The Top 20 Pharmaceutical Companies on Pipeline Growth vs. R&D Spend

It's hard to deny the pharmaceutical industry is evolving. Externally, healthcare and tax reform in the US, regulatory uncertainty, even the vague competitive threat from Amazon are forcing pharma companies to proactively manage change. Internally, cutting-edge tech such as AI and IoT is transforming everything from manufacturing and logistics to the very core of pharma - R&D.

R&D is still the lifeblood of any pharma company. Without a strong pipeline, it's almost impossible to pump enough new product into the market to pay the staggering cost of everyday drug discovery and development. This is a tightrope walk - only one out of 5000 drugs that enter preclinical testing will be approved by the FDA. And the cost to get there? $2.87 billion, and 12 years.

How do pharma CEOs keep control?

There are two main metrics that reflect the health of the portfolio.

1. Pipeline growth
2. R&D spend per drug in the pipeline.

The below chart plots the top 20 pharma companies of 2017 (by revenue) against these metrics.

(Source: Public filings, Literature Search, Coseer)

R&D spend per drug is almost as difficult to quantify as it is an important measure of productivity. The sad truth is that current industry-standard processes are wasteful. The story is the same in many other industries. Because core R&D activities are so vital, the supporting processes are often neglected until critical. A bandaid is slapped on and the support process fades back into the background.

In pharma, world-class scientists are being held back by these processes - and their time is not cheap. But it doesn't have to be this way. AI is helping to streamline these processes just like it's streamlining the early phases of drug discovery, and the improvements can be staggering.

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Pipeline growth measures R&D success. Pharma CEOs are looking for all that R&D cost to pay off in the form of a strong pipeline of promising drugs seeking FDA approval. The more productive the R&D spend, the faster the pipeline can grow.

Another option to quickly fill the pipeline is through inorganic growth - in-licensing, acquisitions, and partnerships are on the rise, in the US especially, as 2018 tax reform allows for major windfalls. These deals are never simple, but M&A due diligence and onboarding of new assets can be accelerated just as R&D **processes.**

Further Reading: How NLS accelerated drug discovery by 3X at a top pharmaceutical company

The business environment may be swiftly changing for pharma execs, but there are tools available to deal with the prevailing headwinds.

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