

COVID-19: Pharma Industry Survey Results

China Life Sciences & Health Care Team

February 2020



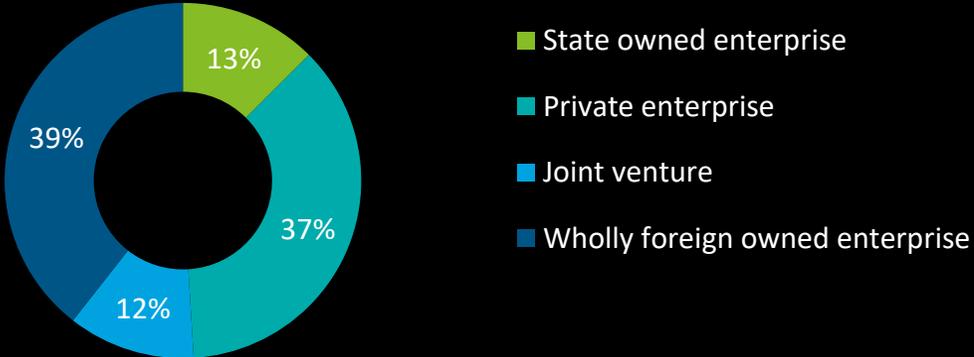
**MAKING AN
IMPACT THAT
MATTERS**
since 1845

Agenda

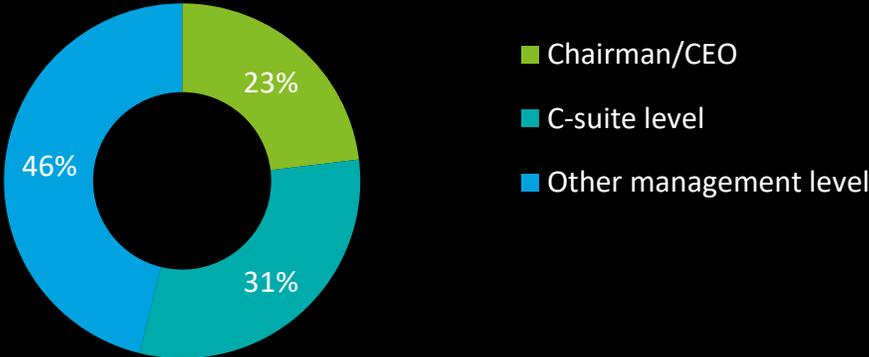
- Framework
- Results: Question & Deep-dive
- Key insights
- Appendix

COVID-19 Survey Framework

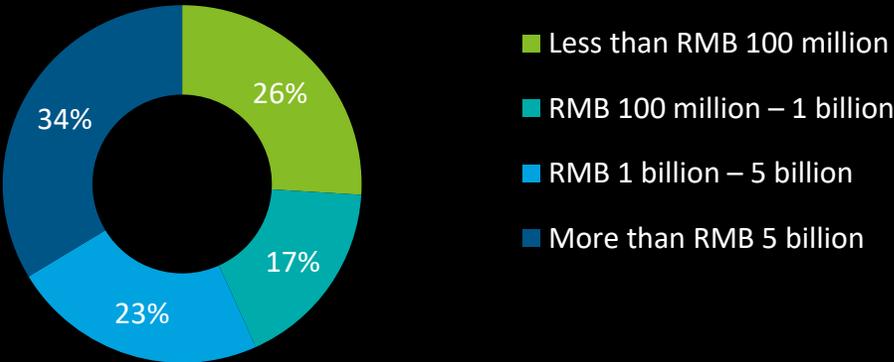
- Survey conducted between February 13 to 17, 2020
- Engaged China based Pharma & Healthcare sector operators and investors: 104 responses



- State owned enterprise
- Private enterprise
- Joint venture
- Wholly foreign owned enterprise



- Chairman/CEO
- C-suite level
- Other management level

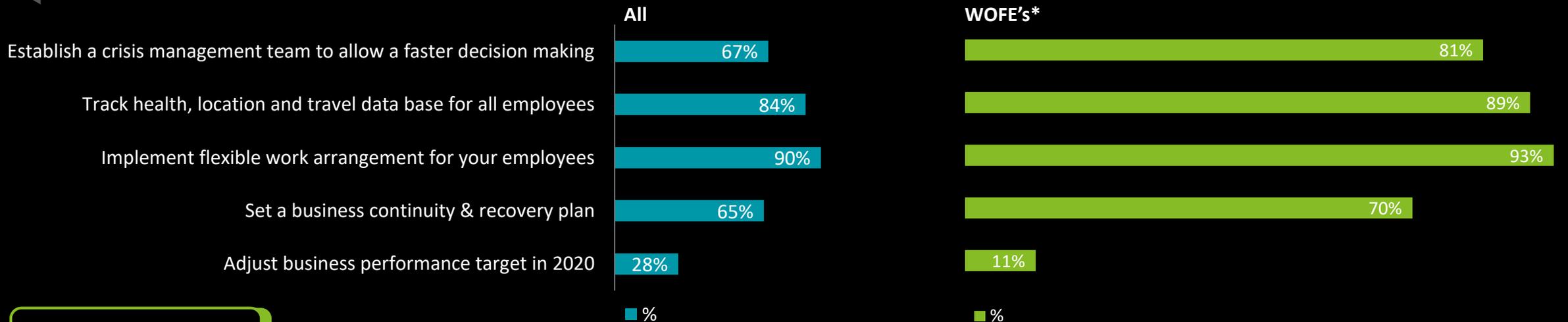


- Less than RMB 100 million
- RMB 100 million – 1 billion
- RMB 1 billion – 5 billion
- More than RMB 5 billion

COVID-19 Survey

Question #1

How did your Company respond to the crisis



Insights

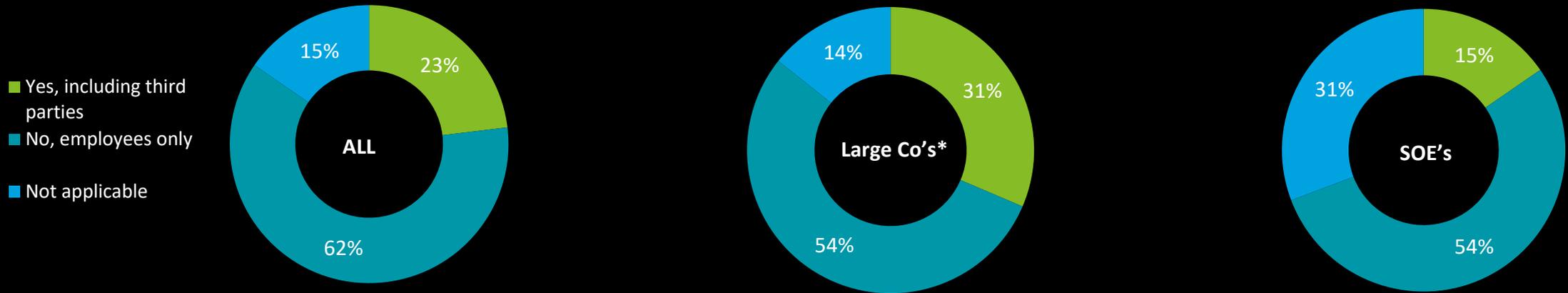
- Flexible work arrangement policies were top of mind in order to provide a safe working environment, like working from home, as well as allowing operations to continue to the best possible
- Implement government required tracking systems were a priority thus putting HR and IT teams in the forefront. 23% participant's tracking systems included third parties (eg. dedicated sales team, logistics, IT vendor etc.)
- Least concern was around adjusting 2020 targets: yet it may depend on the progression of the crisis

* WOFE = Foreign Owned Companies with revenues above 1BRMB, (27/104)
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COVID-19 Survey

Deep-Dive #1: Tracking Health status systems

- Eco-system based risk management differences are apparent



Insights

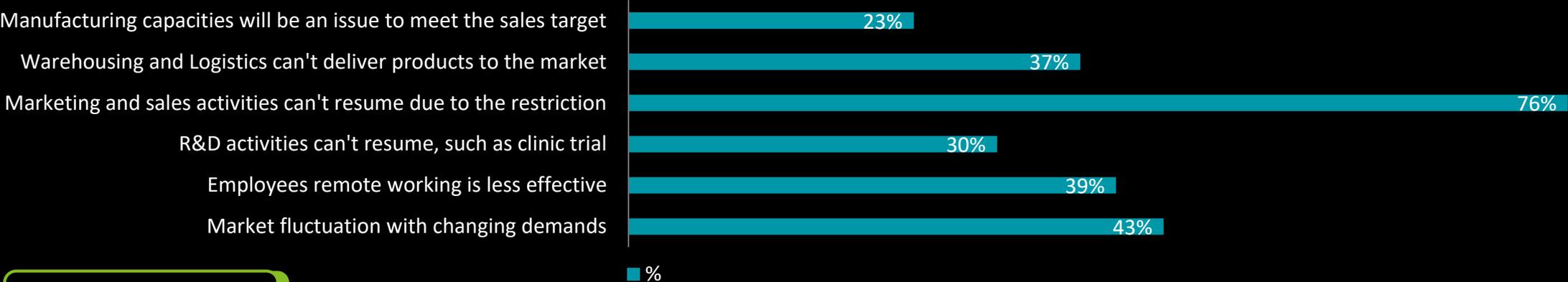
- 30% of larger companies had health tracking & monitoring systems rolled out to third parties
- Only 15% of SOE's had done so...
- Risk management cultures differ very much, large companies are more vigilant

* Large Co's = Companies respondents with revenues above 5BRMB, (35/104 – see appendix for details)

COVID-19 Survey

Question #2

• Within your business priorities, what are the most difficult challenges to overcome during this crisis? (Please prioritize top 3)
[Multiple choices]



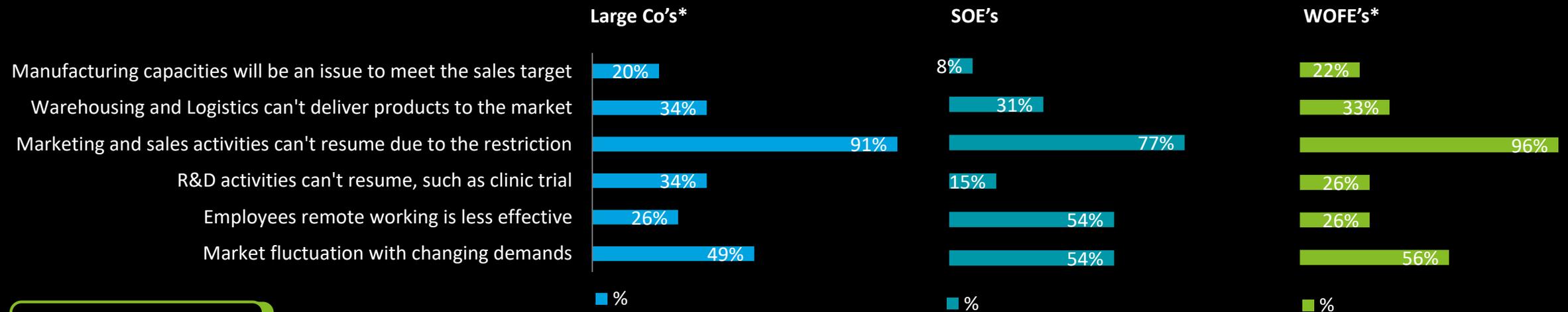
Insights

- Market & sales activities were the ones most affected – as HCP facing engagements, medical & drug presentations events as well as simply Hospital physical access are currently impossible; and at current stage, HCP's less interested in non-crisis-related e-detailings
- Adjusting business operations to 'new market demand' were 2nd top in mind to the executives

COVID-19 Survey

Deep-Dive #2: Business priorities concerns

- Eco-system based risk management differences are apparent



Insights

- SOE's are significantly more concerned with employee productivity
- ... while much less around resuming manufacturing capabilities
- Foreign market players are much more concerned about the marketing & sales activities resumption

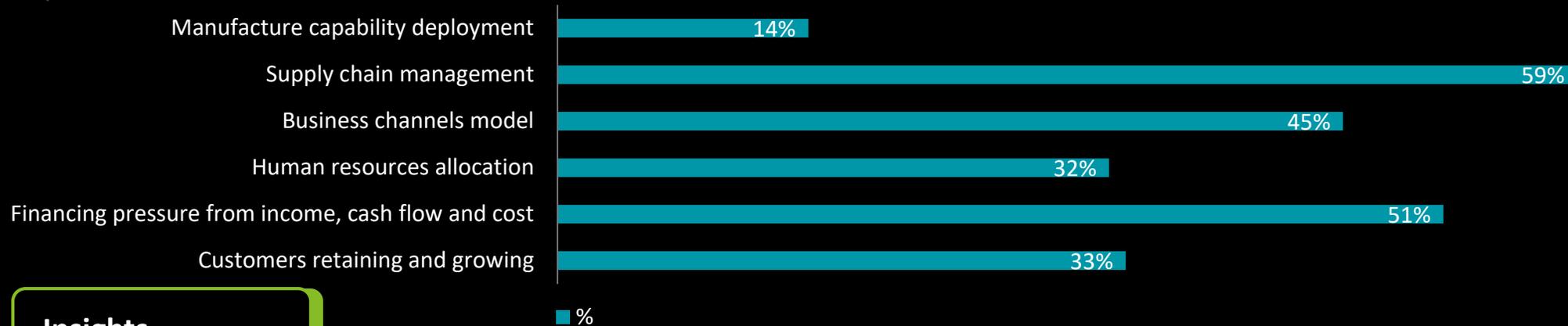
*Large Co's = Companies respondents with revenues above 5BRMB, (35/104)

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COVID-19 Survey

Question #3

- On what aspects does this crisis impact your enterprise most? (Please prioritize top 3) [Multiple choices]



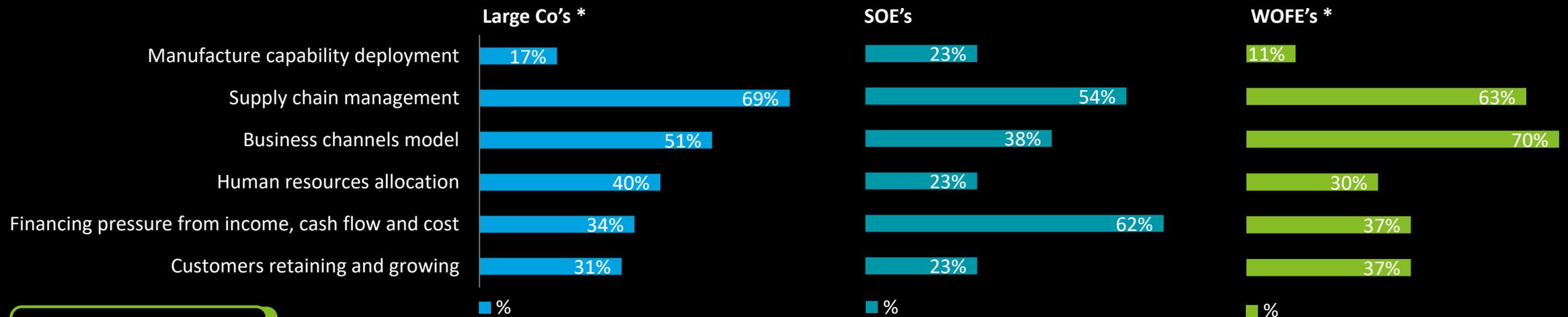
Insights

- Supply chain management issues with logistic issues (inter-provincial transports, availability of transport services and their employees...) as well as access to raw materials (inventory management – minimum inventory levels constraints) are the obvious crisis impacts to most respondents
- Cash flow and financing concerns are of importance to > 50%
- Business channels ie. the relative limited use of 'online' access models in the sector were sighted by half of the respondents as a area of concern (and likely to topic for change going forward)

COVID-19 Survey

Deep-Dive #3: Which area the crisis impact your company most

- On what aspects does this crisis impact your enterprise most? (Please prioritize top 3) [Multiple choices]



Insights

- SOE's are more concerned about cash flow and profitability, while allocation of HR resources seem a lesser concern
- Foreign companies believe that their business channels model is most impacted (sales force set up etc..)

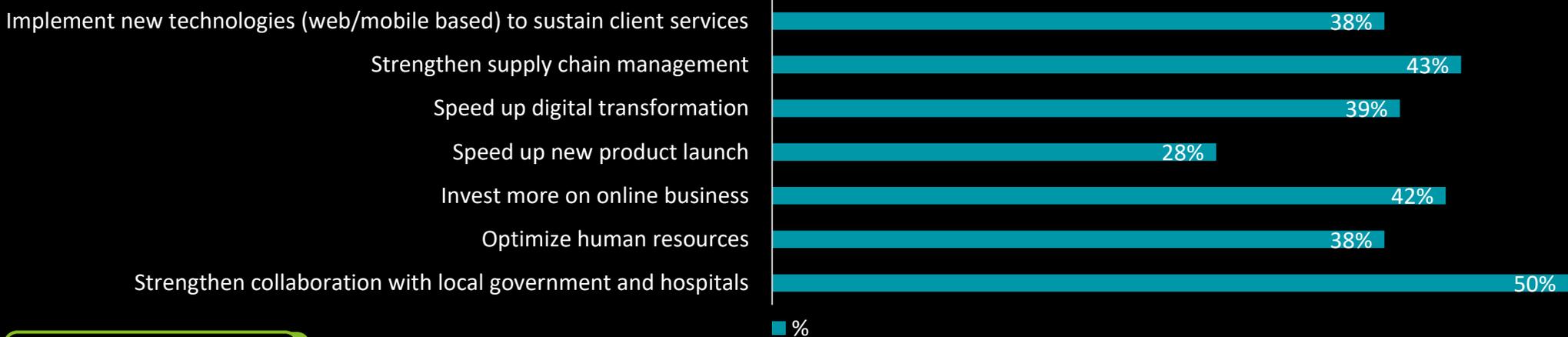
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Question #4

• How will your company do in short term to mitigate the impact to your business? (Please prioritize top 4) [Multiple choices]



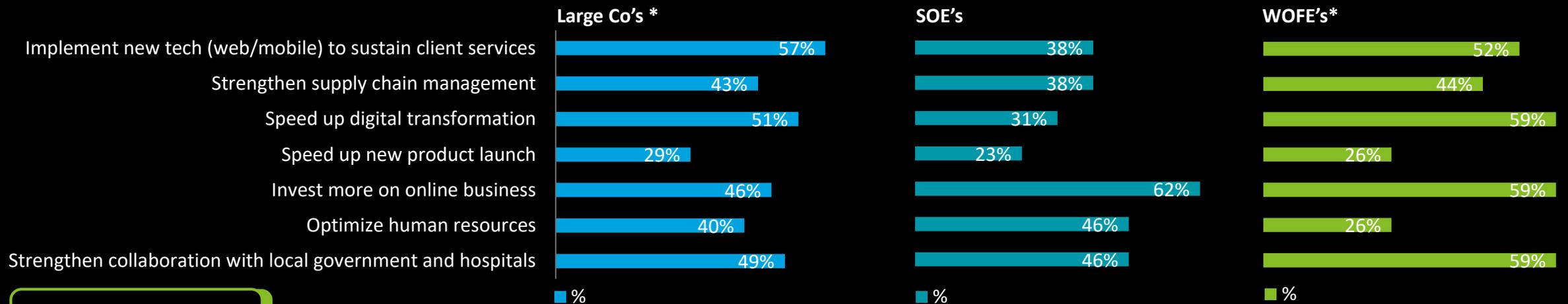
Insights

- All topics really apply...
- Strengthening local government relationship and hospitals is the highest short term priority
- The 'new technologies' focus: engage clients and distribute & access patients & clients through online channels is a clear focus

COVID-19 Survey

Deep-Dive #4: Larger companies seem to embrace faster the idea of new technologies

- How will your company do in short term to mitigate the impact to your business? (Please prioritize top 4) [Multiple choices]



Insights

- Larger companies seem to focus on a mix between 'new technologies' to engage HCP's, patients and customers and reviewing their investment plans into 'online' business models
- SOE are very focalized around 'online models' only
- Foreign companies are embracing all: new technologies, digitalization and online business models

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Question #5

- Which of the following do you expect the new 5Y plan (14th) will have a significant emphasis on after the crisis? (multiple choices)
[Multiple choices]



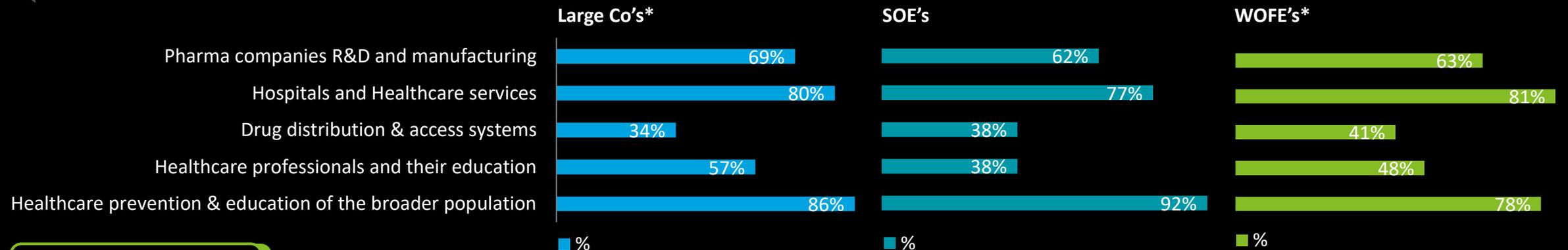
Insights

- There seems to be consensus that the 'Healthcare' sector will be a key area of emphasis in the upcoming 14th 5 Year plan: Healthcare services, Hospitals and but also the approach to 'prevention' and 'education' of the population as a whole.
- Expectation are also, that there will be resources allocated to R&D, enabling Pharma's to engage and deploy the necessary program covering China's key health & disease areas

COVID-19 Survey

Deep-Dive #5: New 5Y plan (14th) focus

- Which of the following do you expect the new 5Y plan (14th) will have a significant emphasis on after the crisis? (multiple choices)
[Multiple choices]



Insights

- Worth highlighting that SOE's respondents expect less emphasis on the Healthcare professionals, their educations but also the recognition in the value chain.
- Prevention & education of the broader population was the main consensus from the SOE respondents.

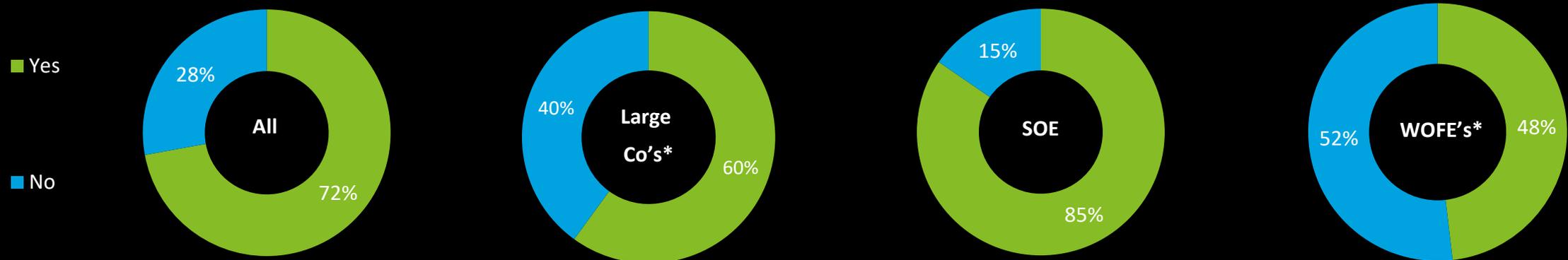
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Question #6

- With the crisis, do you perceive that local drug companies will be advantaged going forward to allow a fast re-directing of R&D resources specifically catering for China's needs?



Insights

- As expected, there is great difference in the anticipation of future support and resources provided to different market players, WOFEs are enjoying current regulations on new drug approval speed-up and are confident to make agile response for China needs;
- SOEs are also confident that they'll benefit from their profound understanding of local market

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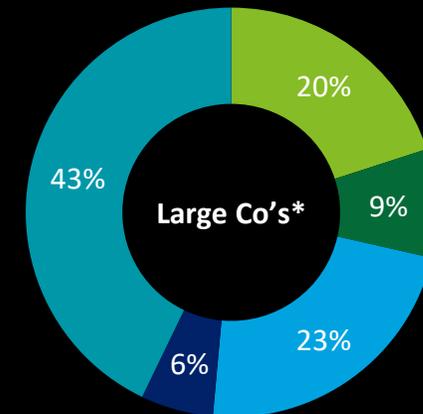
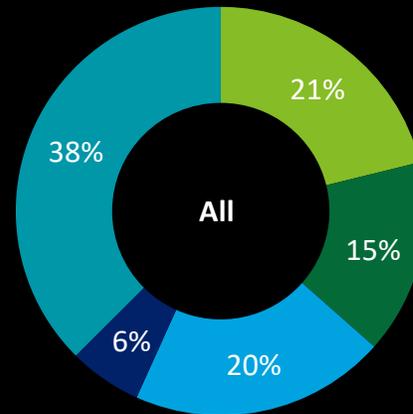
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COVID-19 Survey

Question #7

- How do you foresee the crisis will impact on your business revenue in 2020?

- Revenue will drop down in 2020 within 20%
- Revenue will drop down in 2020 more than 20%
- Sales can catch up later to meet the target in 2020
- Sales will go up with the rising medical demand in 2020
- Unknown



Insights

- Very balanced
 - ~20% of the respondents believe that sales will catch up in 2020 and actually allow to meet currently set targets and budgets
 - ~20% of the respondents believe that sales will drop somewhere up to 20%
 - While a big portion of participants are uncertain about the whole year outlook, it may depend on the crisis progress

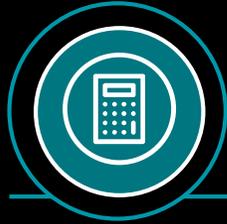
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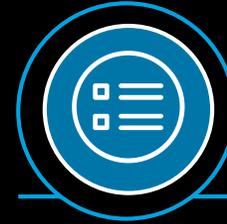
In Summary: Insights and Outlook



**Future of Work is closer
and will come faster**



**New technologies will accelerate
the move to a Healthier China**



**Partnering and building new business
models will be key to capture markets**

COVID-19 Survey

In Summary: Insights and Outlook

Key Insights

- New ways of working were the immediate responses, covering immediate health safety concerns for employees but also to continue the business ongoing
- Sales and marketing activities have been the most disrupted and are top of mind of all c-suite members. Also nearly 60% of the larger companies are already reviewing the possibilities to roll-out / upgrade and implement new technologies to engage HCP's, Hospitals, patients and customers.
- New market distribution models are considered by many respondents of the survey, and further focus on online channel models will be accelerating going forward.



New ways of working may become a standard going forward



New ways of marketing and sales force organization will emerge



Alliances and partnering will accelerate such business channels

COVID-19 Survey

In Summary: Insights and Outlook

Key Insights

- Prevention and education of the broader population is the likely focus of the forthcoming government support programs looking at China's healthcare. The latest updates on 'Healthy China 2030' had already a number of such KPI's, also the currently in preparation of the next 14th 5 Year-plan is more than likely to emphasis these objectives.
- R&D specific to China's disease and pathologies is expected to be supported at a higher degree going forward, and that domestic industry players (SOE & Private) are expected to be better positioned to capture such resources and support.
- Healthcare professionals and service providers will be in the center of many reforms for the "better healthier life" going forward in China. The value chains of the industry as whole will be reviewed and re-distributions will take place.

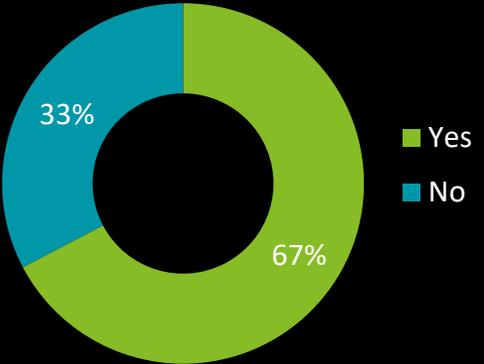


Reviewing China business strategies with government framework and objective is critical to be a recognized and successful market player, now more than ever

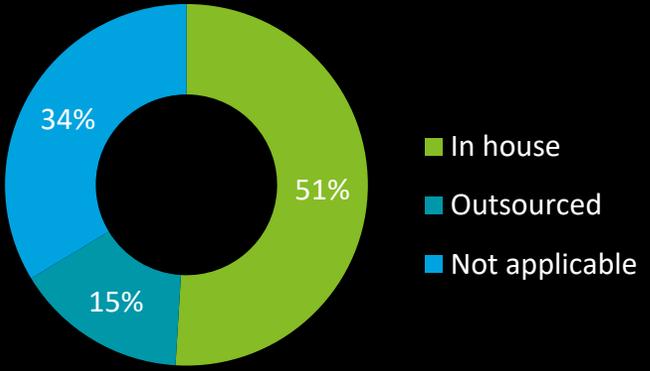
Appendix

COVID-19 Survey Appendix

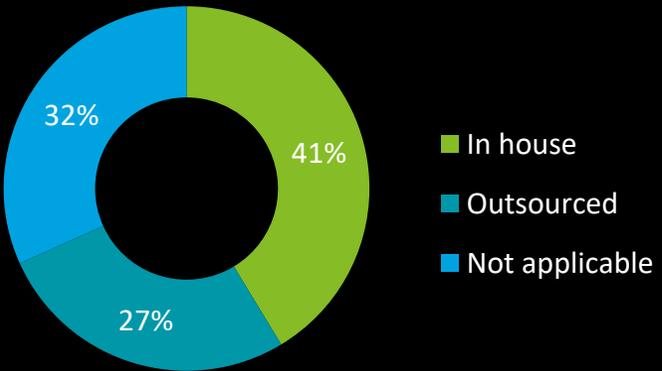
• Manufacturing base in China?



• Warehouse operations

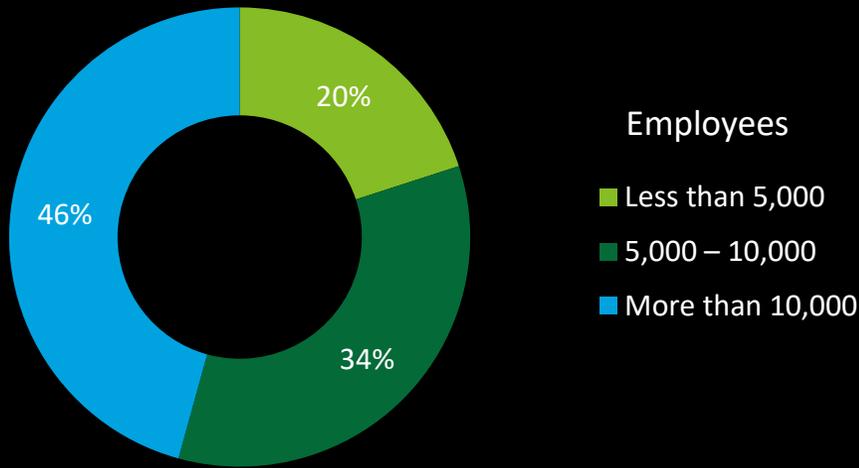
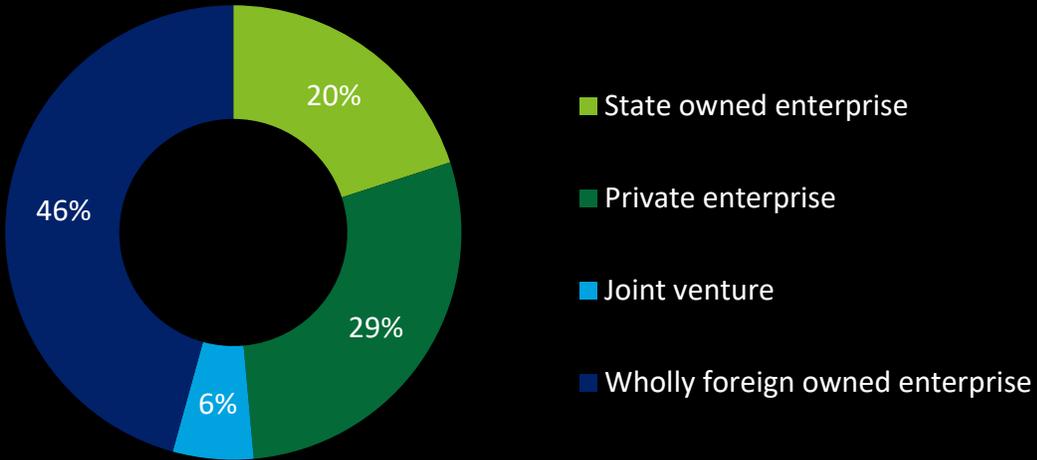


• Shared Services Center



COVID-19 Survey Appendix

• Large companies segment (35/104) having revenues >5BRMB



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