

## THOUGHTS FROM THE STREET



## Accelerating change

We have been attending Europe's largest Healthcare Conference in London, organised by Jefferies, a leading healthcare broker. The conference took place from November 20-21, 2019. Jefferies hosted 500 participating companies, 2'000 attendees and 5'000 business-to-business and investor meetings.

The conference encouraged our view of constructive prospects for the healthcare industry. Most presentations and management conversations were reassuring and signalled confidence for a continuation of the strong fundamental business trends. Overall, we remain excited of what we see in the industry. From our point of view the overarching theme of the conference has been an acceleration of change across all facets of the healthcare environment.

## Change 1: The M&A market

---

Politicians urge regulators to push back on drug pricing with in depth antitrust assessment, not only in the US with the FTC but also in the UK with the CMA and many other countries. Originating the tech space, the antitrust bodies aim to assure that M&A activities do not lead to monopolistic situations that incentivize further drug price increases. This whole push back can be seen as the result of politicians inability to control drug pricing with the help of other measures. For healthcare companies this means that new antitrust standards have to be considered in any M&A activity, complicating and slowing down the strong M&A momentum in the sector. A good example is the planned take-over of Spark Therapeutics by Roche. Original closing of the deal was planned for April 2019 and has now been delayed many times.

## Change 2: Regulators

---

Regulators such as the FDA are changing and adapting quickly. What has started with Scott Gottlieb 3 years ago continues to evolve. Breakthrough designations, accelerated approvals for example in oncology and orphan disease, are offering companies the possibility to bring innovative drugs to the market at much higher speed and at lower costs than in the past. This is positive for the real innovators but enables also more competition. In the end, the patients will have a better drug at a decent price.

## Change 3: Business models

---

The business models are changing rapidly. We see that with big pharma and in the biotech sector. Big pharma is clearly on a path to focus on innovation, getting rid of assets which helped to diversify revenues in times of big patent expiries, but distract in times which require true and accelerated innovation. Often these assets help to free up capital for innovation. In Biotech we see the emergence of successful and aggressive technology platform companies, which through partnering get access to capital, helping them to develop their own assets at high speed and without compromises. Companies like Moderna, Allogene, Rubius, Genmab, Bicycle Therapeutics etc. belong in that category of rising Biotech stars. Right now, it seems to be the right approach to address the high speed of the industry and the drug development risk. A failed trial does not mean the end for a company.

## Bottom line

---

These are just three of the changes we have been sensing at the conference. There are many more, like payor consolidation, medtech innovation, biosimilar emergence, digitalization, cultural changes, etc. Overall, we remain excited of what we see in the industry. Accelerating changes will help to address some of the issues and benefit patients, but will also offer attractive investment opportunities.

## Author



**Urban Fritsche**  
Head Healthcare Investments  
+41 44 444 1858  
urban.fritsche@kieger.com

## Kieger Healthcare Team



**Urban Fritsche**  
Head Healthcare Investments  
+41 44 444 1858  
urban.fritsche@kieger.com



**Dr. Maria Specogna**  
Director Healthcare Investments  
+41 44 444 1828  
maria.specogna@kieger.com



**Raphael Oesch, CFA**  
Director Healthcare Investments  
+41 44 444 1849  
raphael.oesch@kieger.com



**Dr. Thomas Kaufmann**  
Senior Analyst Healthcare Investments  
+41 44 444 1857  
thomas.kaufmann@kieger.com



**Flavio Mancino, CFA**  
Analyst Healthcare Investments  
+41 44 444 1626  
flavio.mancino@kieger.com



**Alexandra Egg, CFA**  
Analyst Healthcare Investments  
+41 44 444 1829  
alexandra.egg@kieger.com

## Kieger AG

+41 44 444 1844  
info@kieger.com  
www.kieger.com

This document has been issued through Kieger AG and is for distribution only under such circumstances as may be permitted by applicable law. This document is for information purposes only and does not constitute an offer. Past performance is not a reliable indicator of future results. The details and opinions contained in this document are provided by Kieger without any guarantee or warranty and are for the recipient's personal use only. All information and opinions contained in this document are subject to change without notice. This document may contain statements that constitute "forward looking statements". A number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. Data source: Statstreet / Factset