

## To buy or build blockbusters?



[Amy Brown](#)



### **A look at blockbuster origins shows the role of external innovation, but more of these huge franchises are in the hands of their inventors than ever before.**

Early-stage drug developers are the sector's lifeblood, a source of innovation that larger biopharma groups cannot do without. That is the mantra at least, although with several small biotech blow ups in the last few months and valuations tumbling, it feels like investors are losing the faith.

But it also remains true that large biopharma groups are hungry for new revenue streams. If the rumours are true one developer of a couple of potential blockbusters, Seagen, is in Merck & Co's sights; cornering big drug franchises is text book pharma deal making, resulting in the world's 15 biggest developers owning two-thirds of the blockbusters launched in the last two decades.

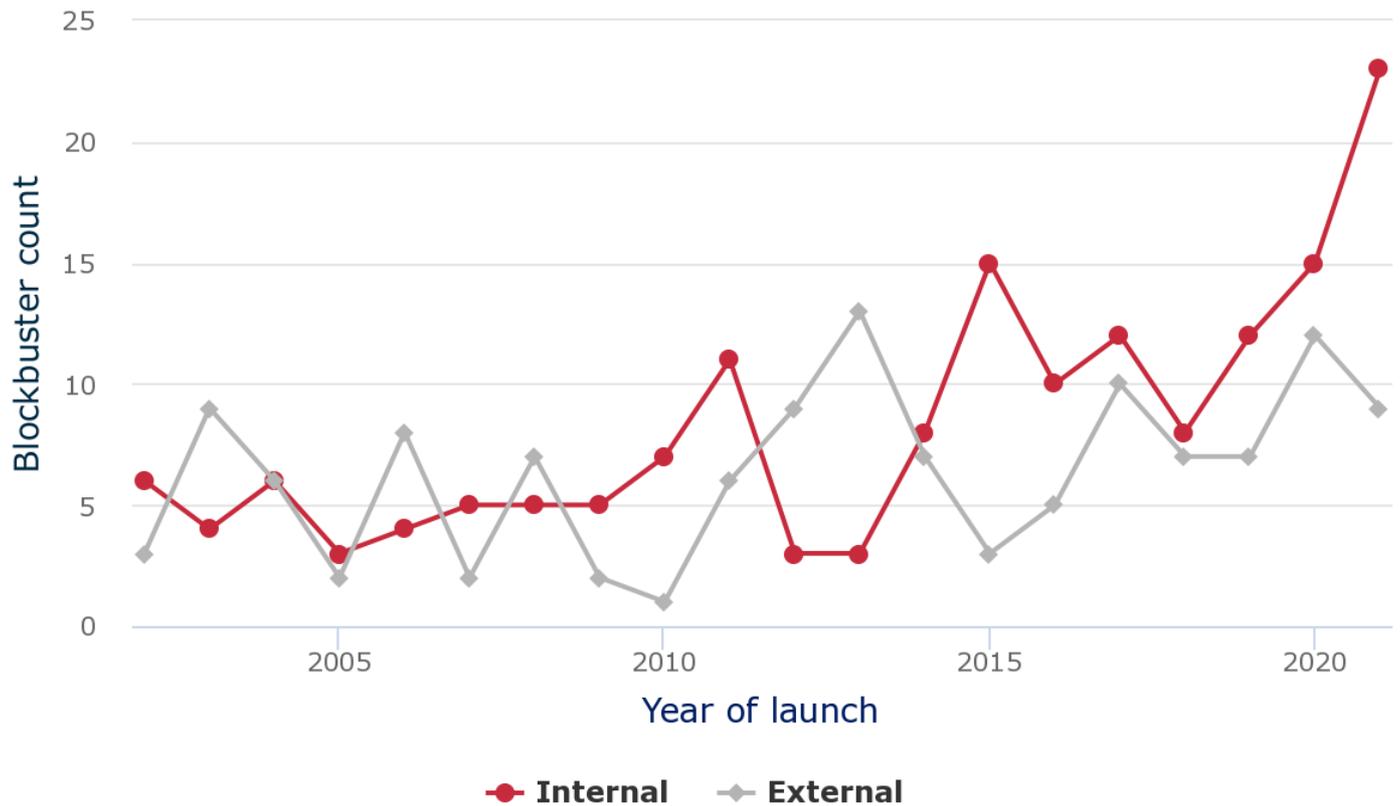
But has the picture of blockbuster ownership shifted at all? And is biotech really the source of innovation it is claimed to be? With these questions in mind *Evaluate Vantage* conducted an analysis of the source of blockbuster drugs launched in last two decades. The most notable finding was an uptick in what we defined as internal R&D over the past 10 years, with more of these huge franchises still owned by their original developers than ever before.

The strong financing climate from around 2017 – the last year notwithstanding – probably offers an explanation here. For some time smaller companies have been able to raise enough money to take projects all the way, and investors have provided the sort of valuations that have guaranteed independence. That situation is shifting, however, as demonstrated by talk of takeovers of Seagen, as well as Clovis by Sanofi and Mereo by AstraZeneca, all of which remain speculation for now.

As such, it should be remembered that this analysis only provides a snap shot in time. Only active companies were included, to more easily track blockbusters origins. And only drugs already approved were counted, so the tally in more recent years relies on products meeting sales forecasts.

The charts below show blockbuster drugs by launch year, with the origins analysis based on the current owner. While this is a moveable picture, it is worth noting that only the very biggest of acquisitions would prompt change - buying a blockbuster does not come cheap.

# Sector-wide blockbuster count by origin



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External projects are those acquired while in clinical development or already approved; internal projects are those owned by company that launched it, and that conducted all of its clinical development.

Whether a project bought in at a preclinical stage should be considered internal or external is debatable. It requires a considerable amount of work to take such an early-stage asset all the way, and some credit should be given here. But biopharma also has [several examples of serendipitous acquisitions](#), whereby an M&A move inadvertently brings in a very early project that turns out to be a huge success.

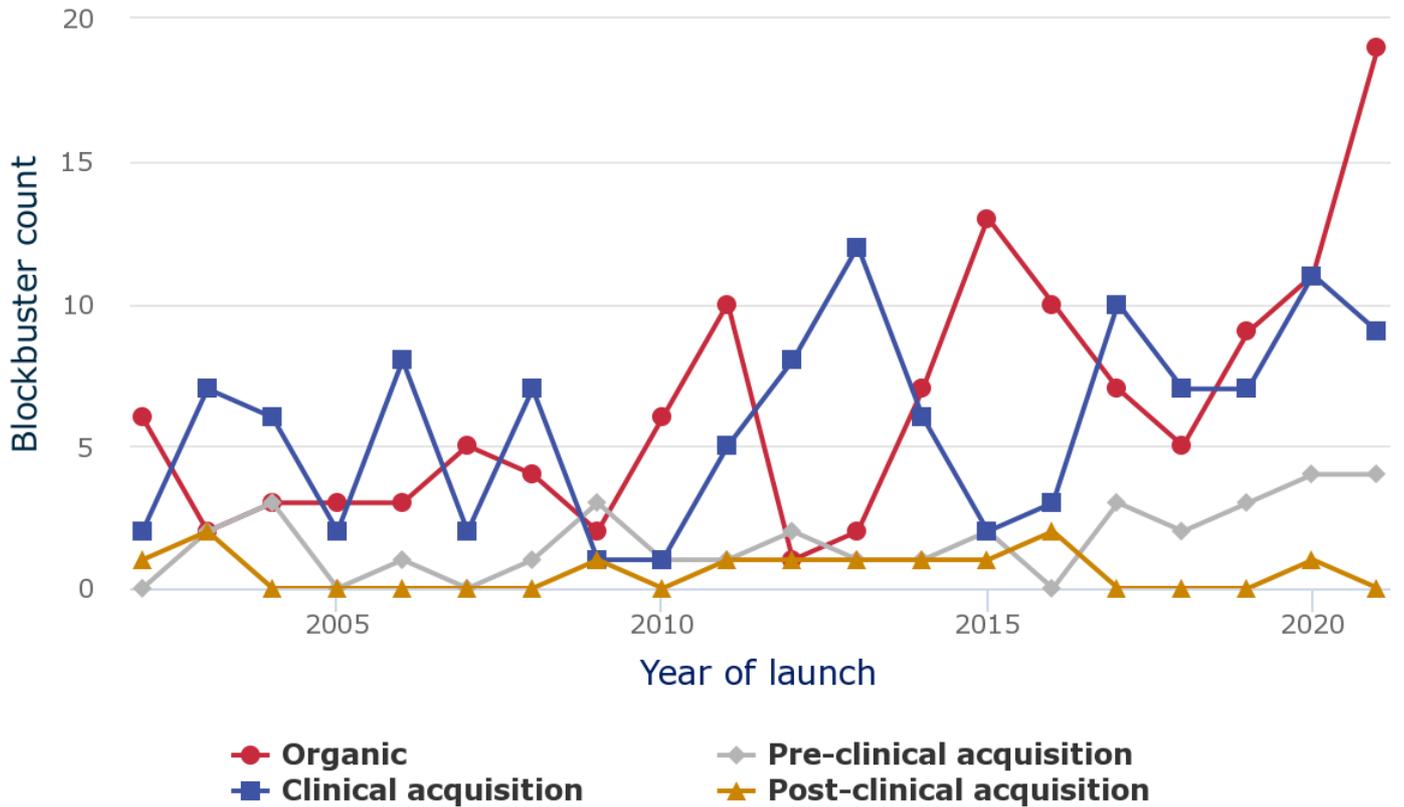
Keytruda, for example, which by strict definition was externally sourced. But it was technically Merck scientists that realised the potential of the then preclinical drug, presumably sometime after the buyout of Schering Plough was completed.

To acknowledge this grey area, projects acquired (through any type of deal) at the preclinical stage are displayed separately below - very few bought in early-stage assets go on to become blockbusters anyway. Those bought post launch are also shown.

Even using a purer definition of organic, an uptick in home grown blockbusters can be seen. When the numbers are run on a smaller cohort of only the very largest developers the same picture emerges, which suggests that big biopharma's internal R&D efforts have been improving.

Over the past decade large biopharma groups have put many measures in place to address a perceived "productivity problem", and perhaps this data shows they are working. If true, this makes it more important than ever for small developers and their investors to back only the highest quality assets, for any hope of attracting the interest of cash rich buyers.

# A deeper dive into blockbuster origins



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24/06/2022: This article has been corrected to reflect some wrongly assigned deals in the second chart.

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