

## Slimmed-down big pharma starts growing again



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Seeing as the biopharma bull market reached its zenith in 2015, the total number of people employed by the sector reveals a fascinating snapshot of company management thinking in the last year of plenty of the current cycle.

On the one hand, big pharma seemed to have got comfortable with itself again, and after years of slimming down the sector's biggest groups by and large became net recruiters, *EP Vantage's* annual analysis reveals (see tables below). However, the most productive employers – big cap biotech – ratcheted up the efficiencies, suggesting that perhaps they could see the end in sight.

Still, of the five most efficient companies – in terms of sales generated per employee – only Biogen cut staff in 2015, by 3% year on year, while Amgen headcount remained unchanged at 17,900. Job numbers at Gilead, Celgene and Shire increased in double digits, so their efficiencies came about thanks to revenues outstripping even this strong employee growth.

End-of-cycle efficiency grows				
	2015 financial data			
	Revenue (\$bn)	YE employees	Sales per employee (\$m)	YOY chg in employees
Gilead Sciences	32.2	8,000	4.02	14%
Celgene	9.2	6,971	1.31	16%
Biogen	9.2	7,350	1.25	-3%
Amgen	20.9	17,900	1.17	0%
Shire	6.1	5,548	1.10	11%

*Source: year-end reports; companies with mkt cap >\$30bn.*

These five groups have been known for their efficiency for some time, and 2015 merely saw two of them swap places in the rankings. But it will not go unnoticed that all but Shire increased the amount of revenue they squeezed out of each employee ([Mid-tier players make the most efficient employers, July 21, 2015](#)).

Meanwhile, among smaller companies the key to efficiency on this metric seems to be to have a drug in a high-margin niche like Alexion, Actelion or Mallinckrodt, or like Incyte to license it to someone else to sell.

The most efficient mid-caps*		
	YE employees	Sales per employee (\$m)
United Therapeutics	750	1.95
Alexion Pharmaceuticals	2,924	0.89
Incyte	692	0.87
Actelion	2,547	0.83
Mallinckrodt	5,700	0.59

*Note: \*mkt cap \$2.5-30bn; source: year-end reports.*

The big question, of course, is how much longer some big biotechs' sales growth can outstrip employee count. Gilead is still reaping the rewards of its hepatitis C franchise, featuring Sovaldi and Harvoni, but the pool of chronically ill patients is running dry.

### Time in the sun

Awareness that your time in the sun is limited can be key to ensuring that the size of your organisation does not suddenly jump ahead of the revenue trajectory.

Big pharma has for some time been acutely aware of this – witness the numerous rounds of job cutting over the past decade. True, many resulted from post-merger “rationalisation”, but enough resulted from patent expiry-related revenue declines prompting company-wide rethinks.

The 2015 job numbers suggest that this soul-searching might be ending: only two of the 11 companies classified as big pharma showed year-on-year staff declines in 2015, while Pfizer headcount exploded by 25%. Though this was largely due to the acquisition of Hospira, it is still impressive for a group that axed over 50,000 jobs over the past decade.

Also noteworthy is that of the immuno-oncology powerhouses, job numbers grew only at the two that are playing catch-up – AstraZeneca and Roche – while the two leaders, Bristol-Myers Squibb and Merck & Co, are treading water or shrinking.

<b>Big pharma: who's hiring and who's firing?</b>				
	<b>Year-end employees</b>			
	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>Chg, 2015 vs 2014</b>
Pfizer	106,000	110,600	97,900	25%
AbbVie	-	-	28,000	8%
AstraZeneca	65,300	61,100	61,500	7%
Eli Lilly	42,600	38,350	41,275	5%
Roche	68,128	80,653	91,747	4%
GlaxoSmithKline	100,728	96,461	101,255	3%
Sanofi	97,181	101,575	115,631	2%
Bristol-Myers Squibb	43,000	27,000	25,000	0%
Johnson & Johnson	115,600	114,000	127,100	0%
Merck & Co	61,500	94,000	68,000	-3%
Novartis	90,924	119,418	118,700	-11%
<b>Total*</b>	<b>873,293</b>	<b>843,157</b>	<b>876,108</b>	<b>2%</b>

*Note: \*2005 includes the legacy companies Wyeth and Schering-Plough; for comparability all years exclude Abbott. Source: year-end reports.*

Thanks to Hospira Pfizer comes out as the year's biggest hirer, adding almost 20,000 jobs, way ahead of Astra's 4,000, Glaxo's 3,334 and Roche's 3,238. Meanwhile, Novartis shed 11% of its workforce last year – almost 15,000 positions – and is in the throes of a major reorganisation to try and rescue its margins.

There is no suggestion that anything quite as drastic will be needed at Biogen and Gilead, though the former is clearly adjusting to a significant valuation decline since early 2015. With Biogen soon to see a new chief executive, and Gilead living on borrowed time, bankers will be hoping for some of those M&A ideas to play out.

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