

## A personal perspective: Sean Morgan-Jones

# Storms over San Francisco set the tone for JP Morgan

It was with a degree of trepidation that I boarded an airplane in London for San Francisco on 7 January to attend the annual JP Morgan Healthcare conference, the largest gathering of its kind for the biopharmaceutical and healthcare industries. Attendance was expected to be high as this was the first in-person JP Morgan event since the Covid pandemic. Looking around the cabin at my fellow travellers, it was indeed a who's who of life science.

At about the same time, storm clouds had gathered on the other side of the Atlantic. Governor Gavin Newsom declared a state of emergency in California on 4 January, enabling towns and cities to receive emergency assistance to cope with a 'bomb cyclone' storm. This is an unusual weather event in which there is a sudden drop in air pressure causing heavy rains. Would this be a metaphor for the upcoming meeting and for the industry as a whole?

Unusually there were more downbeat moments at the conference this year than in the past. This might be linked to the decline of share markets in the US in 2022 when major indices lost about 20% of their value compared with the previous year. But there were also some distinctly legislative events that dominated the conversation.

As a life sciences executive search firm, we are agnostic as to where our clients locate their activity. But in conversations with biotech executives we heard that the UK didn't feature as highly as Switzerland as a destination for investment outside the US. This was attributed to the relatively high UK corporation tax and recent government proposals to reform its research and development tax relief scheme for small and medium-sized enterprises. Brexit also weighed on people's minds and the unresolved issue of whether the UK would be able to join the EU Horizon programme.

At a satellite event, Steve Bates, head of the UK Bioindustry Association and colleagues, brought investors up to date with the industry's pushback to the proposed tax changes, arguing that the government should recognise the unique contributions of biotech R&D to the economy. In fact, following the JP Morgan meeting, it became clear that the message from industry was being heard. On 7 February, the UK government announced plans to create a new science ministry to support multiple activities across the sector.

At another corner of the conference, Paul Hudson, CEO of Sanofi SA, took aim at the new US *Inflation Reduction Act* which will, for the first time, require the government to negotiate prescription drug prices with manufacturers under Medicare. The new law will affect small molecule and biologic drugs that have been on the market for several years without generic or biosimilar competition. The drugs whose prices will be negotiated will be selected in advance. Mr Hudson argued that the new legislation was a disincentive to investment, adding that it was one of the reasons Sanofi wasn't contemplating any mega acquisitions in the immediate future. Instead, it plans to focus on smaller acquisitions and gaining access to new technology through Sanofi Ventures, its

evergreen investment fund.

In past years, the annual JP Morgan conference has been a showcase for mega business deals. In January 2019, Bristol Myers Squibb Co announced plans to acquire Celgene Corp for \$74 billion – a deal that generated a lot of conversation. Later that same year, AbbVie Inc disclosed plans to buy Allergan Plc for \$63 billion. In 2018, Takeda Pharmaceutical Co acquired Shire Plc for \$81 billion.

By comparison, the deals announced at this year's conference were all below \$2 billion. This reflected a more cautious approach by investors to the market. Still, there appeared to be plenty of private money to buy assets which were backed up with clinical data.

An example was Ipsen SA's announcement of a deal to acquire Albireo Pharma Inc, a rare disease drug developer. Valued at \$952 million, the deal was disclosed on 9 January. Albireo's lead drug Bylvay has been approved in the US and the EU for pruritus, a type of itchy skin, in patients with progressive familial intrahepatic cholestasis. Albireo is a 2008 spin out of AstraZeneca Plc and went public in 2016, following a similar path to other AstraZeneca spinouts, including Viela Bio Inc, which was acquired by Horizon Therapeutics Plc in 2021 for \$3 billion.

Also on 9 January, AstraZeneca announced plans to acquire CinCor Pharma Inc for \$1.8 billion, including contingent payments, in order to build its cardiovascular and kidney business. The focus is on CinCor's anti-hypertensive baxdrostat which is currently in Phase 2 development. The goal is to boost AstraZeneca's cardiovascular, kidney and diabetes revenues through 2023, which brought in over \$7 billion in 2022.

Finally on 10 January, BioNTech SE, which together with Pfizer Inc produced the first messenger RNA vaccine for Covid-19, announced that it was taking full ownership of InstaDeep Ltd, a UK-based artificial intelligence and machine learning company. The two companies have been collaborating since 2019 on multiple AI-based applications across public and proprietary datasets.

On the regulatory front, Robert Califf, commissioner of the US Food and Drug Administration, gave an overview of some of the challenges facing the regulator. Specifically he addressed criticism that the agency has let drugs with accelerated approvals stay on the market too long without producing data showing clinical benefit. He said that this problem is being addressed.

At the end of the meeting, it was clear that there are many challenges ahead, but like the threat of the 'bomb cyclone' there was a heightened awareness of the need to push ahead with solutions.

This article was prepared by Sean Morgan-Jones, chief commercial officer at Morgan Prestwich, a life sciences executive search firm.