

## Giving Clarity to the Role of the Pharmaceutical Distributor Through Collaboration

*(Source: An article by Rebecca Willumson for Fierce Pharma, and an article by Sandra Levy for Drug Store News)*

The role of today's pharmaceutical distributor has moved far beyond the role of "pick, pack and ship." In fact, distributors are at the very core of what is a complex ecosystem that suffers from a lack of understanding by many in the pharmaceutical industry.

Today's pharma distributor has expanded to meet the needs of manufacturers while also anticipating what will be required in the future. Distributors are experts at forging relationships with manufacturers to give patients and prescribers the choice of a broad range of medicines that are readily available in most pharmacies. And if a product or drug is not immediately available, distributors can ensure it will be available within as little as 24 hours.

"Without us, the access to medication would be very difficult for patients," Akin Odutola, President of Strategic Global Sourcing at AmerisourceBergen (ABC), said. "Their options would probably decrease, the costs would go up, and I also think you'd have far fewer points of access for products."

Access in rural areas is particularly concerning since frequently there are only one or two hospitals. Rural areas are also serviced by far less manufacturers across all product categories. The role of distributors such as ABC is to ensure patients can get access to therapies, no matter where the patient is located.

In the U.S., pharmaceutical distributors account for approximately 92 % of drug sales and are charged with connecting 1,300 manufacturers and more than 180,000 distribution locations, including doctor's offices and pharmacies, according to the Kaiser Family Foundation. Without distributors such as ABC, making and maintaining those relationships would be daunting from an infrastructure perspective, and would be very cost prohibitive.

In addition to fulfilling the role of intermediary in the pharma industry, distributors buy and assume legal ownership of pharmaceuticals while also managing inventory and credit risk. Typically, ABC is holding approximately US\$11 billion of inventory in its 27 distribution centers. This allows for hospitals and other providers such as local pharmacies to maintain lower inventory and lower associated costs.

In addition to buying power, distributors are instrumental in supporting manufacturers with pre-launch services including clinical trial logistics and economics outcomes research. In the case of ABC, it offers integrated, scalable and customizable services that improve product access and ultimately ensures patients can start necessary therapies sooner, resulting in better outcomes.

ABC recently assembled nearly 400 leading manufacturers and AmerisourceBergen executives at their annual ThinkLive Summit in the greater DC area to collaborate and share perspectives on innovation, patient access and supporting biosimilars and other novel therapies.

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## In Brief...

- ◆ Brazilian wholesaler and distributor **Profarma Distribuidora** announced financial results for the third quarter of 2019, with gross revenue of R\$1.4 billion (US\$335.1 million) an uptick of 18.6% year-over-year. Consolidated cash flow was R\$24.7 million (US\$3.32 million) and R\$13.9 million (US\$5.9 million) for the first nine months of 2019, the company's best performance since 2014. Average retail sales per store and mature same store sales both rose by 1.8%.

- ◆ U.S. wholesaler **AmerisourceBergen** announced revenues of US\$45.6 billion for the fourth quarter of 2019, a 5.4% increase over the same quarter last year. Annual revenues of US\$179.6 billion were up 6.9% year-over-year. "In fiscal 2019, AmerisourceBergen performed extremely well, driven by execution across our Pharmaceutical Distribution and Global Commercialization Services and Animal Health team. Working as a unified and connected organization, we created value for our shareholders, partners, customers, and the patients they service," said *Steven H. Collis*, Chairman, President and Chief Executive Officer of AmerisourceBergen.

- ◆ In a new corporate ad campaign (the largest in its history), pharmaceutical manufacturer **Bayer** launched its new slogan "*Why We Science*" with a series of TV ads, along with digital and social media. The campaign shows the value of its products, from healthcare to agriculture, in consumers' lives.

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## French Pharma Manufacturer Sanofi Joins IFPW

IFPW welcomes French pharmaceutical manufacturer Sanofi as a member. As one of the leaders in the pharma industry, Sanofi works to prevent, treat and cure illness and disease throughout life. The company is driven to improve the health of communities and to find new solutions for patients by combining breakthrough science with advanced technology. Sanofi has 75 manufacturing sites in 33 countries. Total company sales were €34,463M (US\$31.15 billion) in 2018. Last year, Sanofi invested €5,894M (US\$5.36 billion) in R&D. As of February 2019, the company had 81 projects in development and 35 projects in Phase 3 or submitted for approval.

Sanofi has created the Trade & Revenue Management organization, to develop innovative and patient centric collaboration with trade customers, especially wholesalers, across geographies and business units. Sanofi looks forward to the collaboration with IFPW to improve the lives of people around the world. For more information on Sanofi, please visit

<https://www.sanofi.com/>

## Giving Clarity (cont.)...

“At AmerisourceBergen, we recognize the significant role we play as the connector of those creating our world’s medicines and the caregivers of patients. We believe it is our responsibility to continue developing solutions that advance the healthcare supply chain and allow manufacturers, providers and patients to thrive today and in the future,” said Robert Mauch, Executive Vice President and Group President of AmerisourceBergen. “We are constantly implementing new, dynamic programs to meet the needs of our manufacturer partners and our provider customers, as one unified and connected organization.”

The conference provided attendees a comprehensive look at ABC’s latest tech-enabled solutions in its Innovation and Technology Showcase. ABC also revealed details on its integrated commercialization approach and recent investments to help manufacturers, providers and patient navigate the evolving specialty pharma landscape.

## Embracing China 2.0: Pharma Manufacturers Set Up Funds and Step Up Digital Push

(Source: An article by Brian Yang for Scrip)

In China, companies like AstraZeneca (AZ), Merck KGaA and Johnson and Johnson (J&J) are making moves to fund local innovation and embrace digital technology transformation (such as artificial intelligence – also known as AI - and mobile technology), all of which are quickly changing the landscape of the Chinese healthcare industry.

AZ announced several initiatives, including a Healthcare Industrial Fund with a target size of US\$1 billion which will support local innovation, a global research and development center, and an AI Innovation Center, both in Shanghai.

The announcement was made at the second China International Import Expo. AZ said the global R&D center will be focused on locally prevalent conditions such as cancer, respiratory and other chronic diseases. The company will also focus on fostering closer partnerships with local companies.

Meanwhile, Merck has committed seed funding for start-ups in China and has opened an Innovation Hub in Shanghai. It will also open a similar facility in Guangzhou in November. The seed fund will nurture local innovative ventures across three areas – healthcare, life science and performance materials – as well as new areas such as AI-based healthcare solutions. The new Guangzhou center will tap into the potential of the new “Greater Bay Area” including Guangzhou, Zhuhai, Hong Kong and Macau. The fund and innovation hubs will give Merck the ability to work closely with local partners to accelerate innovation in China and beyond.

In late October, global pharmaceutical manufacturer, J&J, announced the setup of its J&J China Data Empowerment Center. The new center will help J&J embrace the trend to build data-driven precision medicine and open-innovation platforms which follows the healthcare sector’s shift to digital technology in China. One of the main tasks of the Center will be to analyze data to gain insights on consumer needs and market demand and build digital detailing and data-driven branding efforts.

As part of its strategy, J&J Medical China has signed a joint marketing, distribution and R&D agreement with Beijing Tianzhijiang (Tinavi) Medical Technology Co., Ltd., a manufacturer of orthopedics robotics. The partnership will

focus on spinal and trauma surgery and is intended to improve patient care through digital solutions, supporting local orthopedic surgeons by improving efficiency and precision.

## In Brief (cont.)...

- ◆ After 21 years at the helm of Abbott Laboratories, chief executive Miles White is stepping down effective next year. Last year he named Robert B. Ford as president and chief operating officer in a move considered to be an attempt to name his successor. White will remain as executive Chairman of Abbott’s board of directors.

- ◆ Numerous news sources have reported that **Walgreens Boots Alliance (WBA)** is looking into the possibility of taking the company private. WBA has been in preliminary talks with large private equity firms, and would be the largest leveraged buyout ever. Anonymous sources said the company has retained Evercore Partners to see whether a deal would be possible. WBA announced 4th quarter sales up 1.5% to US\$34 billion (up 2.6% on a constant currency basis) a fiscal 2019 financial results with sales up 4.1% to US\$136.9 billion (up 5.8% on a constant currency basis.)

- ◆ U.S. pharmaceutical manufacturer **Mylan** reported third quarter revenue of US\$2.9 billion, missing analysts’ expectations of US\$3.01 billion. Reported earnings per share came in at US\$1.17, compared to analysts’ forecasted EPS of US\$1.13. Separately, **Mylan** and **Pfizer** announced that the new company formed by the planned combination of Mylan and Pfizer’s **Upjohn** division will be named **Viatris**. The companies said the latin-derived name is meant to embody the new company’s goal of providing a path (Via) to three (tris) core goals: expanding access to medicines, leading by innovating to meet patient needs, and being a trusted partner for the healthcare community.

- ◆ **The International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)** has launched *Global Health Progress*. The knowledge hub focuses on industry efforts that highlight contributions to the UN’s Sustainability Goals, particularly SDG 3 and SDG 17. It also helps to visualize efforts and enhance opportunities for further collaboration, information sharing, and best practices to support learning. For more information, visit <https://globalhealthprogress.org>.

- ◆ The European Commission has approved the world’s first ever Ebola vaccine. European regulators cleared **Merck’s Ervebo**, now the frontline in the fight against a deadly disease that has claimed the lives of thousands of people. Merck is working closely with the World Health Organization (WHO), the United States government, and Gavi the Vaccine Alliance to ensure uninterrupted access to the investigational version of the drug to support the Congo outbreak fight currently underway. The Congo emergency is the second deadliest Ebola outbreak in history after the 2014 crisis in West Africa which claimed more than 11,000 lives.

- ◆ U.S.-based **Cardinal Health** reported its first quarter fiscal year 2020 revenue of US\$37.3 billion, an increase of 6% year-over-year. It posted a first quarter GAAP operating loss of US\$5.3 billion, including a US\$5.6 billion accrual related to opioid litigation. Non-GAAP operating earnings increased 6% to US\$577 million. “We are off to a solid start to fiscal year 2020, giving us confidence in our operating rigor and path forward,” Cardinal CEO *Mike Kaufmann* said. “Our disciplined cost management is enabling strategic investment across the enterprise.”

(Sources: Company Press Releases, Drug Store News, FiercePharma, Forbes, Reuters, Scrip, and Yahoo Finance)