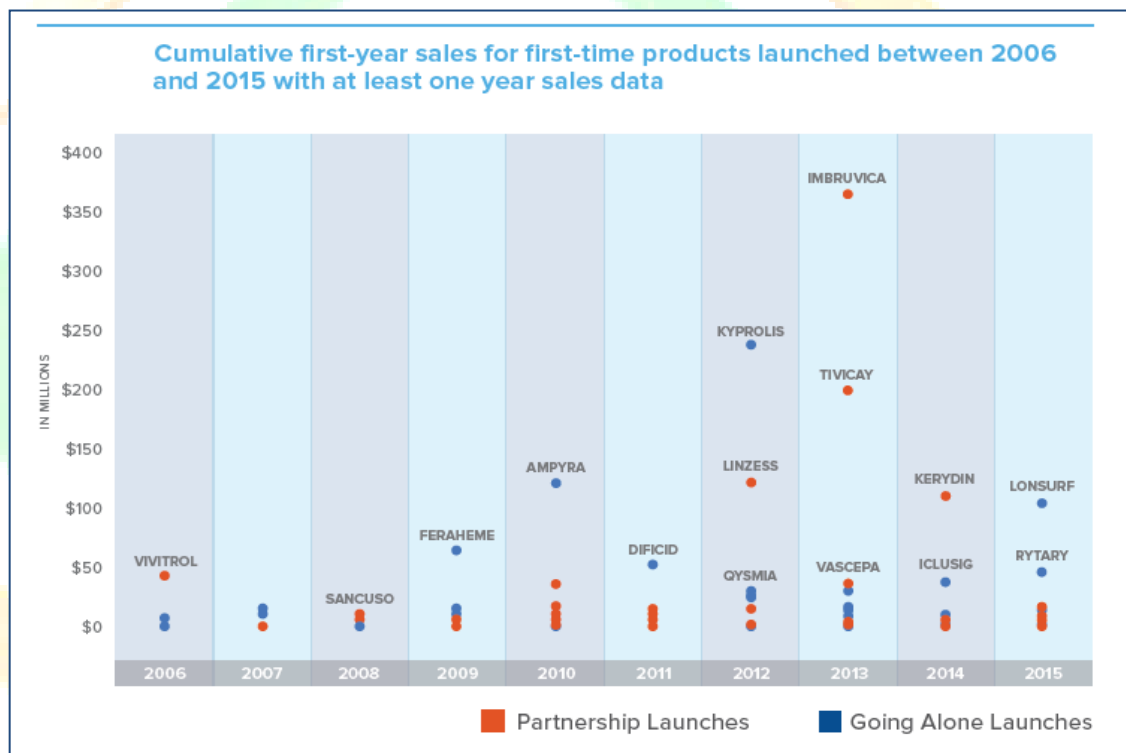


Industry Trends-Drug launches

The emerging pharmaceutical and biotech industry is thriving. Between 2006 and 2015, 105 companies—the majority of which were in the US—launched a product for the first time. And, over 60 percent of those products were originally discovered in universities and small biotech companies. All such pre-commercial companies must make a fundamental decision at some point in the drug development process: is it more advantageous to take the product to market on our own or to partner with an established large pharmaceutical company? This decision is typically made as developers approach the end of Phase II clinical trials, but can take place at any time—even after the drug has launched.

In recent years, there's been a shift in the market towards more innovative, premium-priced specialty drugs. The share of biologics among all FDA-approved New Molecular Entities (NMEs) increased from 14 percent in 2004 to 27 percent in 2015, and the share of orphan drugs increased from 29 percent in



2010 to 47 percent in 2015. If venture-funding trends are an indication of what is to come, the shift towards biologics and orphan drugs is likely to continue. The share of investment in biologics increased from 27 percent in 2004 to 50 percent in 2013, reaching \$38 billion.

It is interesting to note that the rate of first-time launches is increasing. During the last 10 years (2006 to 2015), 105 companies launched a product for the first time. However, two-thirds of those products were launched between 2011 and 2015. It also appears that the potential of first-time launches to generate high revenue is improving; between 2011 and 2015, seven products (Imbruvica, Incivek, Kerydin, Kyprolis, Linzess, Lonsurf, and Tivicay) achieved over \$100 million in first year sales, whereas only one product (Ampyra) had done so between 2006 and 2010.