

How oncology, vaccines and OTC will look after pharma's game of musical chairs



[Joanne Fagg](#)

The unusual switcheroo pulled by GlaxoSmithKline and Novartis today will cause enormous changes to the landscape in the key areas of oncology and vaccines, as well as in the consumer health sector ([Glaxo-Novartis deals show swaps not mergers are the new normal](#), April 22, 2014).

A look at *EvaluatePharma's* data on company rankings gives an insight into the rationale for these moves. Novartis will forestall a predicted drop from second place in the oncology rankings last year to fourth place in 2018, and GlaxoSmithKline, currently the world leader in vaccine sales, could retain the crown it is forecast to lose to Sanofi, principally through the addition of Novartis's newly approved meningitis vaccine Bexsero (see tables).

Total prescription & OTC oncology sales					
	Sales (\$m)			Market rank	
	2013	2018	CAGR	2013	2018
Roche	25,026	32,921	+6%	1	1
Celgene	6,359	12,206	+14%	3	2
Bristol-Myers Squibb	3,279	9,407	+23%	5	3
Novartis	7,873	8,251	+1%	2	4
Johnson & Johnson	3,719	7,558	+15%	4	5
Pfizer	3,049	6,616	+17%	7	6
Astellas Pharma	681	4,314	+45%	17	7
AstraZeneca	3,193	4,253	+6%	6	8
GlaxoSmithKline	1,540	3,525	+18%	11	9
Eli Lilly	2,895	3,470	+4%	8	10
<i>Total market</i>	<i>72,767</i>	<i>129,848</i>	<i>+12%</i>		

At \$14.5bn and \$5.25bn respectively, Novartis's purchase of GlaxoSmithKline's marketed cancer assets and the transfer of most of Novartis's vaccine business in the opposite direction are nowhere near as big as the rumoured Pfizer-AstraZeneca tie-up or the deal that Valeant is trying to force onto Allergan ([Pfizer has done it before, but an AstraZeneca bid would be a big surprise](#), April 22, 2014). The swap is noteworthy, though, in that this sort of arrangement is a new tactic in big pharma - and it is also important considering the seismic effects the move will have on the oncology and vaccine sectors.

On the oncology side the addition of Glaxo's future blockbuster Votrient, among others, adds a predicted \$3.5bn to Novartis's 2018 cancer drug sales. This ought to enable it to leapfrog Bristol-Myers Squibb to take the third place ranking among oncology companies.

It may even find itself within spitting distance of second-placed Celgene. It will get no further; even though Roche's share of the worldwide oncology market is forecast to shrink marginally in the coming years, its lead remains unassailable.

GSK top 5 oncology products				
Rank	Product	Pharmacology class	Annual sales	
			2013	2018
1	Votrient	Multi-kinase inhibitor	518	1,161
2	Mekinist	MEK inhibitor	16	641
3	Tafinlar	B-Raf kinase inhibitor	25	455
4	Arzerra	Anti-CD20 MAb	117	356
5	Tykerb	EGFr & HER2 (ErbB-2) dual kinase inhibitor	324	346
		<i>Total</i>	<i>1,540</i>	<i>3,525</i>
Novartis top 5 oncology products				
Rank	Product	Pharmacology class	Annual sales	
			2013	2018
1	Afinitor	Mammalian target of rapamycin (mTOR) inhibitor	1,309	3,126
2	Tasigna	BCR-ABL inhibitor	1,266	2,378
3	Gleevec	Tyrosine kinase inhibitor	4,693	974
4	Jakavi	Janus kinase (JAK)-1/2 inhibitor	163	520
5	Signifor	Somatostatin analogue	31	350
		<i>Total</i>	<i>7,873</i>	<i>8,251</i>

The situation is reversed in the vaccines field, with Glaxo acquiring most of Novartis's vaccines business, which is set to rake in \$2bn in 2018. However, the deal does not include flu vaccines, meaning that Novartis will keep assets including Celtura, Fluvirin and Flucelvax, which are expected to sell \$367m, \$359m and \$153m respectively in 2018.

Total prescription & OTC vaccine sales					
	Sales (\$m)			Market rank	
	2013	2018	CAGR	2013	2018
Sanofi	4,936	7,275	+8%	3	1
Merck & Co	5,184	7,122	+7%	2	2
GlaxoSmithKline	5,351	6,616	+4%	1	3
Pfizer	3,974	6,337	+10%	4	4
Novartis	1,416	2,063	+8%	5	5
<i>Total market</i>	<i>25,670</i>	<i>36,173</i>	<i>+7%</i>		

Barring any other acquisitions on this sort of scale, the UK company could elbow Sanofi out of the way to reach the top of the vaccines tree in 2018. In any case, it is sure to climb higher than the third place analysts currently expect it to hold. The vaccine arena is already very consolidated into the top four players - Sanofi Pasteur MSD, the joint venture between Sanofi and Merck in Europe, means these two companies effectively hold a tighter grip on the space than this table suggests.

Novartis at number five was clearly sub scale in this space. Just behind these companies sits Johnson & Johnson, which bought Crucell a few years ago to boost its vaccines know-how, but remains a very small player. Considering that the top four players now control more than 80% of the market, anti-trust concerns are likely to prevent any further substantial consolidation.

GSK top 5 vaccine products				
Rank	Product	Pharmacology class	Annual sales	
			2013	2018
1	Pediarix	DTP, hepatitis B & polio vaccine	1,349	1,651
2	Hepatitis Vaccine Franchise	Hepatitis A & B vaccine	984	1,065
3	Rotarix	Rotavirus vaccine	587	860
4	Synflorix	Pneumococcal vaccine	634	794
5	Boostrix	DTP vaccine	451	567
		<i>Total</i>	<i>5,351</i>	<i>6,616</i>
Novartis top 5 vaccine products (excluding influenza vaccines)				
Rank	Product	Pharmacology class	Annual sales	
			2013	2018
1	Bexsero	Meningococcal B vaccine	28	631
2	Menveo	Meningococcal A, C, W-135 & Y vaccine	303	558
3	Quinvaxem	DTP, hepatitis B & Hib vaccine	140	140
4	Menjugate	Meningococcal C vaccine	53	53
5	Ixiaro	Japanese encephalitis vaccine	25	27
		<i>Total</i>	<i>1,416</i>	<i>2,063</i>

The deal in the consumer health space is different again, with the two companies forming a joint venture in a similar manner to the Viiv initiative Glaxo formed with Pfizer in 2009, into which it poured its HIV programmes.

This new company, 63.5% controlled by Glaxo, will become the second largest consumer health venture by 2018 sales, the data show. The baby powder-fuelled behemoth that is Johnson & Johnson's consumer unit will remain out in front with nearly \$16bn in 2018 sales, compared with around \$13.5bn for the newly-created GlaxoVartis or whatever it may be named.

Glaxo has been going through a shake up of its consumer unit - it sold Lucozade and Ribena to Suntory for \$2.1bn - but it has long rejected calls to sell the whole division, pointing to its rich cash generation. The deal with Novartis shows that scale remains important in this business, particularly in fast-growing, emerging markets.

Total consumer healthcare sales			
	Sales (\$m)		
	2013	2018	CAGR
Johnson & Johnson	14,697	15,843	+2%
Abbott Laboratories	6,471	9,812	+9%
GlaxoSmithKline	8,231	9,422	+3%
Bayer	5,186	6,693	+5%
Sanofi	3,991	5,388	+6%
Reckitt Benckiser	3,796	5,192	+6%
Pfizer	3,342	4,346	+5%
Novartis	3,073	3,989	+5%
Perrigo Company	2,832	3,738	+6%
Otsuka Holdings	2,831	2,957	+1%

The various Novartis-Glaxo deals are not enormous in terms of dollar value, but they will exert meaningful influence on the three sectors they affect. These deals are unusual, but with megamergers apparently off the table, they may in future years come to be less of an oddity. It is not inconceivable that these sectors will undergo similar ructions before too long.

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