

# Q3 Biopharmaceutical Confidence Index Report



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## Biopharma Confidence Index





# Biopharma CEO Confidence Index

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## Overview and Rationale

The life science industry is an evolving ecosystem. This ecosystem is defined by the network of interactions between biopharmaceutical companies, services firms, and diagnostics companies as well as the patients, providers, payers, and regulators that influence market dynamics.

Within the ecosystem, the biopharma segments operates in a relative state of conflict. While the path of bringing new products to market is highly regulated through a predictable FDA approval process, the industry also weathers an ongoing series of sea changes from one decade to the next.

As market dynamics shift, a company's ability to succeed is dependent upon its CEO's ability to navigate these changes while remaining on course toward commercializing its products. The C-suite—along with the industry overall—would benefit from an ongoing mechanism to measure confidence in the market in a consistent manner.

# Biopharma CEO Confidence Index

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## Overview and Rationale

The “Biopharma CEO Confidence Index” is a forward-looking indicator designed to measure C-suite sentiment and confidence in the biopharma industry’s economy. This confidence—or lack thereof—is defined by the degree of optimism within key business indicators.

These indicators include:

- Economy
- Capital Markets
- M&A and Deal Landscape
- Regulatory Landscape
- Political Landscape
- Price Transparency
- Reimbursement & Access
- Digital Health & Technologies
- Artificial Intelligence & Machine Learning
- Innovative Commercial Models
- Value-Based Outcome Health
- Real World Evidence
- Talent & Expertise

*Measuring confidence through these indicators over time will demonstrate an ebb and flow of market dynamics and confidence in the future success of companies and growth in the overall market.*

# Research Specifications

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## Methodology



*15 minute online survey*

## Sample



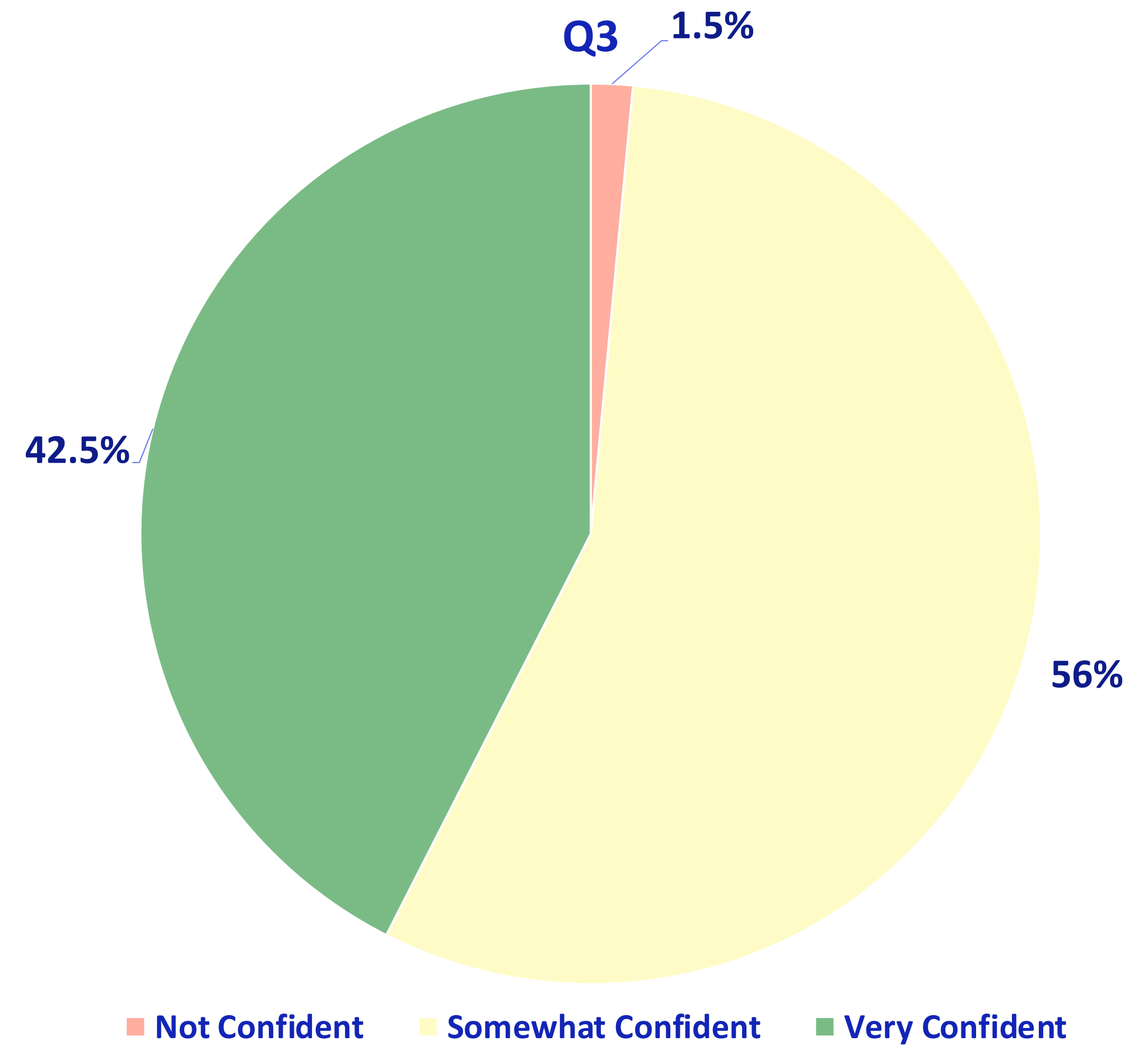
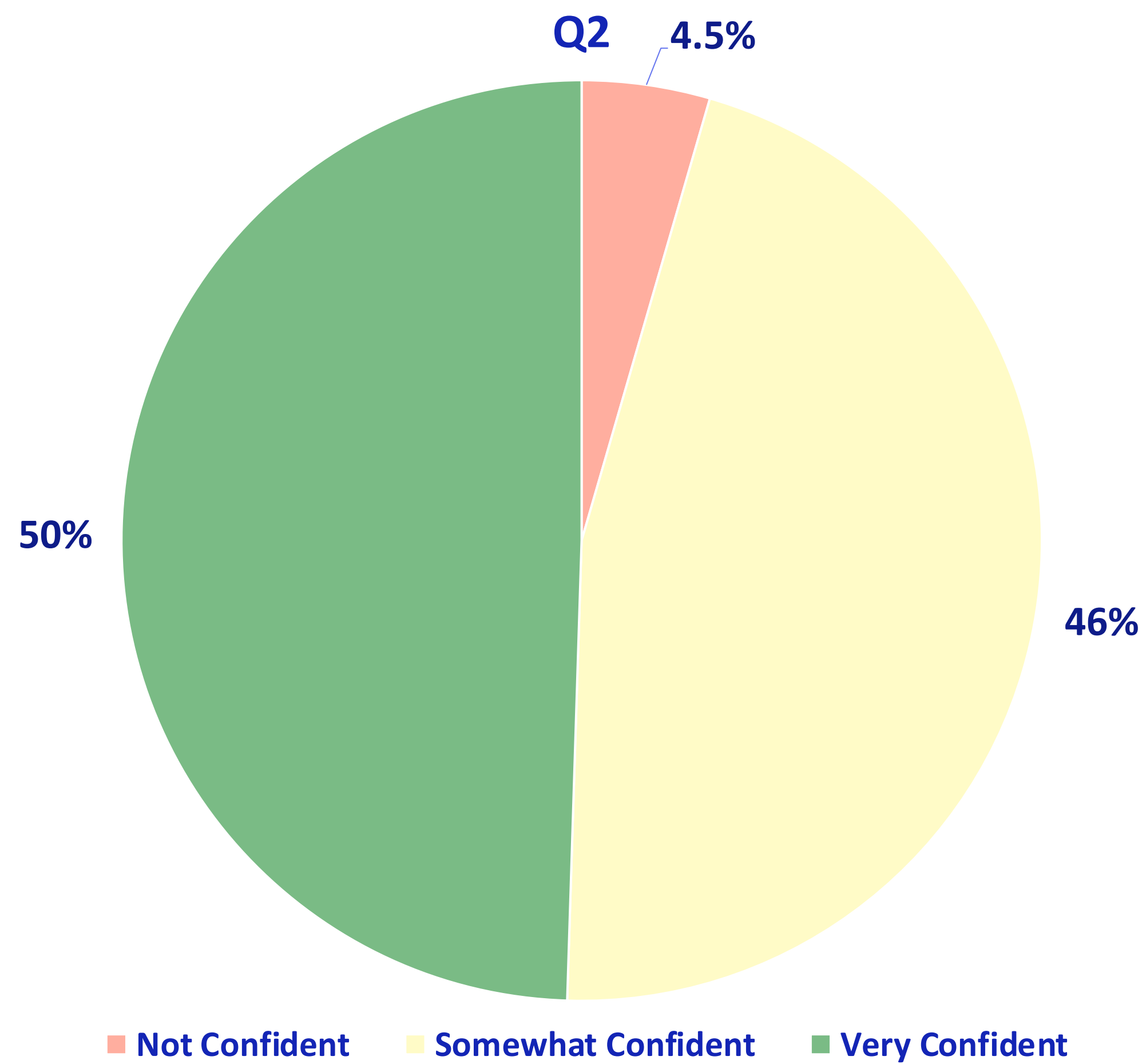
*N=66 Executive and Senior levels of Biopharmaceutical Companies*

## Timing

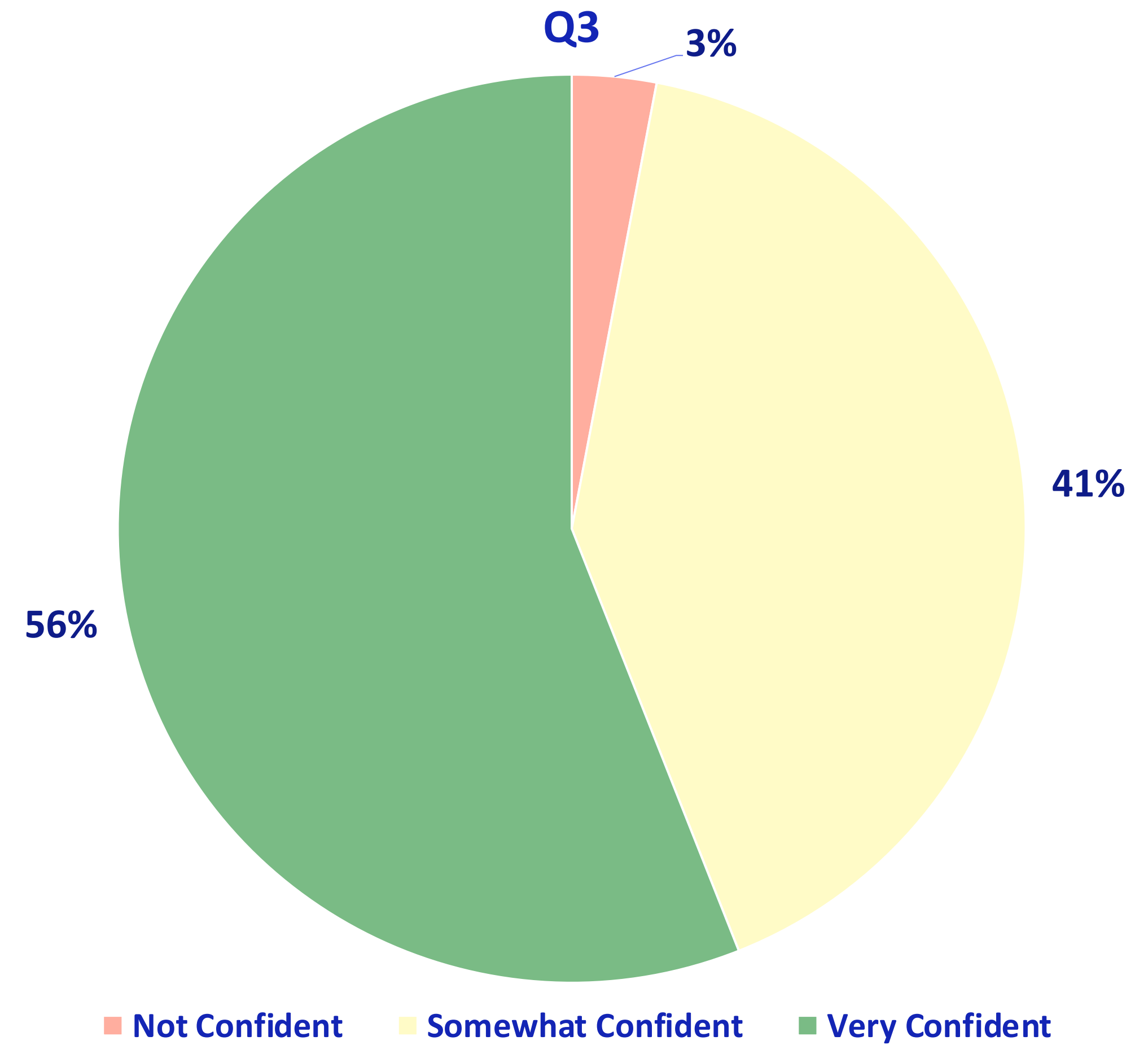
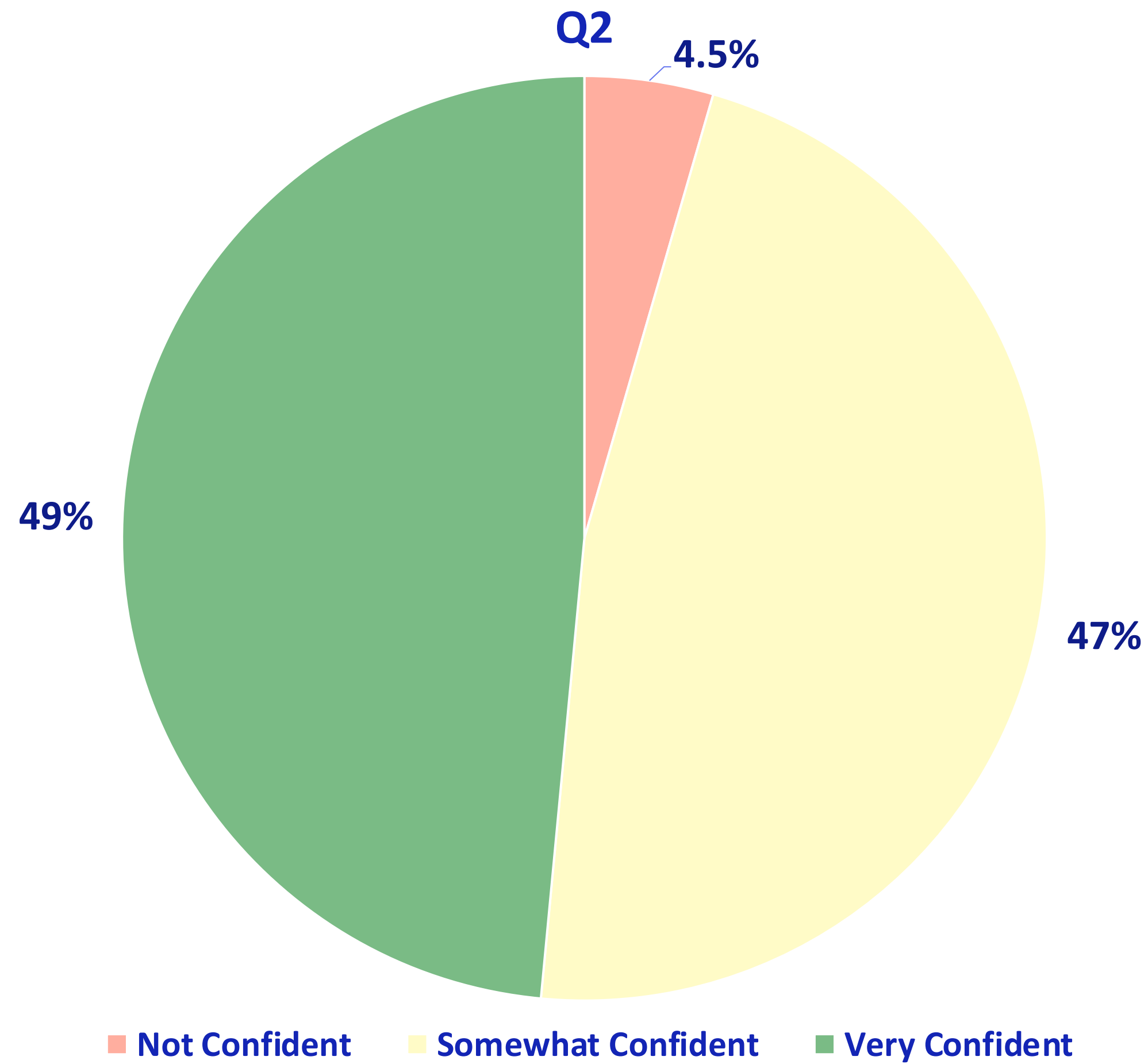


*Fielding was conducted in August 2020*

# Overall of Confidence in the Past 12 Months of Q2 VS Q3



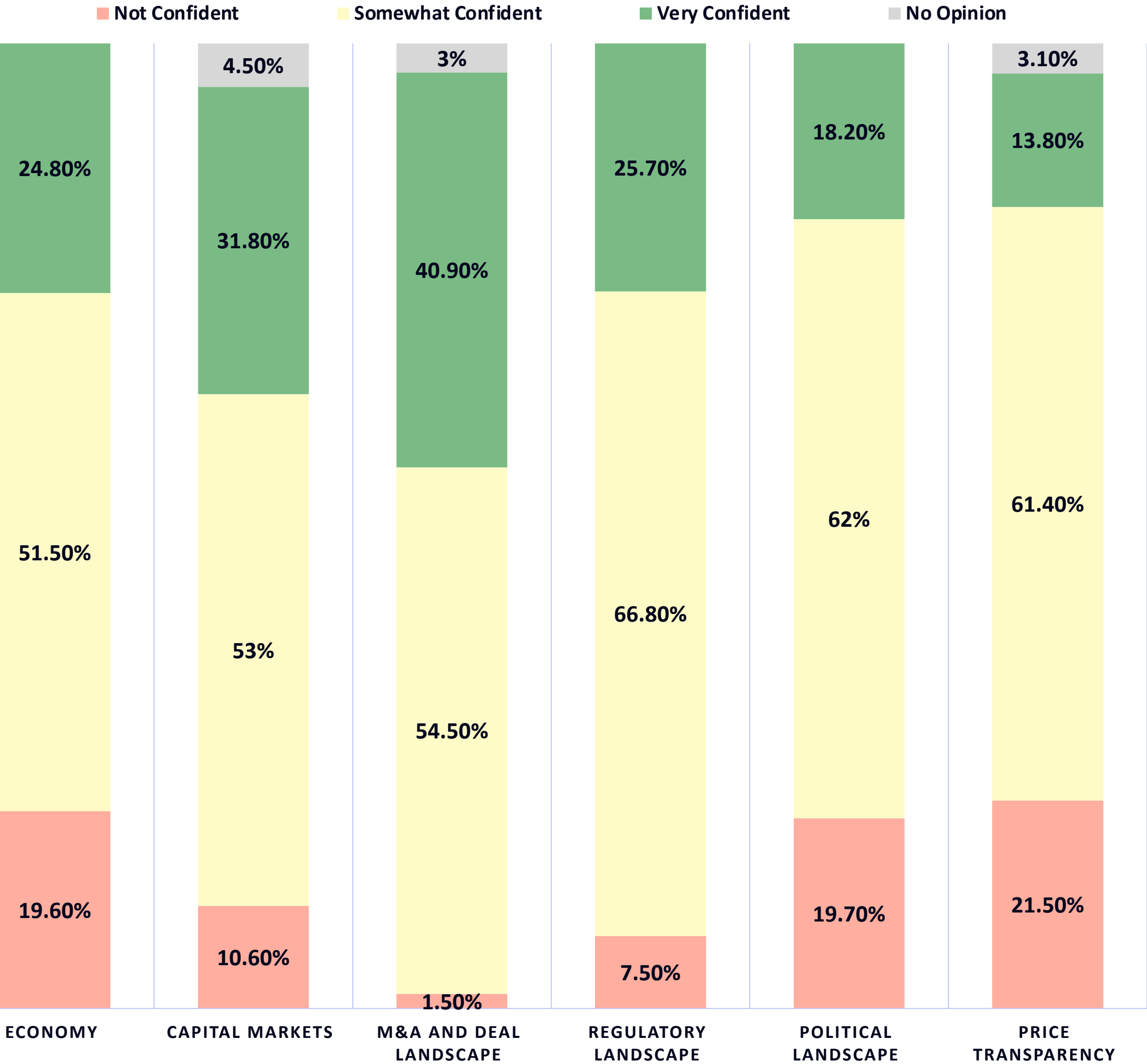
# Overall of Confidence for the Next 12 Months of Q2 VS Q3



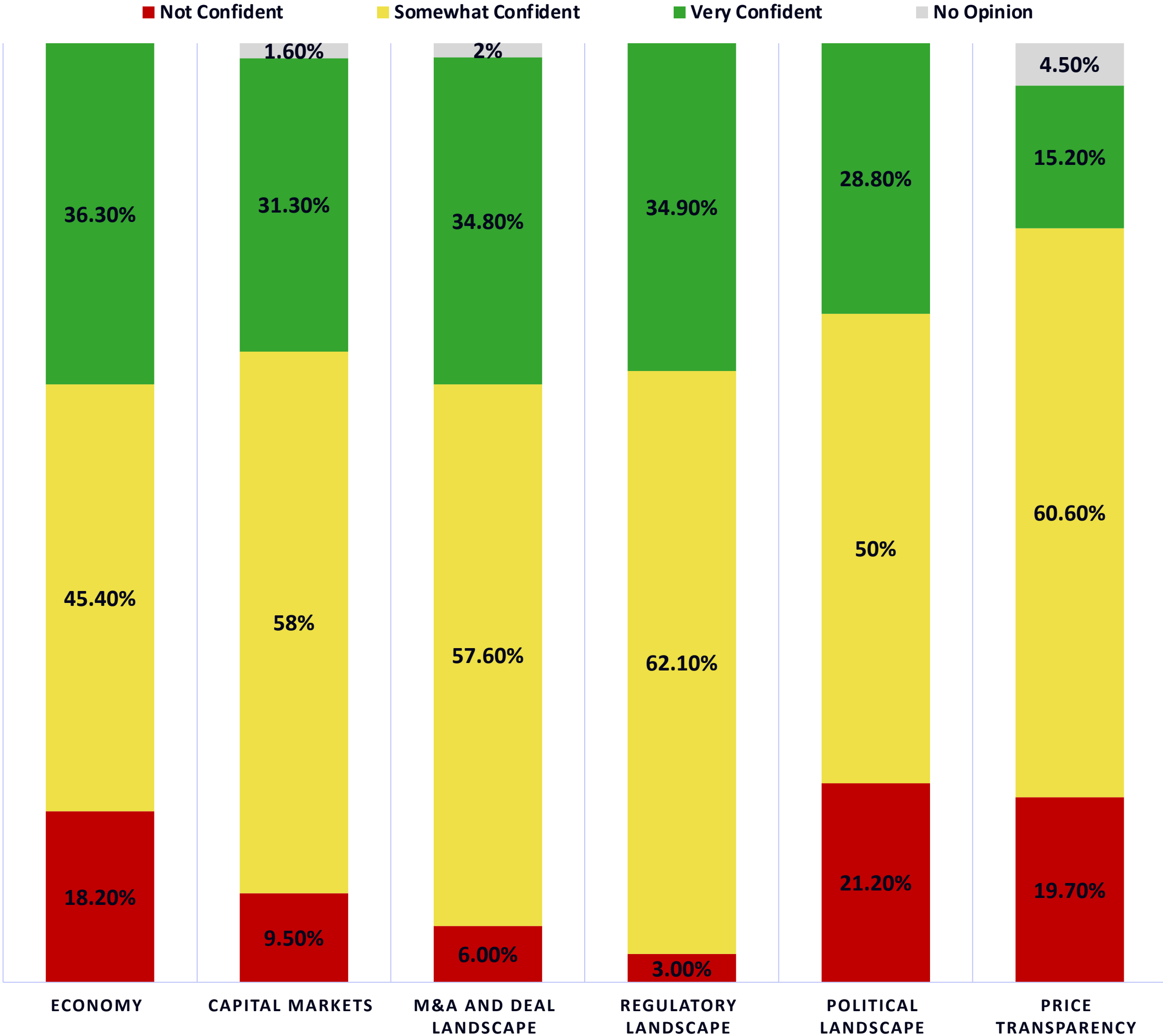


# Summary of Confidence Levels in the Past 12 Months VS Next 12 Months

## KEY INDICATORS PAST 12 MONTHS



## KEY INDICATORS NEXT 12 MONTHS

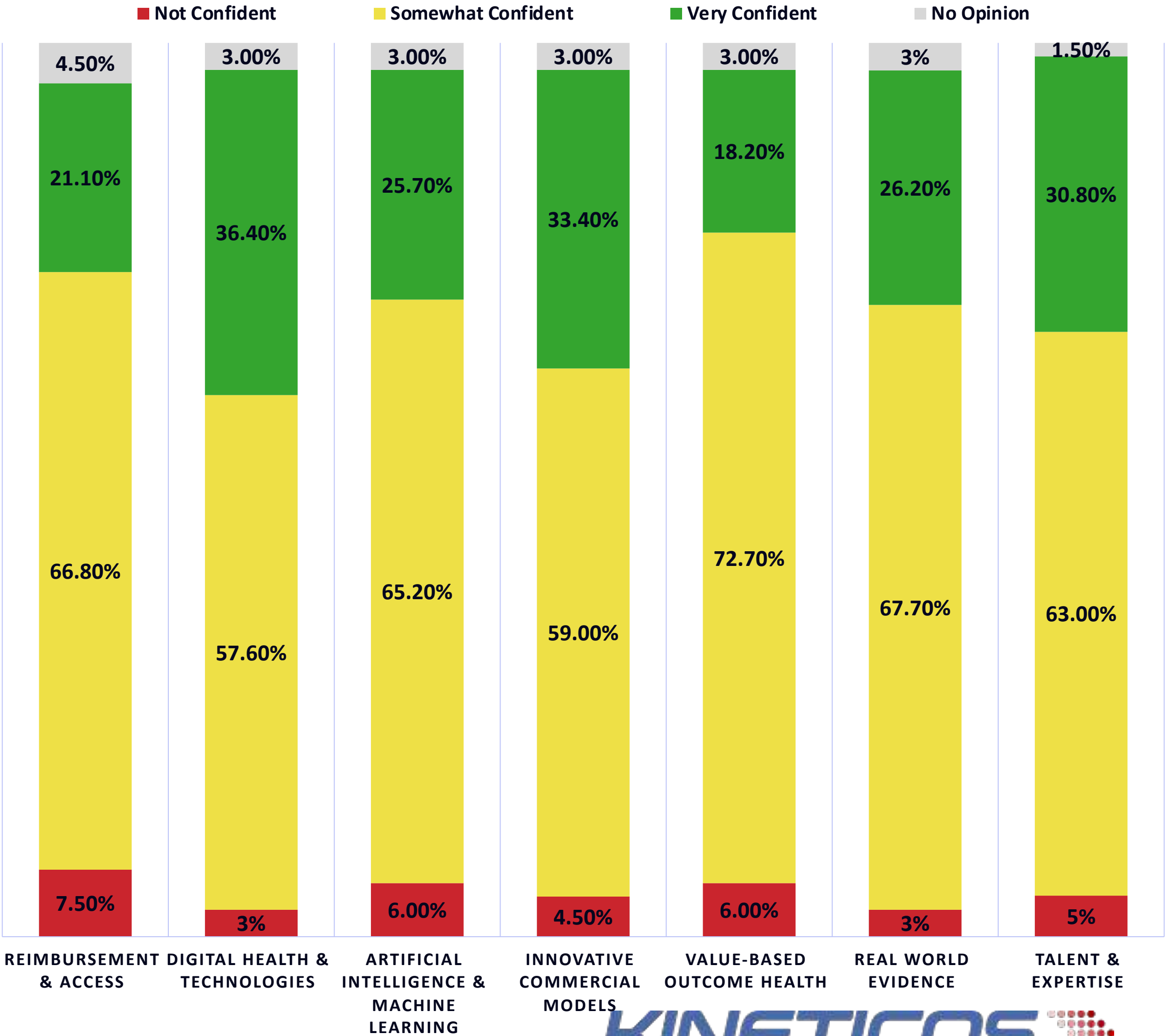


# Summary of Confidence Levels in the Past 12 Months VS Next 12 Months

### KEY INDICATORS PAST 12 MONTHS



### KEY INDICATORS NEXT 12 MONTHS





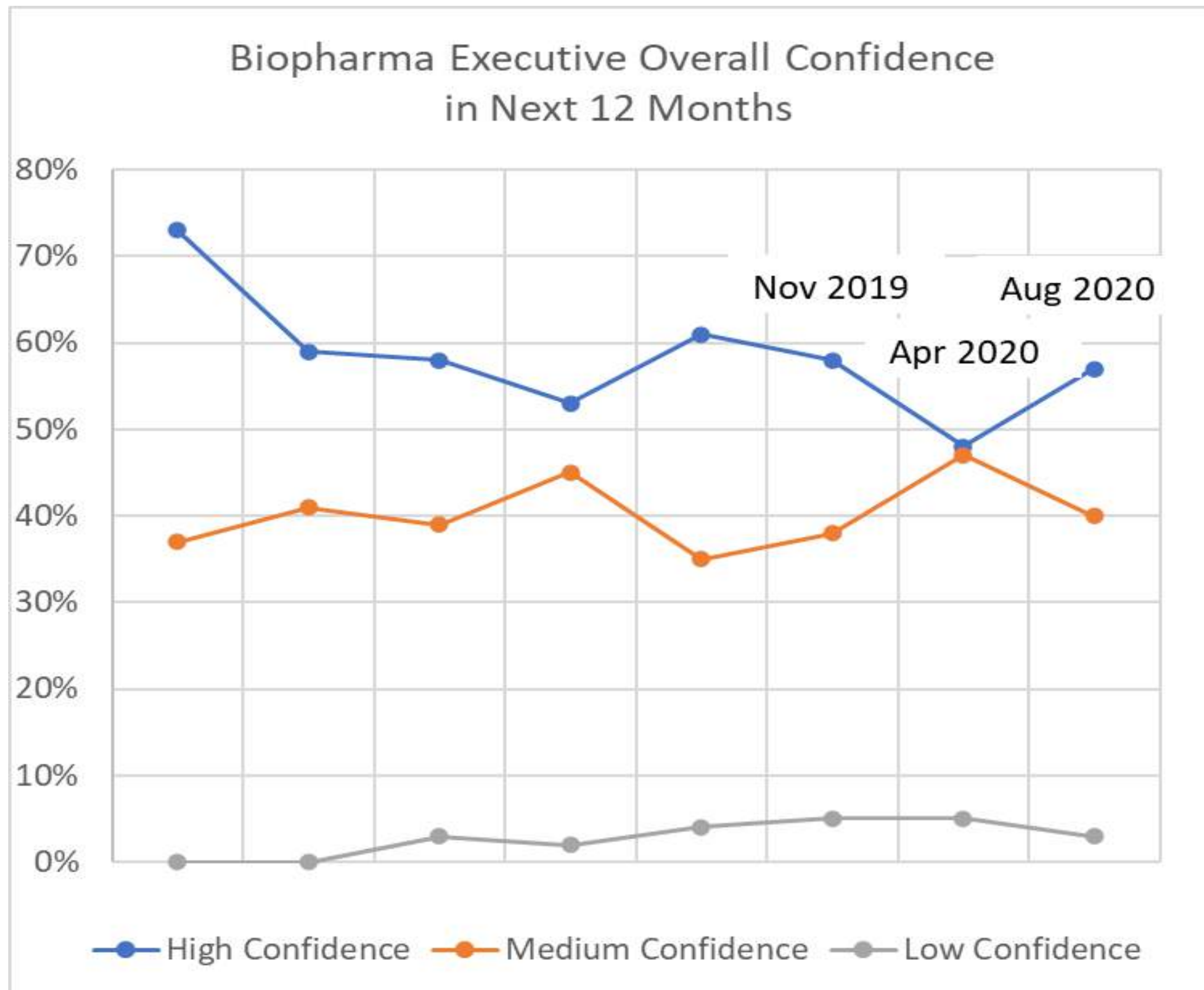
# Top Survey Conclusions

1. Overall, confidence in the biotechnology industry has returned to historic levels after a dip in April 2020 survey due to the COVID-19 pandemic
2. Expectations that digital health and AI initiatives will be increasingly important in the next year are steady after a large rise from the pre-pandemic November 2019 survey to the April 2020 survey
3. An increased confidence in commercial activities is apparent, including more innovative models and a higher confidence in internal capabilities of field sales/MSLs. Additionally, outsourcing to commercial contract organizations is expected to rise compared to April 2020
4. Little change in expectations was observed for M&A and licensing transactions – similar M&A drivers and licensing disease state focus



# Long Term Confidence in Biotech Industry Returns to “Normal”

Over the next 12 months, what is your overall confidence in the biopharmaceutical industry?  
[High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]



Kineticos Life Sciences has been surveying biopharmaceutical executives about the industry since 2015. For most of that time, these executives reported a high confidence in the performance of the overall industry in the succeeding 12 months. That confidence was shaken early in 2020 due to the effects of the COVID-19 pandemic.

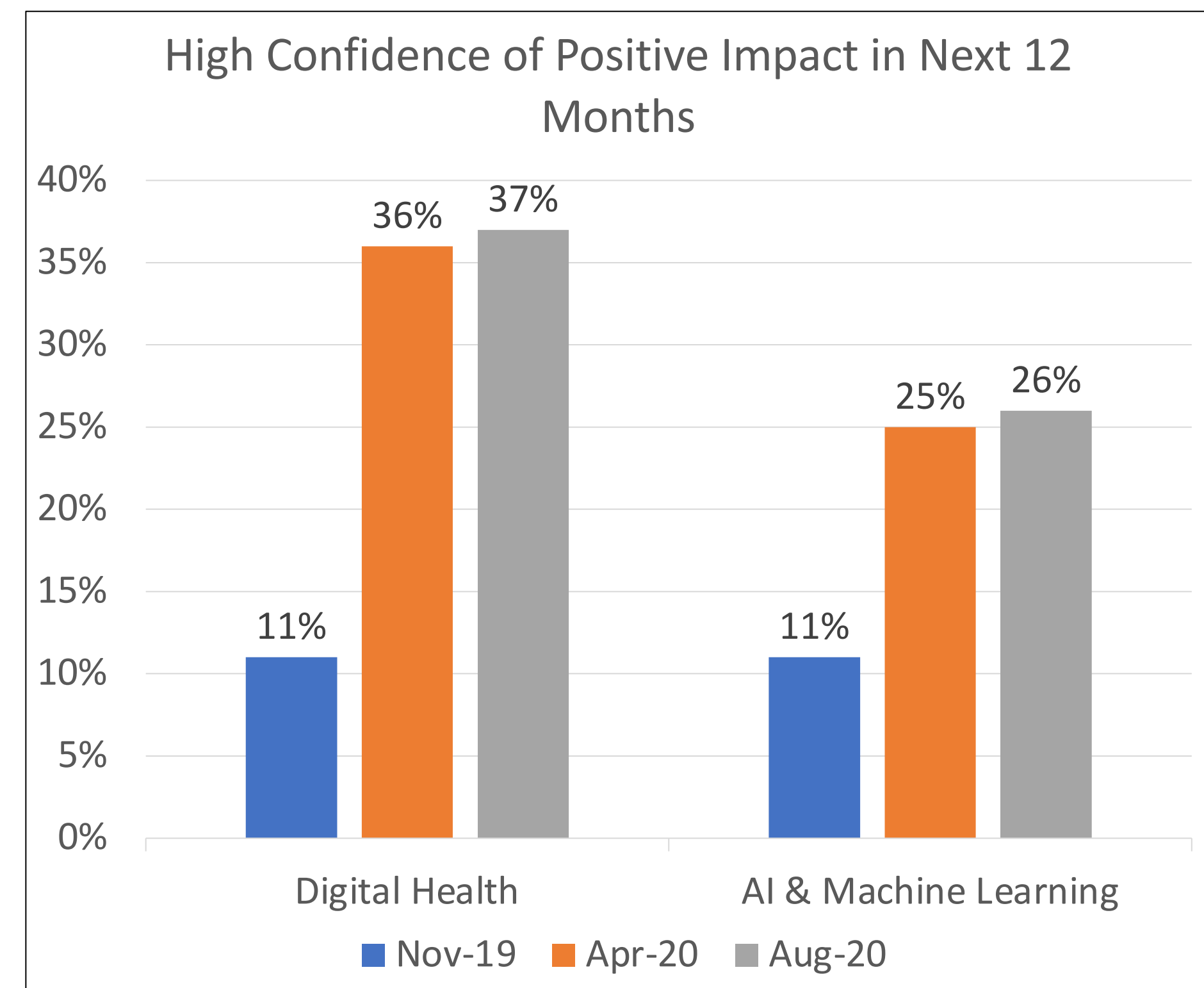
This survey (August 2020) shows that confidence in the industry has rebounded to historic levels, indicating that industry leaders view the future prospects of the biopharma industry positively.

# Continued Confidence of Increased Role of Digital Health and AI

A series of recent surveys from November 2019 to August 2020 shows that the response in the biopharmaceutical industry to the pandemic includes a stronger expectation for the adoption of Digital Health initiatives and for applications of Artificial Intelligence (AI) and Machine Learning.

The latest data demonstrate that this confidence continues as we move 6 months after the initial industry changes due to COVID-19.

*Over the next 12 months, what is your confidence that the following will have a positive impact on the biopharma industry? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]*

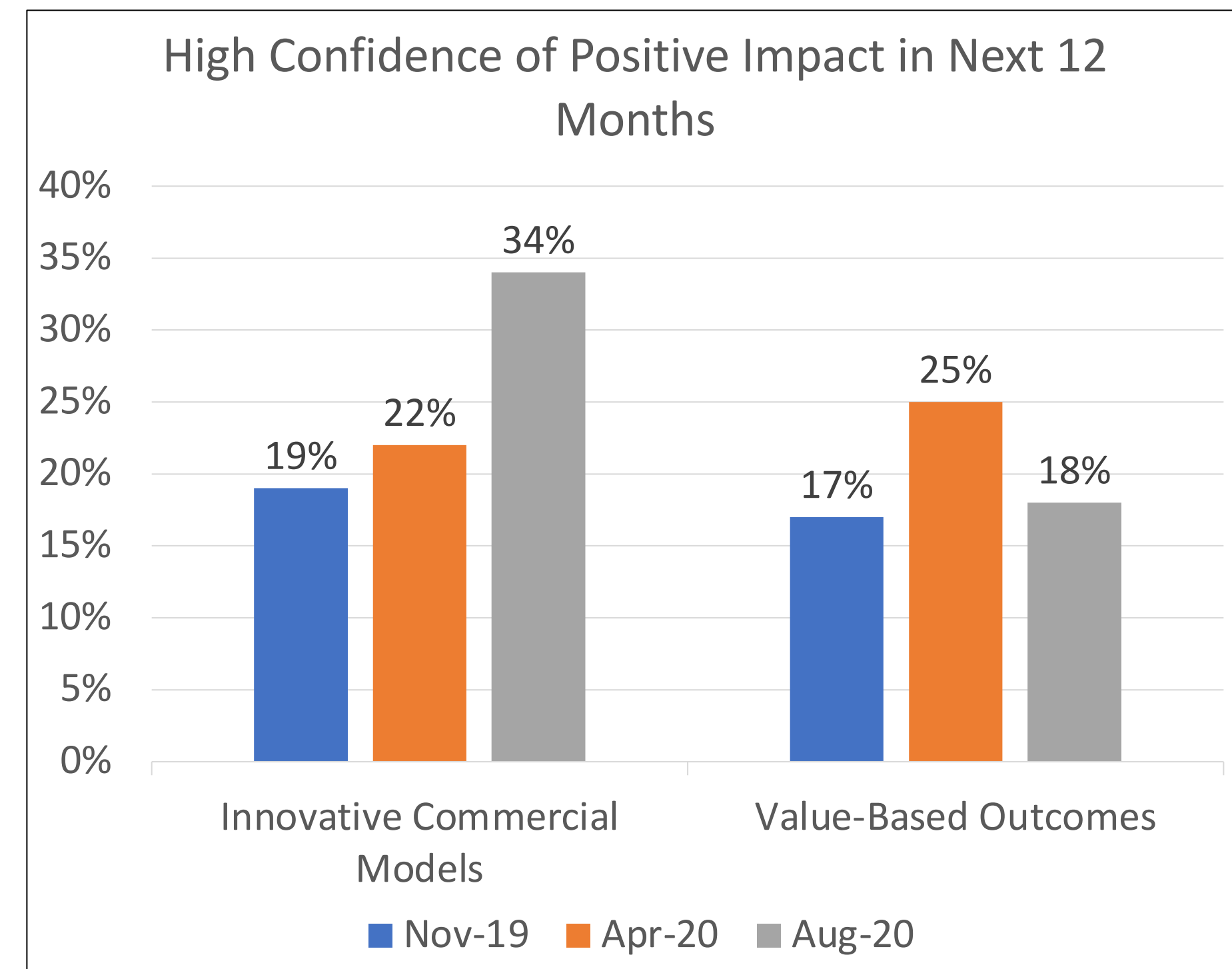




# Rising Expectations for Value of Innovative Commercial Models in Last 4 Months

Surveys from November 2019 to August 2020 show that the response in the biopharmaceutical industry to the pandemic includes confidence that new, innovative commercial models will impact the industry in the near term. In contrast, the expectation that value-based outcomes will increase in impact has gone back to pre-COVID-19 levels.

*Over the next 12 months, what is your confidence that the following will have a positive impact on the biopharma industry? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]*

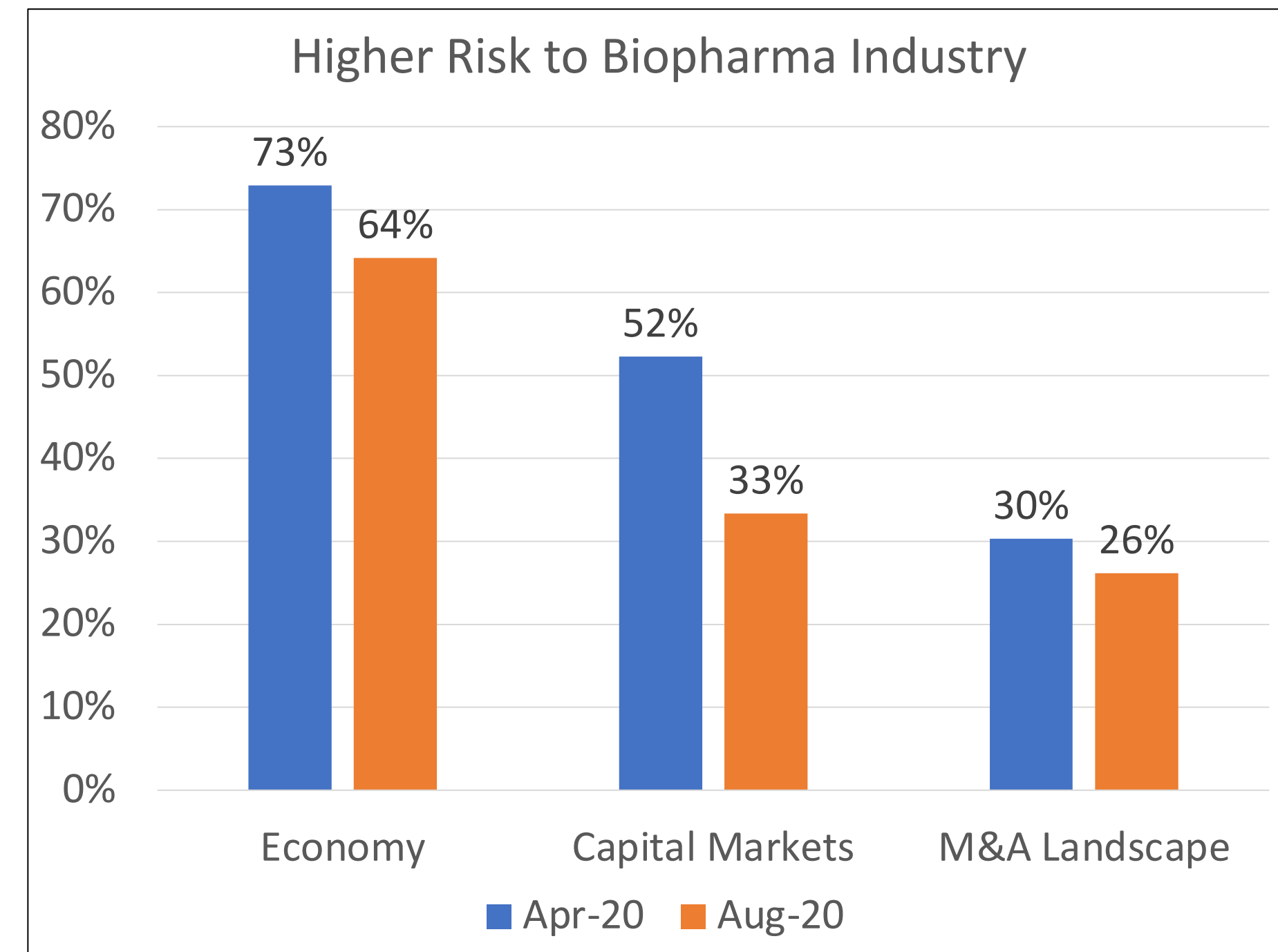


# Lower Perceived Risk of Economy, Capital Markets, and M&A Since April 2020

The economic risks from pandemic to the biopharmaceutical industry are perceived to be waning.

Surveys from April 2020 to August 2020 shows that executives in the biopharmaceutical industry perceive less risk for the economy and funding mechanisms 5 months into the pandemic relative to 1 month in. The strength of the public capital markets are reflected in the survey data, with a slightly more positive view of the M&A landscape, consistent with the mixed results from that market.

*Over the next 12 months, what industry components do you believe are the greatest risks to the biopharma industry? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]*



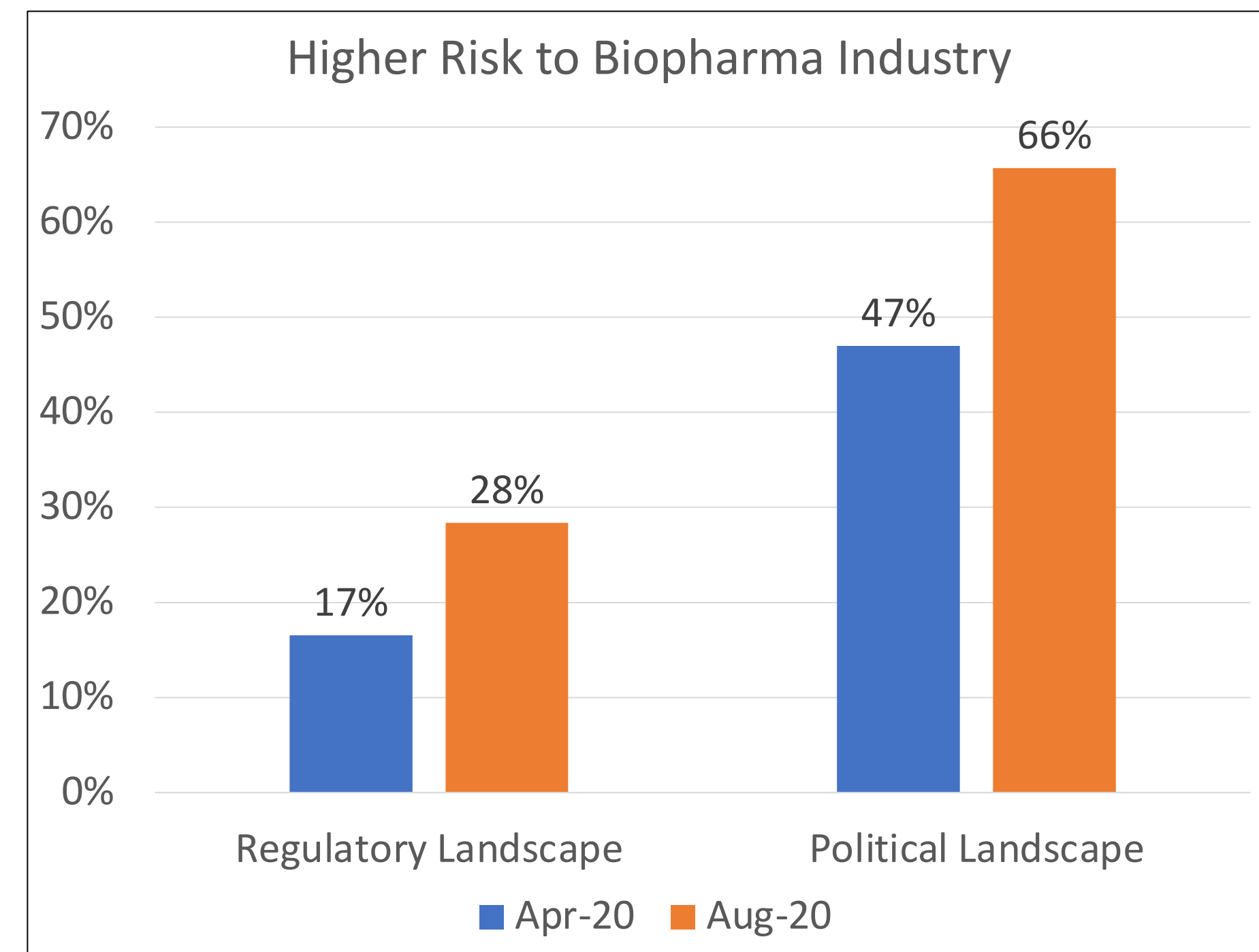
# Increased Perceived Risk in Regulatory and Political Landscapes

The regulatory and political landscapes' risks to the biopharmaceutical industry are perceived to be increasing.

Surveys from April 2020 to August 2020 shows that executives in the biopharmaceutical industry perceive more risk the regulatory landscape 5 months into the pandemic relative to 1 month in.

Possible reasons may be the focus on COVID-19 regulatory issues which may take away from other disease areas and/or the possible perception of the politization of the FDA. The higher perceived risk due to the political landscape may not be surprising considering the approaching national elections.

*Over the next 12 months, what industry components do you believe are the greatest risks to the biopharma industry? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]*



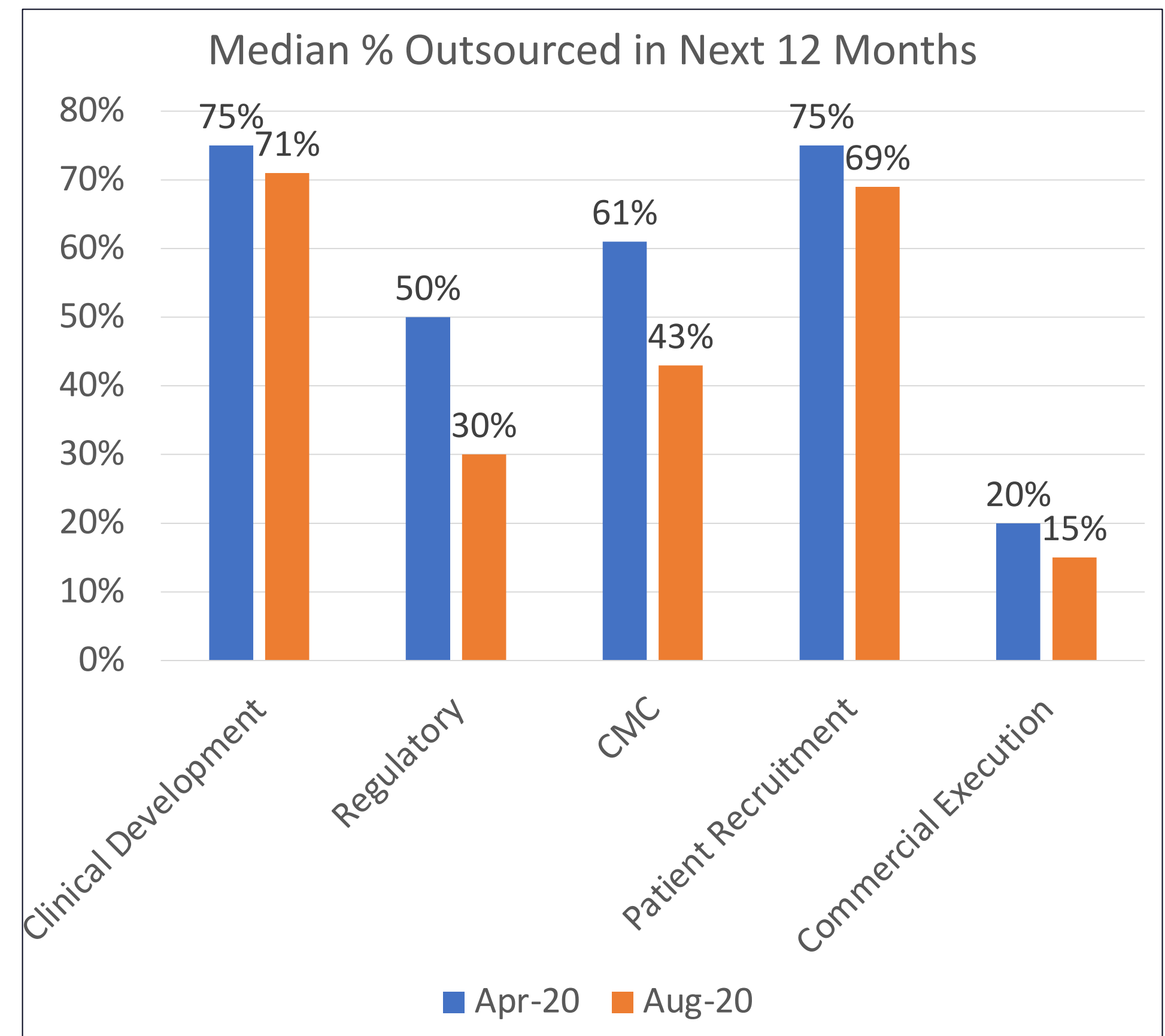


# Outsourcing to CRO Expectations: Most in Clinical Development and Patient Recruitment

As has been the case for multiple surveys, biopharma executives expect to outsource a high percentage of clinical development and patient recruitment activities to CRO/CDMOs.

Perhaps surprisingly, the expected percentage of outsourcing of regulatory activities decreased significantly between the April and August (2020) surveys – perhaps correlated with the increased in perceived risk of regulatory issues (previous slide).

*In the next 12 months, what % of Clinical Development activities do you plan to outsource to a CRO/CDMO?*



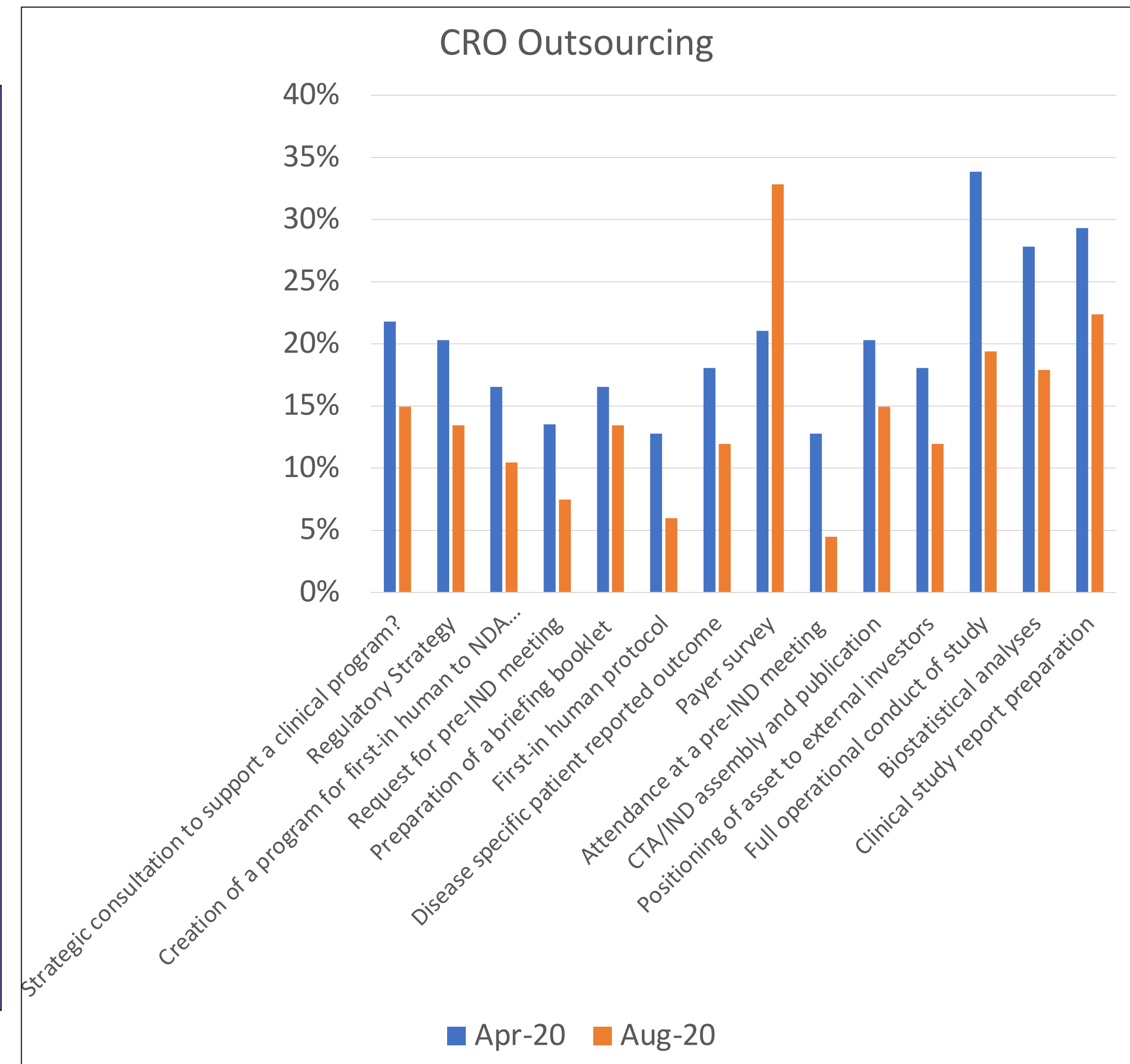
# Expectations for Outsourcing Intentions to CROs Lower in Q3 vs Q2 Survey

Over the next 12 months, what is your intention to outsource the following actions to a CRO? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]

With the exception of conducting a Payer Survey, intentions to outsource specific activities to CROs are lower in August than they were in April.

Perhaps this is an indication of the desire for greater internal control of these activities and a greater confidence in the internal capabilities (next slide).

Emphasized by the pandemic, but always present uncertainty around reimbursement and the potential increase in value-based outcomes may drive the increased expectation of need for outsourced payer survey activity.

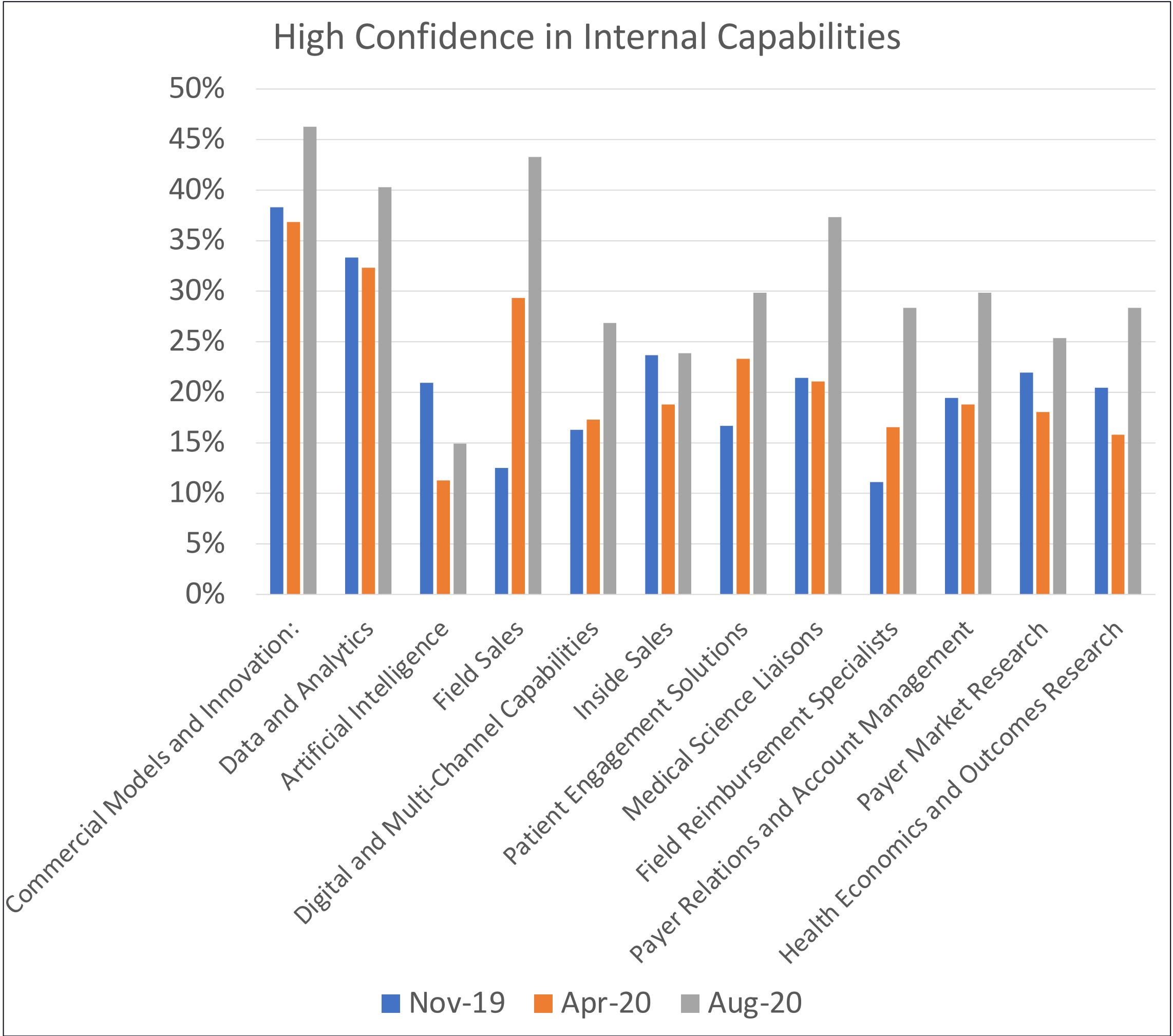


# Confidence in Internal Capabilities Rising

What is your confidence in your organization's current capabilities? [High Confidence 8-10; Medium 4-7; Low 1-3 out of 10]

Generally the executives' confidence in their companies' internal capabilities is higher now than before the pandemic (November 2019) and earlier in the pandemic (April 2020), especially the commercial organizations.

This survey did not delve into why this might be the case, but the significantly higher confidence in both Field Sales and MSRs may be a function of how effectively those organizations have been in using digital technologies to continue to sell into their physician and hospital customer bases.

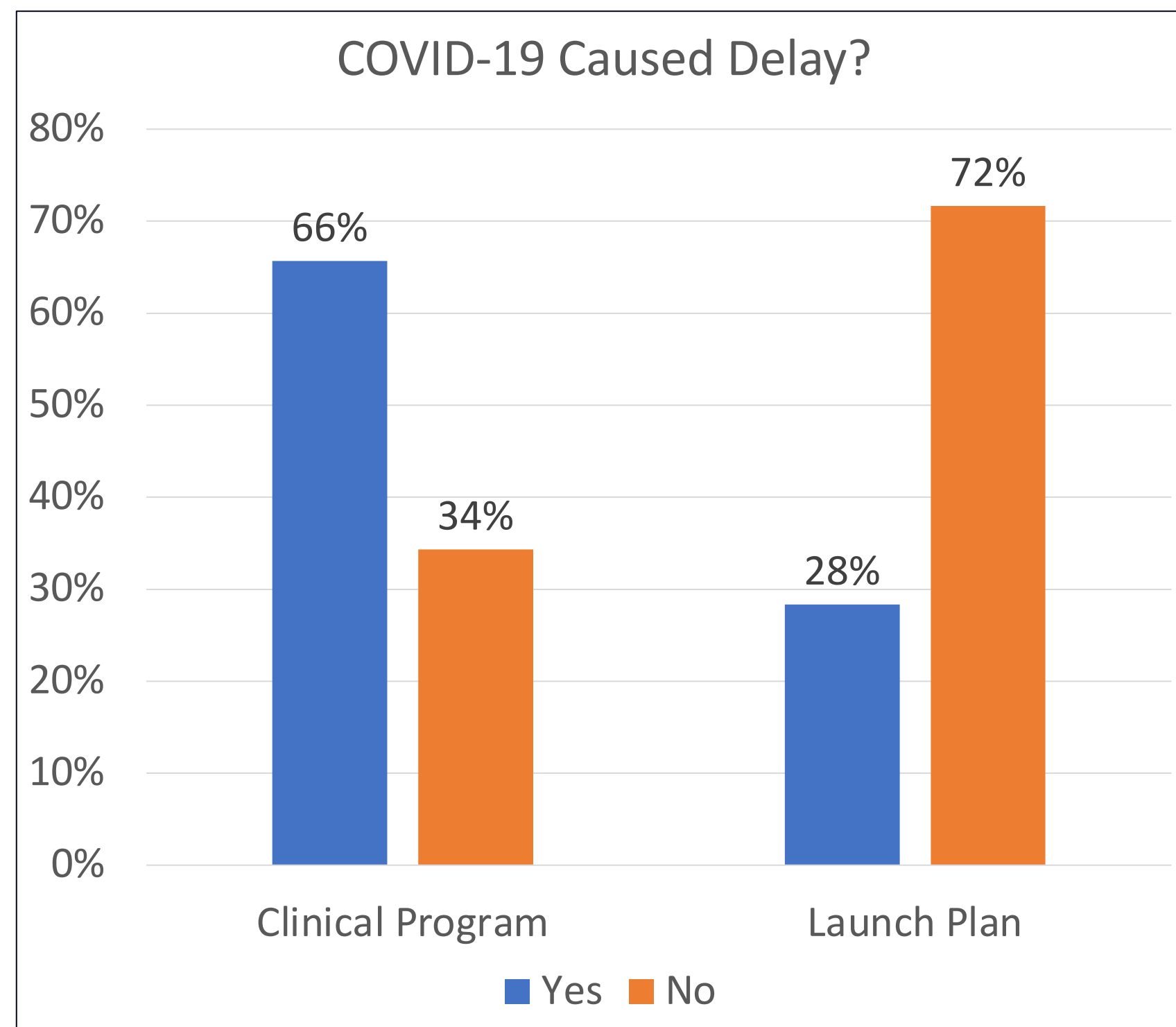




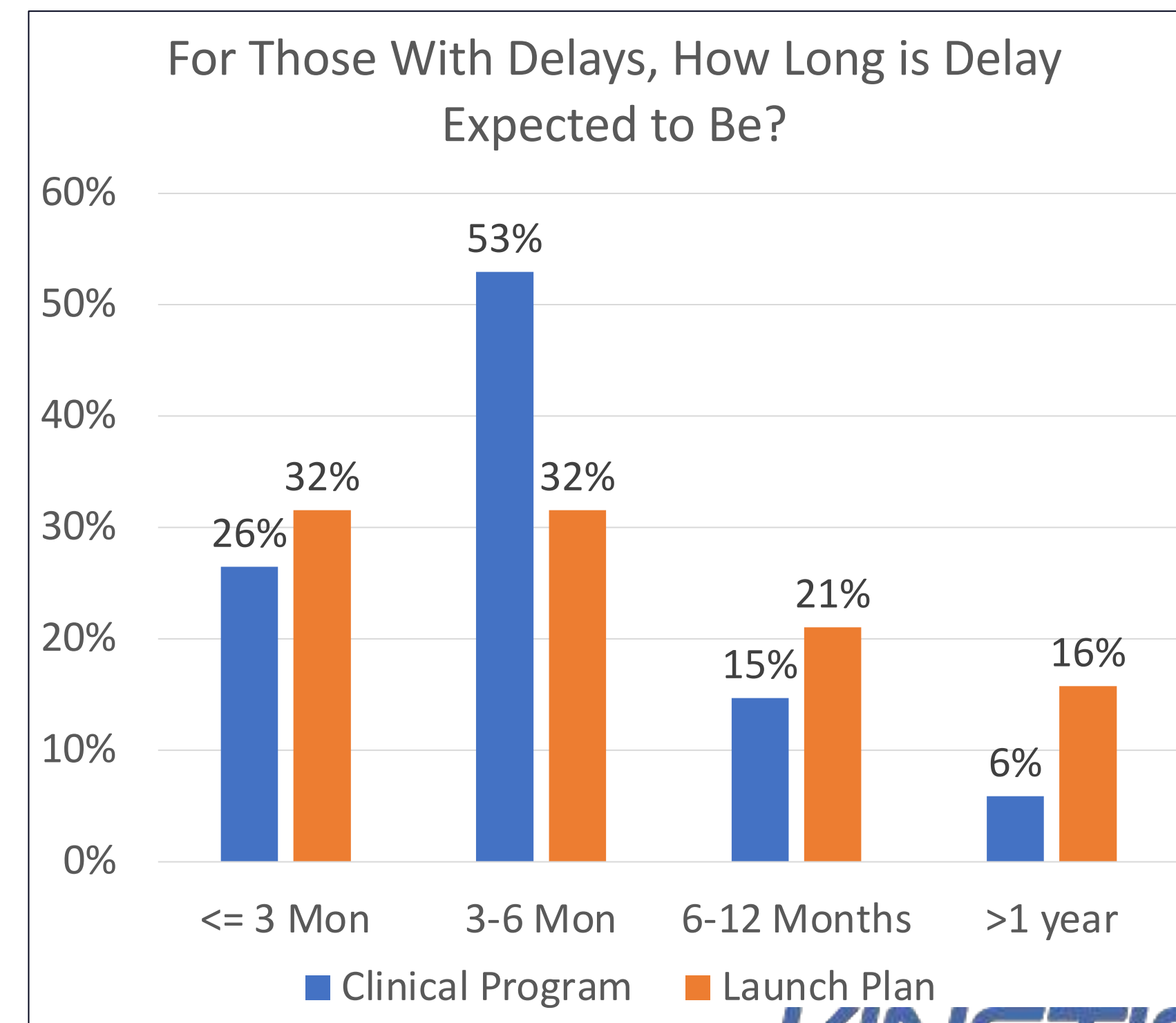
# COVID-19 Causing Delays in Clinical Programs – Less So in Launch Plans

As anticipated, executives report delays in clinical programs and, at a significantly lower rate, launch plans. Over three quarters of the clinical program delays are anticipated to be less than 6 months, while the lower number of launch delays could be stretched out more.

*Are your preclinical and clinical programs/product launch plans delayed due to COVID-19?*



*How long are your preclinical and clinical programs/product launch plans delayed due to COVID-19? (only those with delays)*

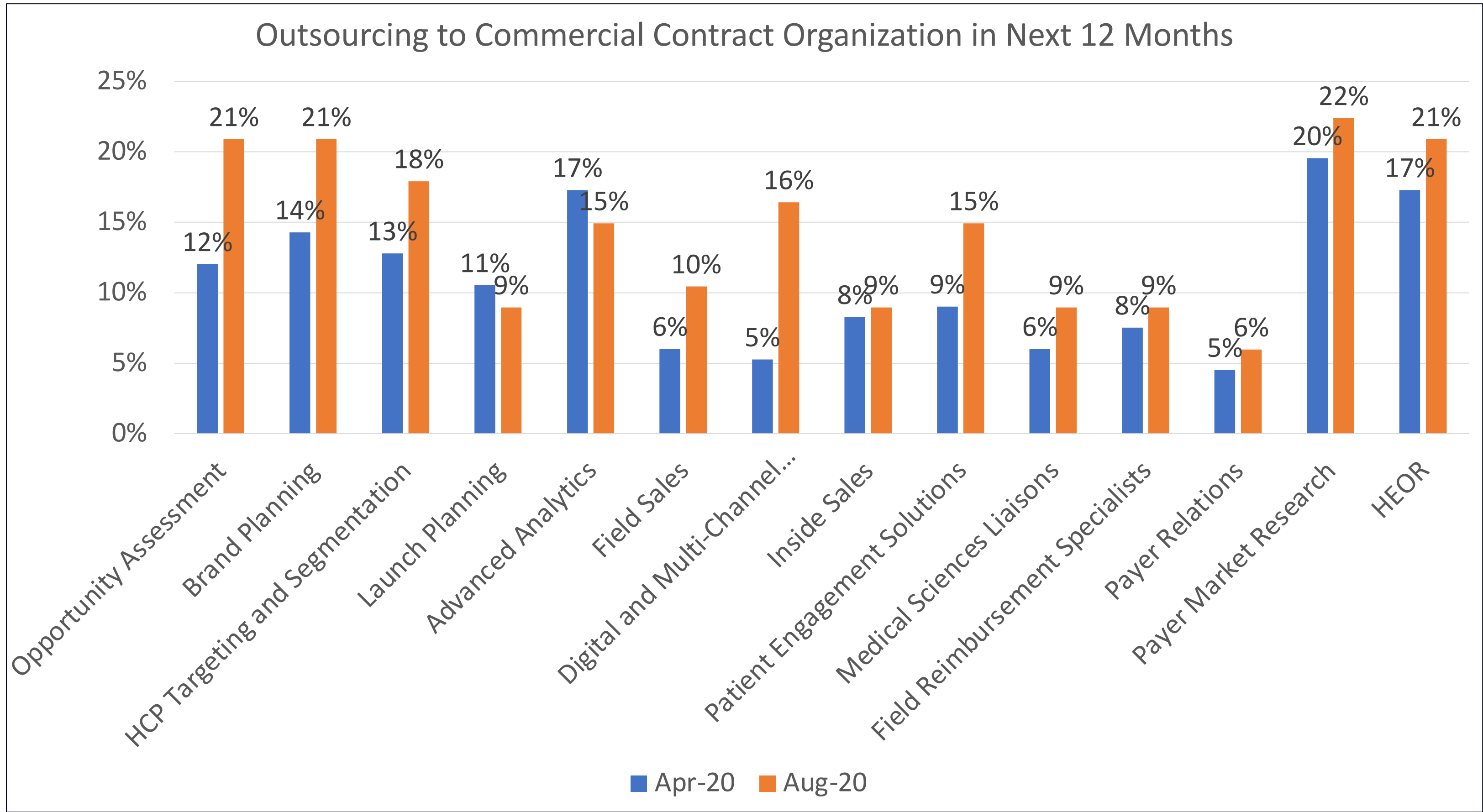


# Unlike Outsourcing to CROs, Outsourcing to CCOs Expectations Higher in August vs. April 2020

*In the next 12 months, which of the following commercial activities do you plan to outsource to a Commercial Contract Organization or Commercial Sales Organization?*

In contrast to lower intentions to outsource specific activities to CROs, executives have a greater intent to outsource to Contract Commercial Organizations (CCOs) in August compared to April.

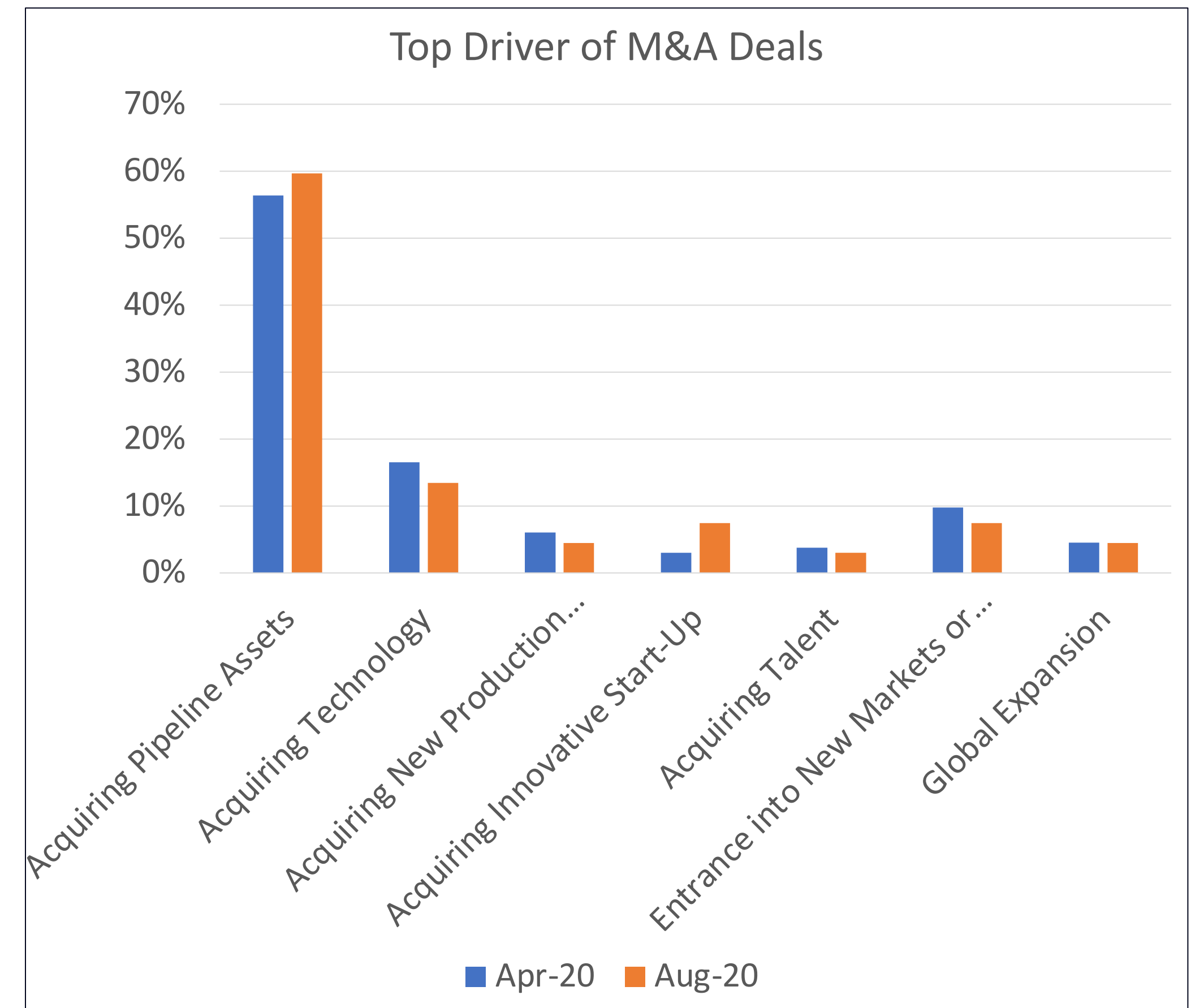
Consistent with survey data since the pandemic started, digital healthcare is anticipated to be more prominent, with outsourcing to CCOs expectation rising from a very low 5% to 16% among the respondents.



# Little Change in Drivers of M&A Deals

Not much change in the top driver for mergers and acquisition deal-making: acquiring pipeline assets continues to be the dominant reason for activity.

*What is your top driver for pursuing M&A deals?*

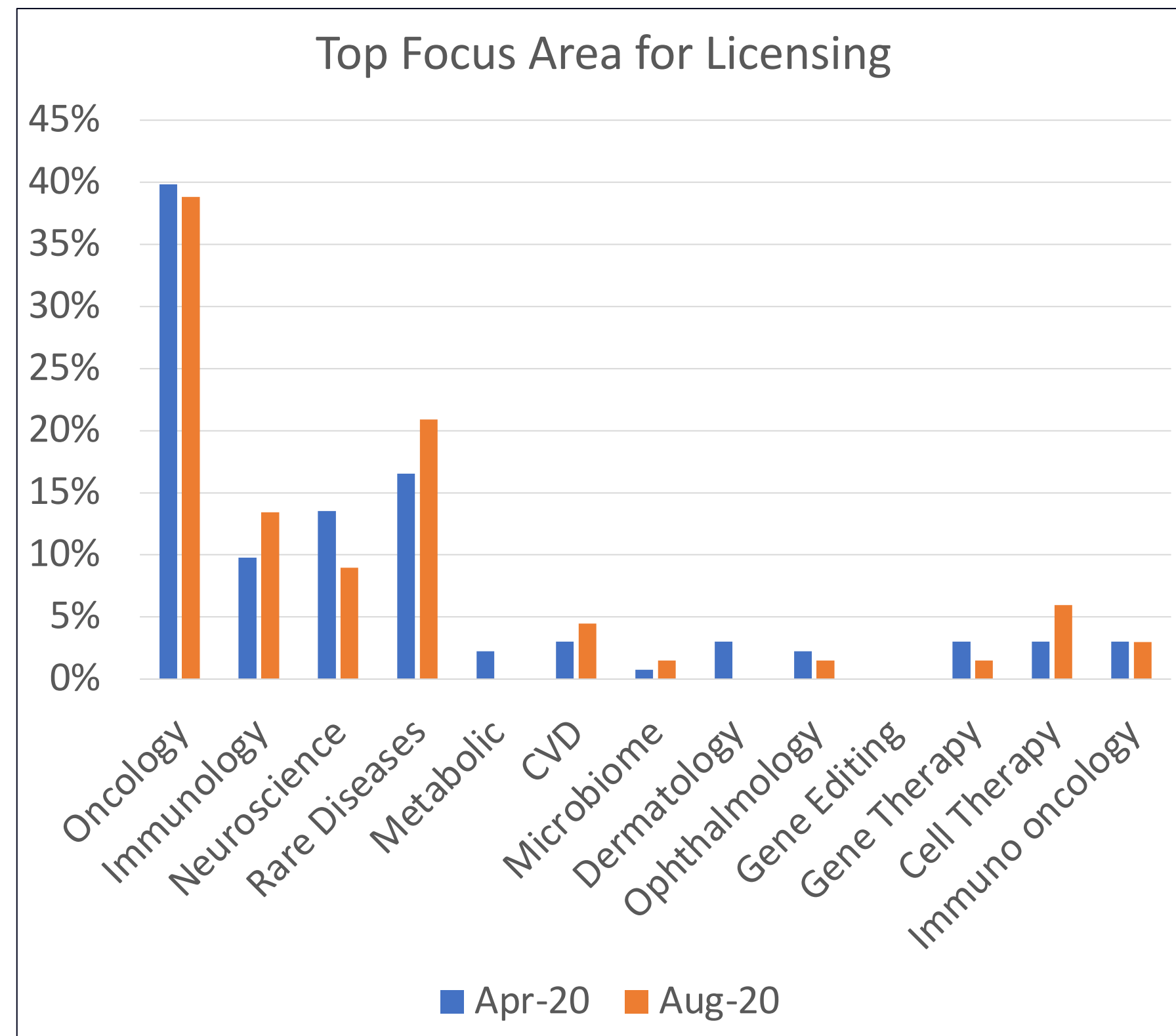




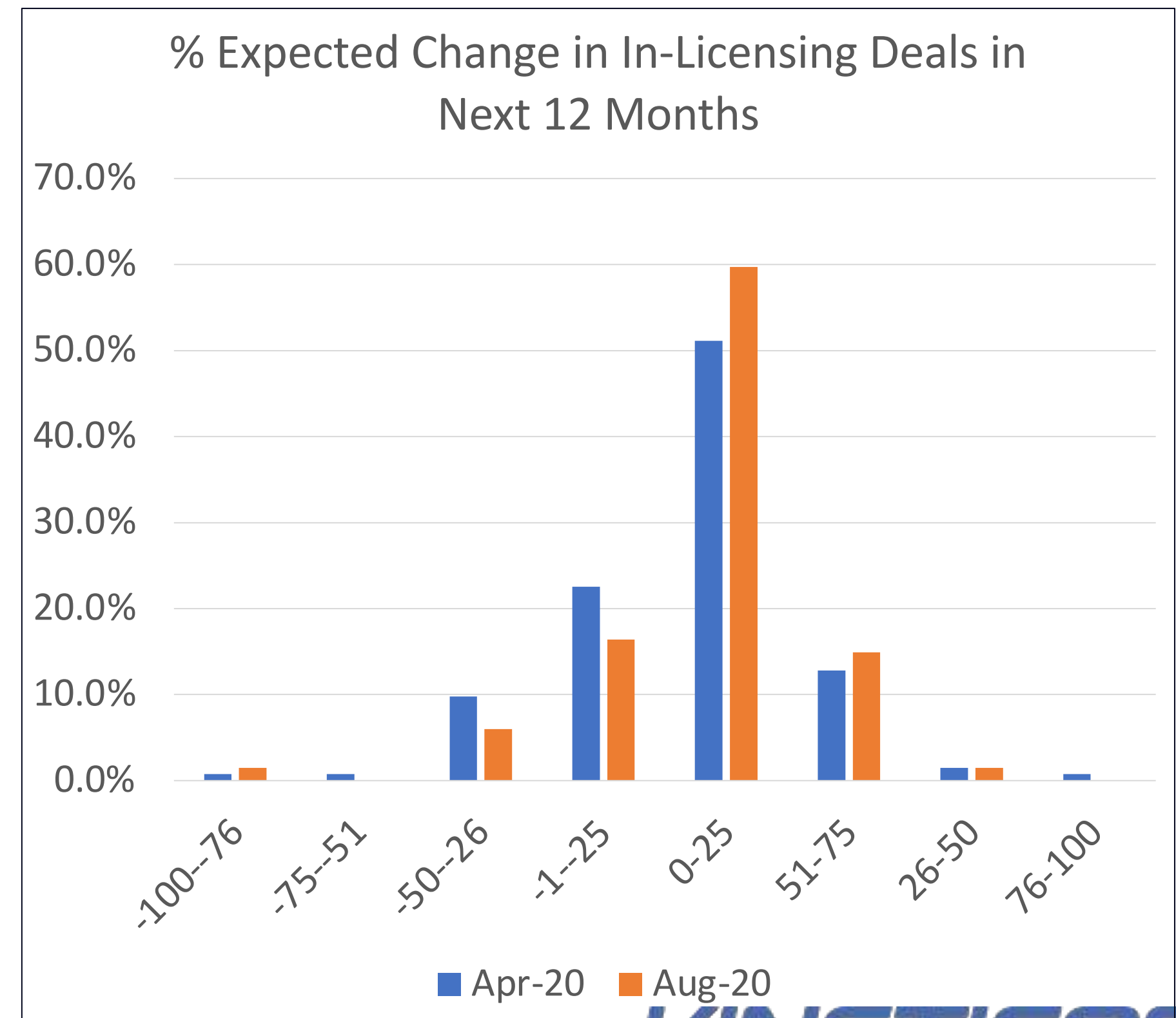
# Little Change in Disease Area Focus for Licensing Deals

As with M&A, not much change in the dominant disease areas for licensing transactions. Oncology, Rare Diseases, Immunology and Neuroscience are still the clear top licensing spaces. Likewise, the expected changes in licensing fees and transactions have not moved significantly from the April survey.

*What is the top focus area for licensing deals?*



*Over the next 12 months, upfront payments for licensing transactions will change by the following %*





# Thank You



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## Biopharma Confidence Index

