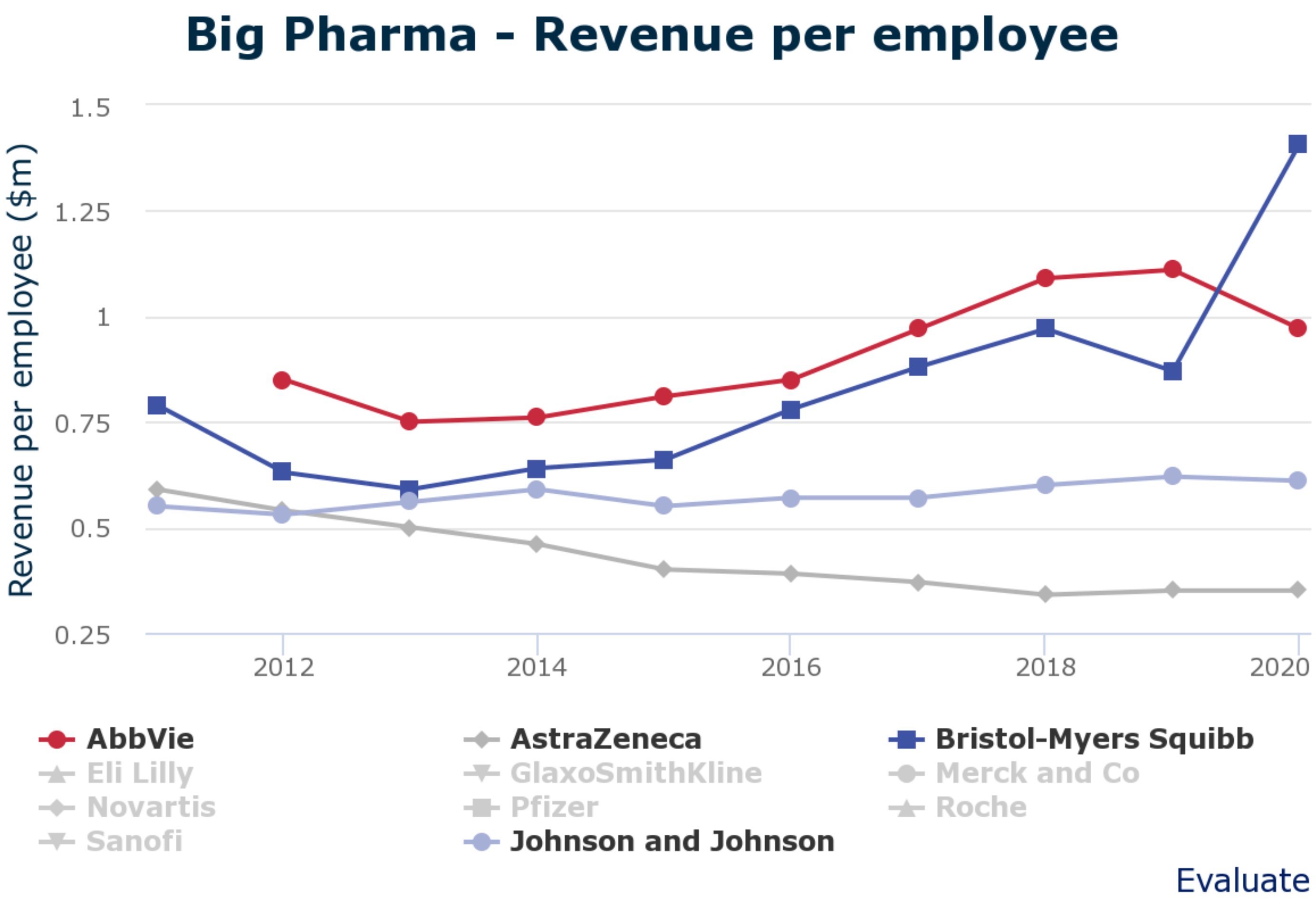
The addition of Celgene made Bristol’s sales team pharma’s most productive last year on one measure, but the accolade might be short-lived.

It was only a matter of time before Bristol Myers Squibb overtook Abbvie to claim the bragging rights for big pharma’s most productive sales team, on one measure at least. Bristol generated more than $1.4m in sales per employee last year, a rise through the ranks that can be firmly attributed to its 2019 acquisition of Celgene.

The addition of Revlimid's $12bn in sales in 2020, and a dip in form from Abbvie, left Bristol the clear leader. But, with Revlimid set to go off patent next year, questions over Opdivo’s ability to extend its reach into adjuvant settings and slow ramps of recent launches, Bristol’s M&A boost could be brief.

Still, the ability of other drug makers to improve metrics like sales per employee via acquisitions might be curtailed in the future, if the FTC’s warning of increased scrutiny over deals it considers anti-competitive becomes a reality.

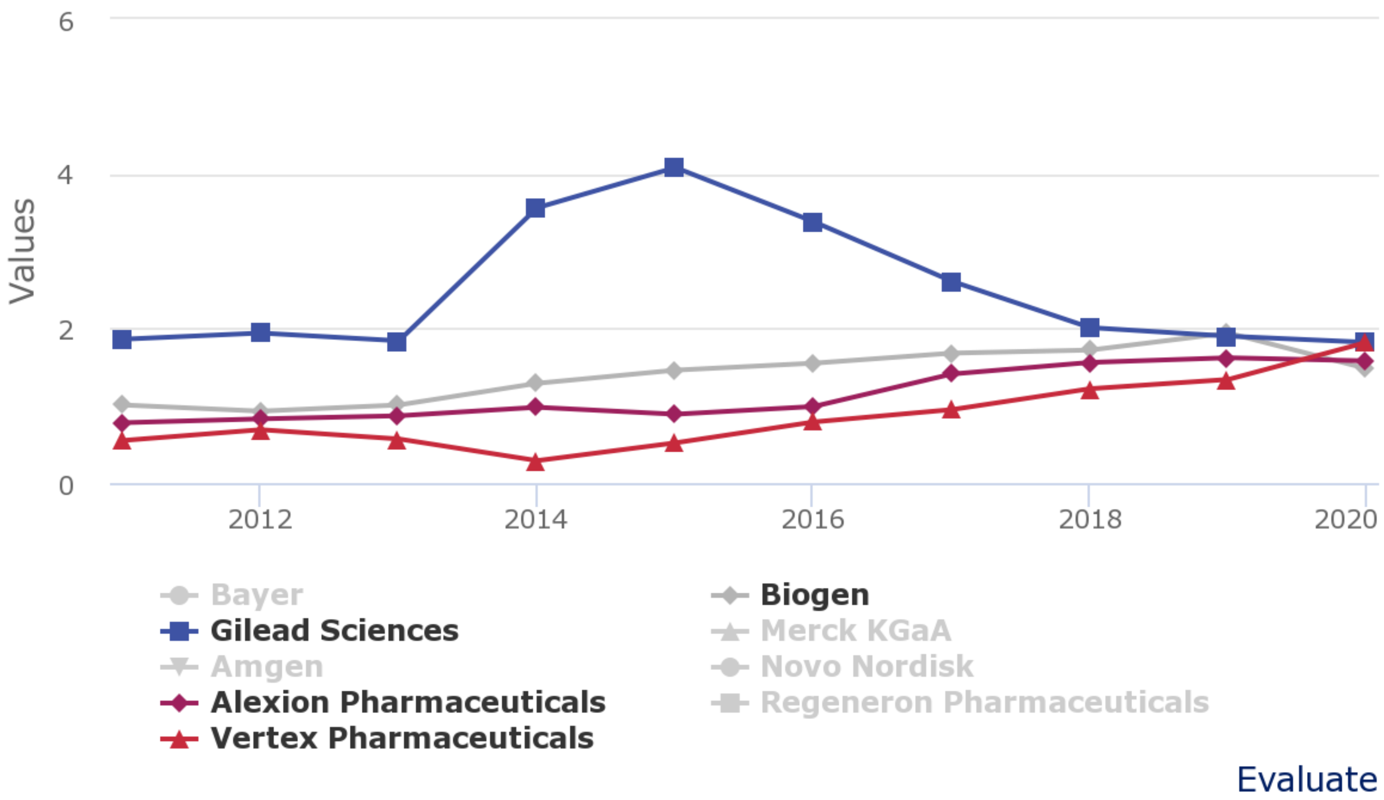


Abbvie is one company that might be considering M&A. The group, which has already slipped down the rankings, will almost certainly fall even further once biosimilar versions of its cash cow Humira enter the US market in 2023.

At the other end of the spectrum Astrazeneca remains the sector’s laggard when it comes to revenues per employee. This has not prevented the company from being regarded as one of big pharma's R&D success stories, with new oncology drugs including Tagrisso and Imfinzi helping its shares to record highs last year.

Sales per employee is of course only one metric that can be used to compare the performance of similar companies.

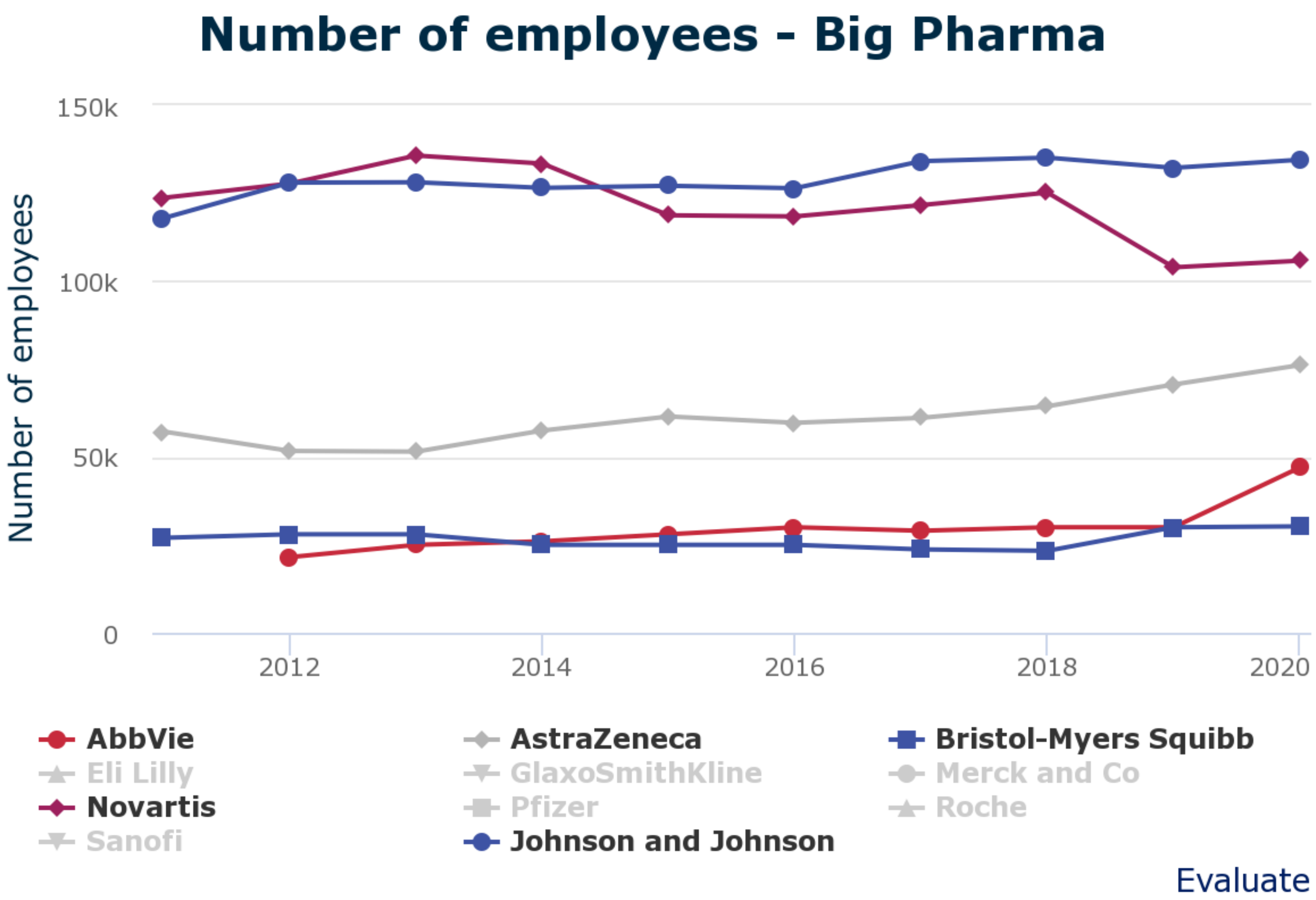
Other big drug developers - revenue per employee



Another thing evident from the sales per employee performance among other large developers is the impact of the decline of Gilead's hep C franchise, which has left the company under considerable pressure to boost its topline. Gilead is not alone. The heat is also on for Biogen, which after several pipeline disappointments now finds its fortunes firmly hitched to the uncertain wagon that is aducanumab.

Conversely, Vertex is one of the few companies that has seen a significant upward trend in sales per employee, thanks to its practical monopoly of the cystic fibrosis space. The company has little beyond this franchise, however, and recent pipeline failures have taken a lot of the shine off its share price.

The doubling of Alexion's sales per employee over the past 10 years might have helped persuade Astra to offer $39bn for the rare diseases group last year.



The need to shore up top and bottom lines is often the catalyst for large-scale M&A, which usually results in a rise in employees. Astra and Abbvie have had some of the biggest percentage increases in employee numbers over the past decade by virtue of deal making; thanks to the takeover of Allergan, Abbvie's workforce more than doubled in just eight years.

Meanwhile, the likes of Novartis and Pfizer have seen their employee numbers fall over the decade owing to rationalisation programmes.

Johnson & Johnson remains pharma's largest employer. Its 134,000 staff members put the group into a different league from the likes of Bristol and Lilly, both of which employ fewer than 35,000.

What is unclear is how this picture will look next year. M&A will play its part, but the ongoing impact of the pandemic, which has left some groups flush with cash, could change the landscape significantly. That is assuming the FTC does not spoil the party.

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