




CATEGORY REVIEW

Ad Review¹	Pharma ad spend grew +17% YoY across all media during the first ten months of 2021, with prescription drugs reaching a new spending peak. Prescription drugs continued to drive category spend, accounting for about 90% of overall media dollars. TV spend was up +7% in the same period while digital jumped +32%.
Top RX Segments	Immunology continues to be the largest TV category even as Humira, the industry's top-selling drug and no. 1 advertiser, cut spend. Abbvie has been shifting its ad budget to its newer products, Rinvoq and Skyrizi, as Humira is set to lose exclusivity in January 2023. Sanofi's eczema and asthma drug Dupixent, no. 2 TV spender, saw continued momentum and is on track to hit €5B in 2021 with a goal of €10B in annual sales. In the crowded diabetes segment, Novo Nordisk's Rybelsus overtook Eli Lilly's Trulicity as the top advertiser. Novo expanded its share of the GLP-1 diabetes market on Ozempic and strong uptake of the newer drug Rybelsus. In cancer, BMS' Opdivo returned to TV following approval for additional indications while Merck's Keytruda is still the leader in cancer immunotherapy and is projected to become world's top-selling drug by 2023.
M&A & Spin-offs	Following a wave of mega-mergers in the past two years (BMS/Celgene, Abbvie/Allergan, AstraZeneca/Alexion), pharma deals have so far been smaller with Merck's \$11B acquisition of Acceleron Pharma being one of the largest this year. On the other hand, drug companies continue to shed their consumer health businesses. J&J announced plans to separate its slower-growing consumer arm while retaining its higher-growth but less predictable pharma and medical-devices businesses. GSK and Pfizer are in the process of spinning off their consumer health joint venture, which is planned for mid-2022.

KEY TRENDS

 Continued Impact of COVID-19 on Industry	 Growing role of Virtual Care & Digital Solutions	 Increased Patient Empowerment	 More Scrutiny on Rising Health Care Costs
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OUTLOOK

Ad Forecast	MAGNA is forecasting Pharma total ad spend to grow +13% in 2021 and +5% in 2022. Ad budgets should be supported by continued growth in national health expenditures, which CMS is projecting to increase 5.4% on average for 2021-2023 and 5.6% for 2024-2028. ² In particular, CMS is forecasting higher spending on prescription drugs due to faster drug price increases, higher utilization and growth in spending on new drugs.
Steady Pipeline	Nine of the industry's top 20 drugs by sales are set to lose exclusivity over the coming years such as Abbvie's Humira (2023) and J&J's Stelara (2025). ³ On the positive side, the FDA has been dubbed more friendly as it has steadily increased the pace and frequency of approvals. Even amidst a pandemic, the FDA has approved 46 novel drugs in 2021 so far, close to last year's near-record 53 new drugs. ⁴ In addition, the industry has seen success in broadening the use of existing medicines, particularly in cancer and immunology.
Stable Regulation	The Affordable Care Act (ACA) survived its latest legal challenge with the Supreme Court ruling to preserve the ACA for a third time. The Department of Health and Human Services reported that there are now 31M people enrolled through the ACA via marketplace or Medicaid expansion. The Democrats are currently focused on passing the Build Back Better (BBB) Act, which could further reduce the number of uninsured people. The latest BBB version would extend subsidies for marketplace coverage put in place during the pandemic and close the Medicaid coverage gap. While the BBB includes a provision to allow Medicare to negotiate drug prices, the bill has been scaled back to only include at most 20 older drugs and exclude new drugs.

LATEST NEWS UPDATE

	<p>Abbvie is facing its biggest challenge yet with the upcoming loss of exclusivity for the industry's top-selling drug. With \$16B in U.S. sales in 2020, Humira is expected to face its first U.S. competitors in January 2023. Abbvie is currently working on growing Humira's successors, Skyrizi (psoriasis) and Rinvoq (rheumatoid arthritis). Abbvie expects the two newer immunology drugs to pull in \$4.6B in combined sales in 2021 with a target of \$15B by 2025. However, recent decision by the FDA to add more safety warnings on all three oral JAK drugs, which include Rinvoq, could impact sales in the near term.</p> <p>As part of Humira diversification, Abbvie closed on the acquisition of Allergan in 2020. Allergan has a strong portfolio in aesthetics (Botox, Juvederm), neuroscience (Botox, Ubrovvy), eye care (Restasis) and women's health. While demand fell during the pandemic, Botox sales more than doubled year-to-date 2021 after lockdowns were lifted. The company expects its aesthetic business to bring in over \$5B in 2021.</p>
	<p>GSK is splitting into 2 entities as the company underperformed peers for years. The "New GSK" will house the pharmaceuticals and vaccines divisions, which have struggled to develop enough blockbuster drugs and have failed to create a Covid-19 shot despite being the world's largest vaccine producer. CEO Emma Walmsley is targeting at least 5% annual sales growth from 2021-2026, led by current vaccines (e.g., Shingrix, meningitis), specialty medicines (e.g., Nucala for asthma), and many late stage pipeline products.</p> <p>As part of the consumer health merger deal between GSK and Pfizer in 2019, the Consumer Health business will be spun-off as a stand-alone, publicly-listed entity in mid-2022. The business has leadership positions in Pain Relief, Respiratory, Vitamin Supplements, Digestive Health, and Therapeutic Oral Health and is anchored by power brands such as Sensodyne, Advil, Centrum, and Voltaren. The segment generated £10B in 2020 global sales and CEO Brian McNamara expects this segment to grow at a steady 3-4% annually.</p>
	<p>Eli Lilly has seen strong growth over the past year, driven by key brands such as Trulicity (diabetes) and Verzenio (breast cancer). With global sales of over \$5B, Trulicity leads the GLP-1 diabetes market with 48% share, followed by Novo Nordisk's Ozempic. Verzenio's share in metastatic breast cancer has also been steadily growing and the drug recently received approval as the first in its class to treat a form of early-stage breast cancer. Meanwhile, one of the most anticipated launches for Eli Lilly is its Alzheimer's drug, which if approved, is being touted as a multi-billion-dollar opportunity. The company began a rolling submission in October with an expected FDA decision in the second half of 2022.</p>
<p>NOVARTIS</p>	<p>Novartis has a diverse portfolio with several blockbuster drugs. Its top-selling immunology drug Cosentyx generated revenue of \$4B in 2020, with management projecting peak sales of at least \$7B. Sales of heart failure med Entresto, its number 2 drug, jumped in 2021 following a major label expansion earlier this year into heart failure with preserved ejection fraction. Novartis is hoping that its leukemia-turned-multiple sclerosis drug Kesimpta will become a blockbuster as it is an in-class rival to Roche's top drug Ocrevus (\$4.6B sales). However, initial uptake has been slow due to the pandemic. Its breast cancer drug Kisqali is also trying to challenge Pfizer's market-leading Ibrance.</p>
<p>Bristol Myers Squibb</p>	<p>Bristol Myers Squibb's three most significant drugs are Revlimid, Eliquis, and Opdivo. Together, they accounted for 66% of BMS' total revenues in 2020. Revlimid, which was acquired via the Celgene purchase, is a \$12B (\$8B in U.S.) blood cancer drug that is facing patent expiration. BMS negotiated patent settlement deals with two U.S. drugmakers that allow the challengers to sell limited quantities of Revlimid generic in 2022 and then sell without restriction in 2026. Oncology drug Opdivo saw sales decline in 2020 in the face of competitive pressures from Merck's Keytruda, which saw double-digit growth in the same period. Opdivo sales returned to growth in 2Q21 as the drug gained approval for additional indications. Lastly, blood thinner Eliquis continues to perform strongly, gaining share in the oral anti-coagulant market.</p>
	<p>J&J recently announced plans to spin off its stable but slower-growing Consumer Health business, retaining the higher-growth but less predictable Pharmaceutical and Medical Device businesses. The separation is expected to be completed sometime in 2023. The pharma and device business will be led by incoming CEO Joaquin Duato. Despite loss of exclusivity for its best-selling drug Stelara in 2023, management is looking at 5%+ annual growth for pharma in the near term driven by key areas like immunology and oncology. J&J only advertised two Rx drugs (Stelara, Tremfya) on TV this year. The New Consumer Health Company, which is yet to be named, will focus on OTC/Self Care (e.g., Tylenol, Zyrtec), Skin Health & Beauty (e.g., Neutrogena, Aveeno), and Essential Health (e.g., Listerine, Neosporin). With roughly \$15B in global sales, Consumer Health has been growing low-single digits for years.</p>

FOR QUESTIONS OR MORE DETAIL

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¹ Standard Media Index

² Centers for Medicare and Medicaid Services (CMS)

³ Moody's

⁴ U.S. Food and Drug Administration (FDA)