12 investment themes for 2021 in the “new normal” of healthcare

Prepared by IQVIA Consulting

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COVID-19 has triggered profound changes in healthcare, with five major forces at play

Key forces at play in the market

Disruption/ delays in clinical trials and regulatory engagement

- Trials have been suspended/delayed, while ongoing trials focus on maintaining participant and future patient welfare
- Forward looking efforts will drive the adoption of hybrid and virtual trials

Increasing public awareness for faster drug development

- The exceptionally fast development cycle for COVID-19 vaccines has raised awareness of the potential for faster and lower cost drug development to both the public and regulators
- Some nonCOVID-19 related product launches have been delayed already, with the timeline for others under consideration depending on patient need (e.g. first in class or line extension)

Medicine supply chain restructuring

- The current crisis has raised concerns over global supply chain sustainability, creating a crossroads for decision makers to favor local or global manufacturing

Digitalization of engagement with patients and HCPs

- Accelerated adoption of digital tools has compensated for the downward trajectory of F2F interactions
- Increasing comfort with digital tools will support the use of virtual and hybrid engagement models

End of hospital-centric model/ increasing specialty center care

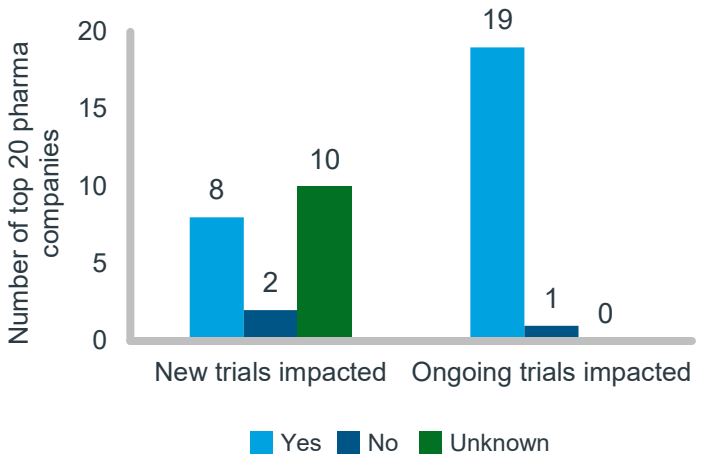
- Globally, the pandemic has made patients reluctant to enter hospitals, especially when treatment can be carried out more efficiently and at lower cost in ambulatory and specialists centers
- In addition, the pandemic, and its economic implications, have negatively affected mental health for many people and created new barriers for those already suffering from mental illness

COVID-19 burden and risk is markedly affecting the clinical trial landscape, catalyzing the virtualization of trials in the long term

Disruption/ delays in clinical trials and regulatory engagement

Market forces

Global Top-20 pharma companies reporting impact of COVID-19 on clinical trial activity



In JP, the Pharmaceuticals and Medical Devices Agency (PDMA) have recently completed a **remote inspection**

- Top 20 companies are **postponing the start of new trials and interrupting/ delaying ongoing trials**; while others are reporting heavy impact to ongoing trials (typically smaller companies with a smaller asset pipelines and fewer planned trials)
- **Welfare of trial participants and future patients** are cited as the main reason to continue with ongoing trials
- Ongoing trials are typically impacted from closed/ restricted sites or recruitment challenges, and regulators are moving swiftly to **find ways to facilitate nonCOVID-19 related clinical trials**

Implications for the industry

Crowding of trials as delayed/suspended and previously scheduled trials coincide and activities resume, such as monitoring space/ investigator visits. Pharma companies will increasingly be under pressure to **get back on track with their development pipeline**

Rising number of hybrid and virtual trials, using telehealth, phone interviews, home administration with shipments direct to patients, e-signatures, accessing medical records remotely

Changing **regulator and HCP perception** as virtual tools are used more frequently, and the benefits accepted

Investment themes

1. **Players involved in virtual or "siteless" trials,** conducted outside of the hospital and in the participant's home, for trials design, sites selection, patients recruitment, or trials administration
2. **Designers and manufacturers of digital biomarkers** (clinically-validated wearables and sensors), used to diagnose and/or treat patients remotely

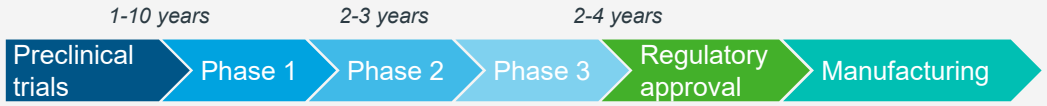
Source: IQVIA Rising to The Challenge: Five key focus areas for Life Sciences during and after the COVID-19 pandemic (2020); Secondary research; IQVIA expert analysis

The unprecedented efforts taken have led to one of the fastest vaccine developments in history, setting new expectations

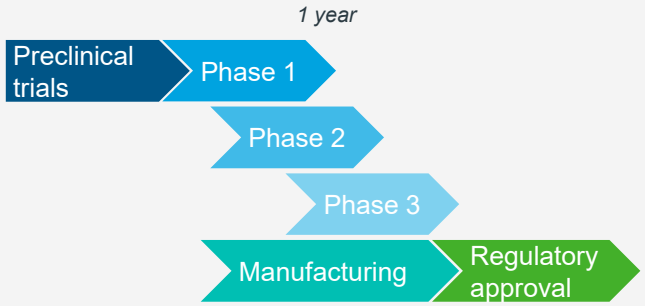
Increasing public awareness for faster drug development

Market forces

Typical vaccine development timeline



COVID-19 vaccine development timeline



- Clinical trial phases were combined
- High number of cases allowed for a very fast measurement of impact vs. placebo during phase 3
- Manufacturing scale-up was done before the completion of trials, despite uncertainty
- Regulators used emergency authorizations

100%

100 percent of the 86 product launches in the US scheduled for 2018 onwards were delayed in 2020. For 50 of them, pharma companies increased their launch timeline by more than 25%

Implications for the industry

The very fast and highly visible development cycle for the COVID-19 vaccines has **raised awareness of the potential for faster and lower cost drug development**

Pharma will be under more pressure to bring innovations to the market faster, and at reduced cost. There will be an expectation from shareholders to get the development pipeline back on track

The **world's first drug to be developed using AI technologies** is just entering Phase I clinical trials. While the standard research time for a drug such as this would be five years, the use of AI technology managed to reduce this down to just 12 months.

Investment theme

3

Technologies that leverage data and AI to improve process efficiency/ cost and reduce timelines in the context of:

- The development of new molecules
- The repurposing of existing molecules for new applications

Source: Secondary research; IQVIA expert analysis

COVID-19 has raised concerns over global supply chain interdependence, drawing more attention to local manufacturing

Medicine supply chain restructuring

Market forces

80%

80 percent of the active pharmaceutical ingredients (APIs) used to make drugs in the United States are said to come from China and other countries, such as India

97%

97 percent of all antibiotics in the United States came from China in 2019

70%

70 percent of the API used in generics manufacturing in India come from China

Selected COVID-related disruptions from mid-2020

Pharmaceutical, chemical and electronics industries have **recovered to ~70% of original capacity**. However, limited activity from ports/ airports has challenged distribution of Active Pharmaceutical Ingredients

Initial export-restrictions of 14 molecules, have been lifted. Lockdown has potential to impact generics production

Implications for the industry

The COVID-19 crisis has highlighted the over-reliance on China for API manufacturing, and on India for key generics production, bringing this topic has a **matter of national strategic importance**

The pharma supply chain is being impacted by **distribution challenges created by reduced transportation capacity**. Disruptions at ports, quarantined crews, and labor shortages due to lockdowns are all contributing factors

Investment themes

4 **API manufacturers**, on the back of governments looking at domestic independence for active ingredients

5 **In-market contract development and manufacturing organizations CDMOs**, allowing to repatriate if not the API, at least the rest of the drug development and manufacturing closer to the destination market

6 **Players of the cold chain logistics market**, providing refrigerated transportation and warehousing services for temperature-sensitive pharmaceutical products (incl. vaccines)

Source: Secondary research; US Council on Foreign Relations, IQVIA expert analysis

Rising remote engagement and comfort with digital tools has accelerated the need for an overall hybrid digital strategy

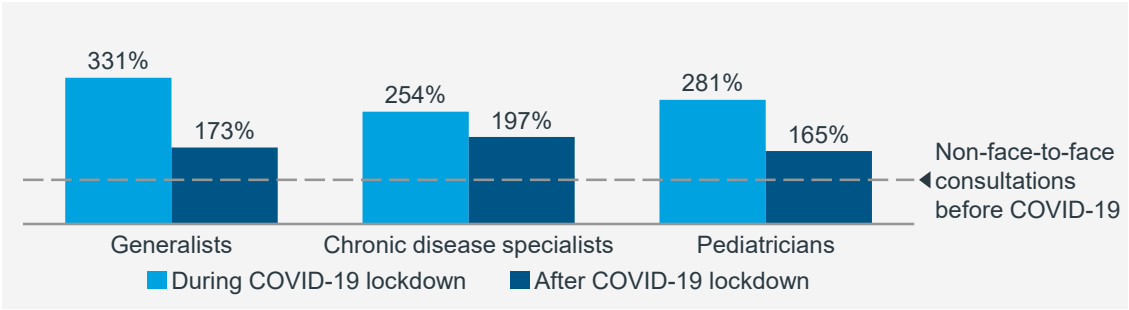
Digitalization of engagement with patients and HCPs

Market forces

Life sciences company — *Healthcare professionals* — *Consumer/ Patient*

- COVID-19 has accelerated remote engagement adoption between life sciences companies to HCPs, and for HCPs to their patients
- HCPs' need for information and support remains, and data shows an increase in remote interactions to compensate the drop in F2F visits

Non face-to-face consultation growth trend in SEA – Data as of mid-2020



Implications for the industry

Telehealth players across the world saw a **strong uptake in usage at the heart of the pandemic**, which continued post lockdowns, due to convenience for patients. However, the majority of teleconsultations in SEA are not delivered via purpose-built apps/ platforms

Multiple alliances have been seen across SEA, in order to provide the patient with a full end-to-end service: consultation, prescription, drug delivery

Platforms dedicated to HCP education, continuous learning and peer discussions have also witnessed a strong uptake, in light of continued restricted direct interactions

Investment themes

7 **Telehealth/ digital health platforms**, whether focused solely on telemedicine, or integrating e-prescription and drug delivery

8 Platforms and tools that allow for efficient **remote HCP engagement** for commercial activities (e.g. KOL targeting, marketing activities, etc.)

9 Platforms and tools focused on **HCP education and continuous learning**

Source: IQVIA online SEA survey; Secondary research; IQVIA expert analysis

The pandemic could accelerate the trend towards care outside of the hospitals, to the benefit of ambulatory/ specialty centers

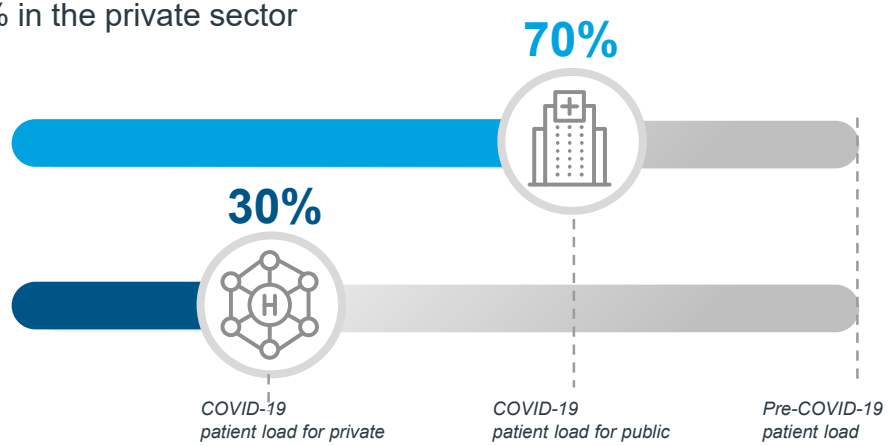
End of hospital-centric model/ increasing specialty center care

Market forces

- At the peak of wave 1 in Q2 2020, SEA providers reported a patient footfall down up to -70% in the private sector

Public hospitals
~30% decline in average no. of treated patients

Private hospitals
~70% decline in average no. of treated patients



33%

In a study by Helms and colleagues, 15 of 45 patients who had recovered from COVID-19 after admission to ICUs had dysexecutive syndrome after ICU discharge

According to the Lancet, collating several early studies, *"the general public show increased symptoms of depression, anxiety, and stress related to COVID-19, as a result of psychosocial stressors such as life disruption, fear of illness, or fear of negative economic effects"*

Implications for the industry

Many independent hospitals have seen their **revenues drop significantly**, sometimes in conjunction with ongoing payment delays from private and public payers

As patients try to **stay away from hospitals for non-critical care**, dedicated specialty centers, ambulatory care settings, as well as external ancillary functions (diagnostic, imaging) will be preferred

Across SEA, **most mental health service offerings still sit within a hospital setting**, and as such has been largely disrupted throughout 2020, and will most likely be in 2021

Investment themes

10 **Traditional hospitals,** with a preference for independent/ small group assets, as a distressed buying/ consolidation play

11 **Ancillary services specialists,** such as radiology or diagnostic laboratory networks

12 **Specialty centers**, allowing patients to consult outside of a hospital setting (e.g. pediatrics, OBGYN, mental health), **ambulatory specialists, and home care specialists**

Source: Full Lancet article, https://www.thelancet.com/journals/lanpsy/article/PIIS2215-0366(20)30307-2/fulltext ; IQVIA online SEA survey; Secondary research; IQVIA expert analysis

We believe these 12 resulting investment themes are set to shape 2021 and beyond, within SEA and globally

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3. **Technologies that leverage data and AI** to improve process efficiency/ cost and reduce timelines for:
   - The development of new molecules;
   - The repurposing of existing molecules for new applications

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For additional questions, service, or support please contact us

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Thank you

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