

# Driving Efficiency by Transforming Biopharmaceuticals' Commercial Operations

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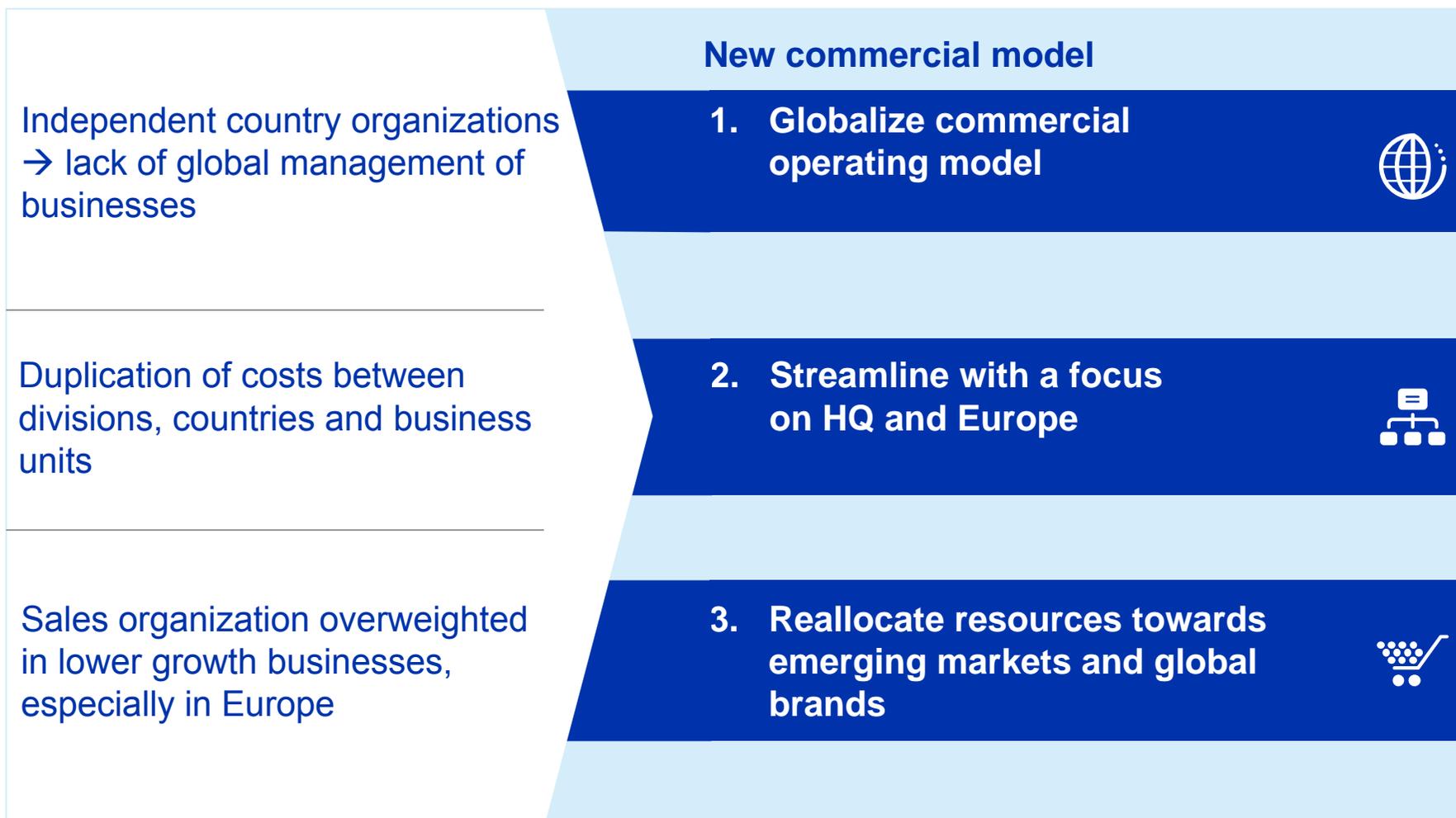
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# Agenda

- 1. Introduction**
2. New global Commercial Operations model
3. Streamlining the commercial organization
4. Re-allocating resources towards emerging markets and global brands
5. Summary

# Previous commercial model resulted in major inefficiencies and required deep transformation



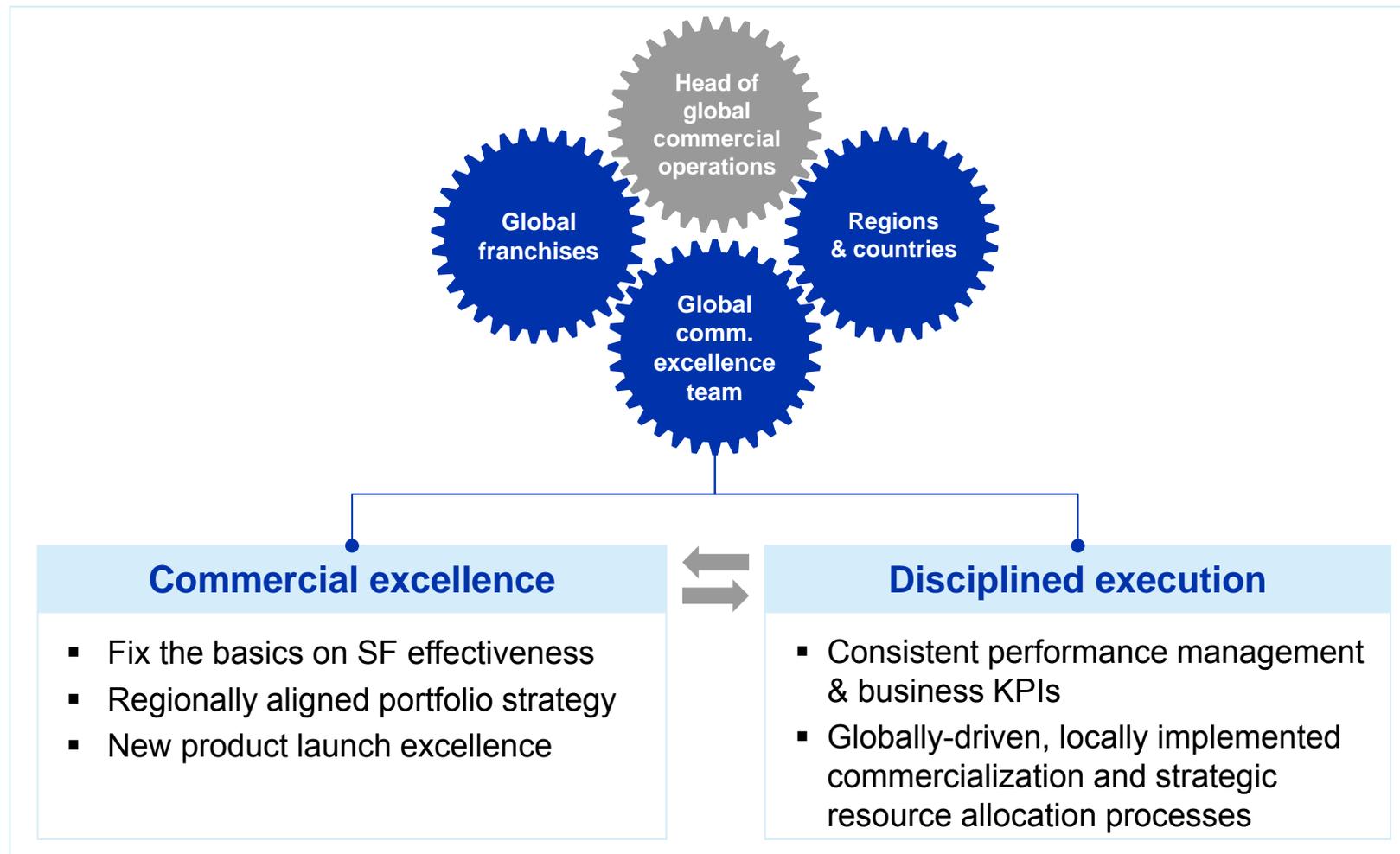
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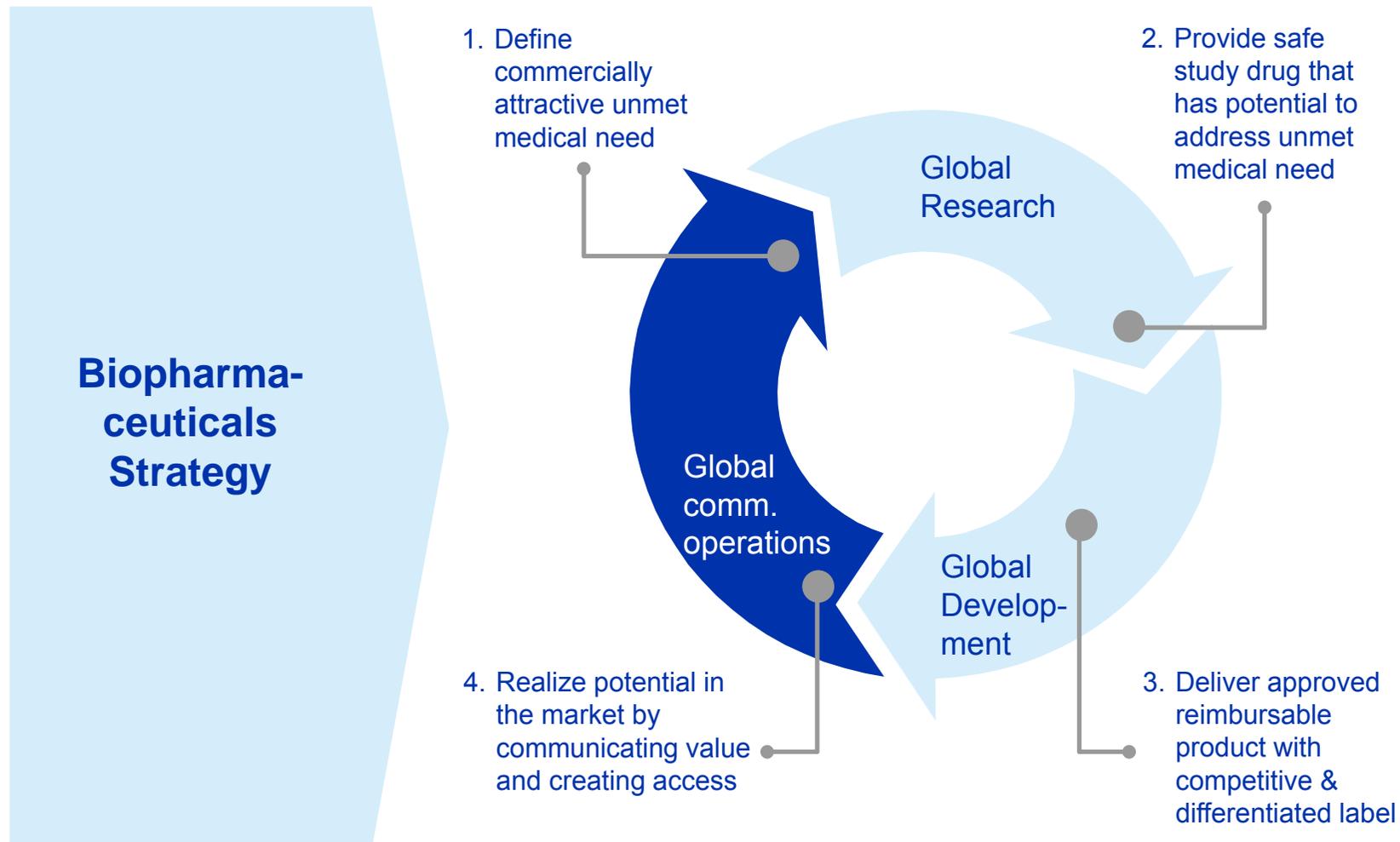
# New regionally-focused organization to exploit the global potential of core franchises



# A dedicated function with new leadership will ensure transition to the new operating model



# Global commercial operations will play a key role in portfolio and pipeline decisions



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# Streamlining the commercial organization in a sustainable manner



Reduce staffing in HQ functions, regional offices and country structures, with particular emphasis on low growth geographies



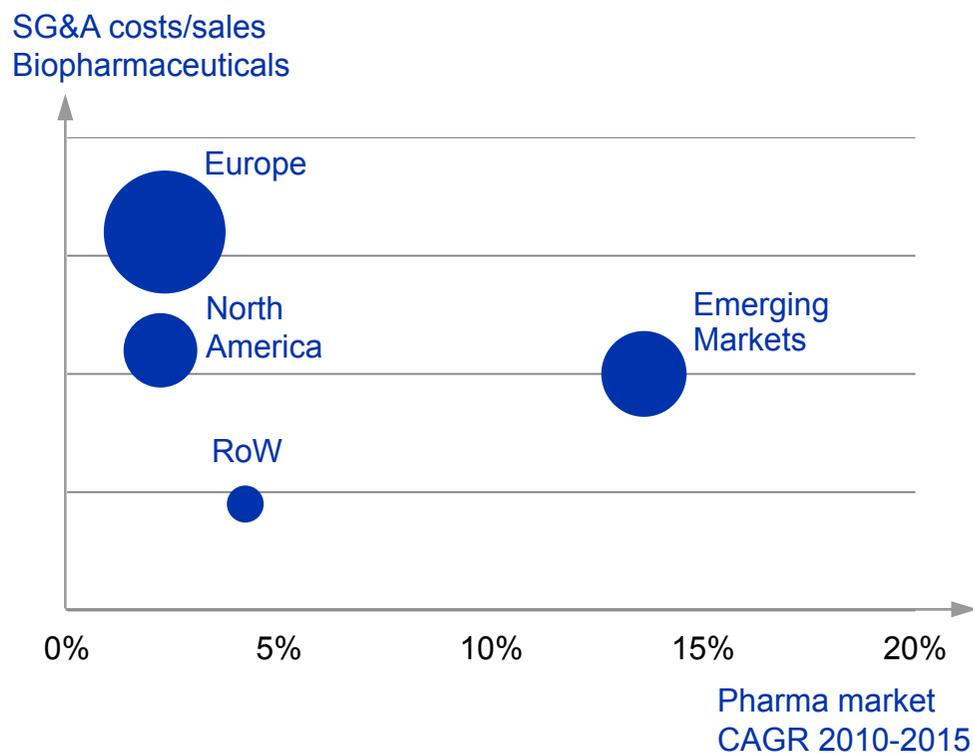
Eliminate inefficient spending by focusing investment in growing brands and geographies



Balance structural vs. non-structural cost reduction to ensure long-term sustainability

# Decrease dependency on Europe and align cost structure to long-term growth potential

## 2011 SG&A costs/sales of Biopharmaceuticals vs. pharma market growth by geographies

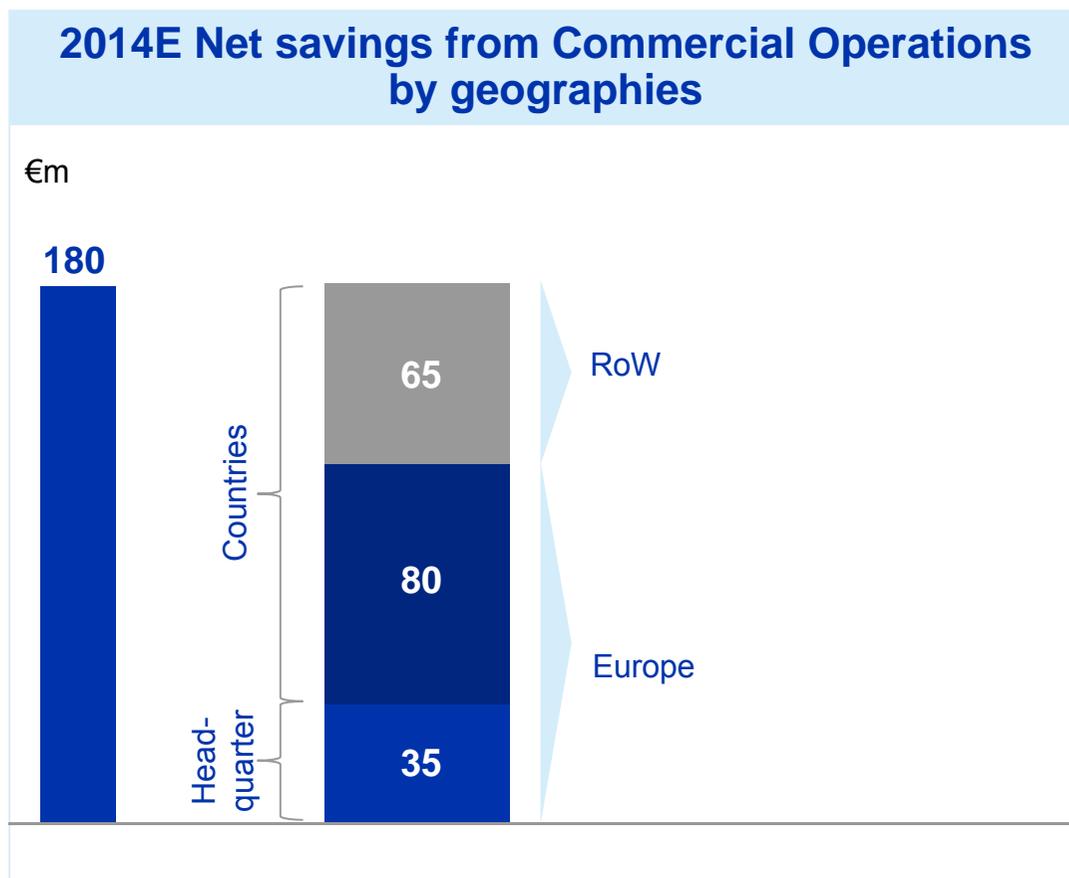


Source: IMS Health, company data

## Key priorities for Biopharmaceuticals:

- Adapt organization to regional portfolio priorities and growth potential
- Refocus Europe on biotech portfolio and drive down costs behind declining portfolio
- Direct resources into markets with highest return profiles:
  - Leverage new global commercial model to further penetrate Emerging Markets
  - Strengthen business in USA and Japan

## Europe will contribute ~2/3 to cost savings from Commercial Operations



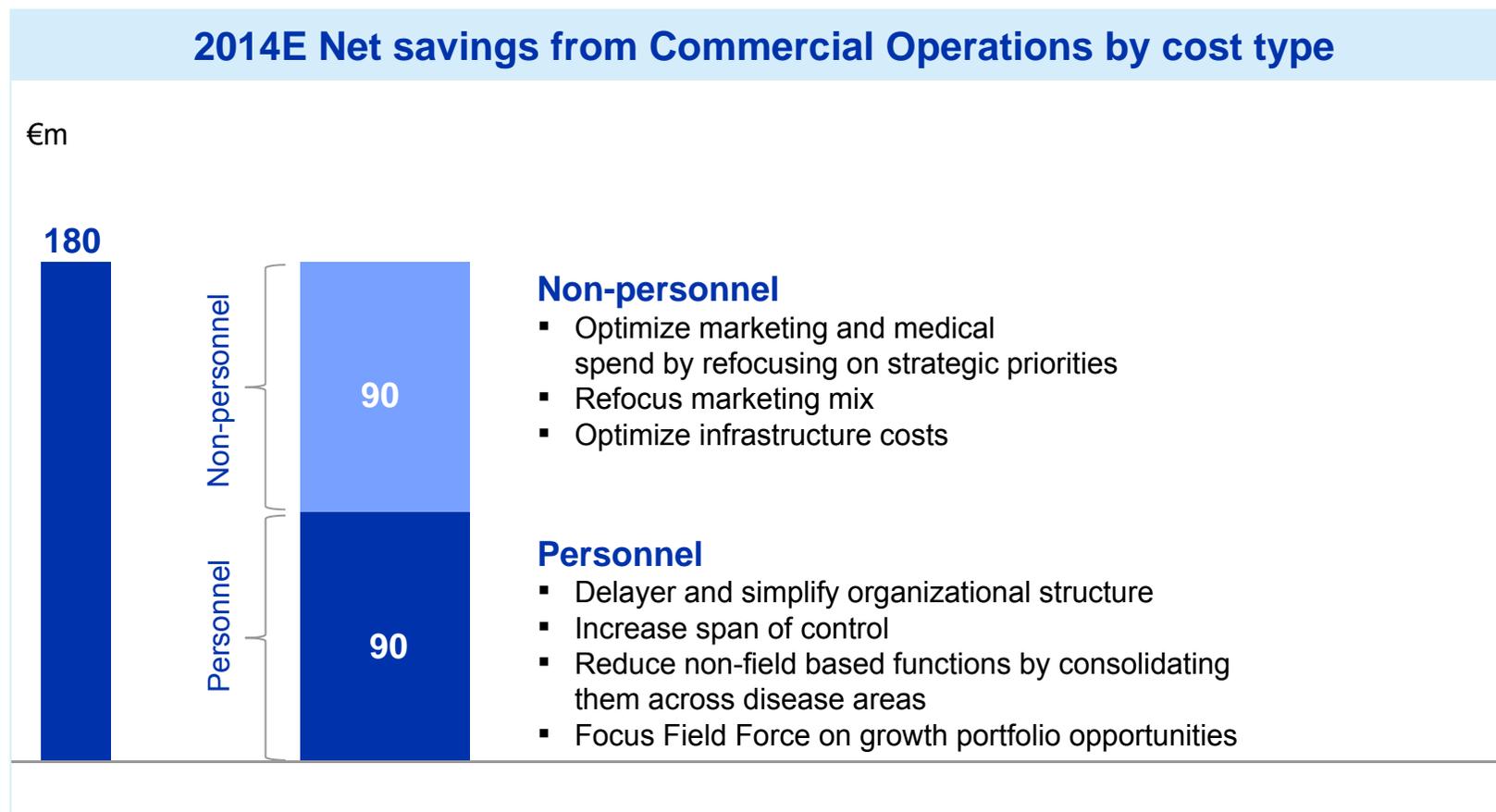
### Guiding principles of efficiency program:

- All countries to achieve ratios closer to external benchmarks
- Particular focus on Europe and HQ
- Non-customer facing positions to contribute to the most efficiencies



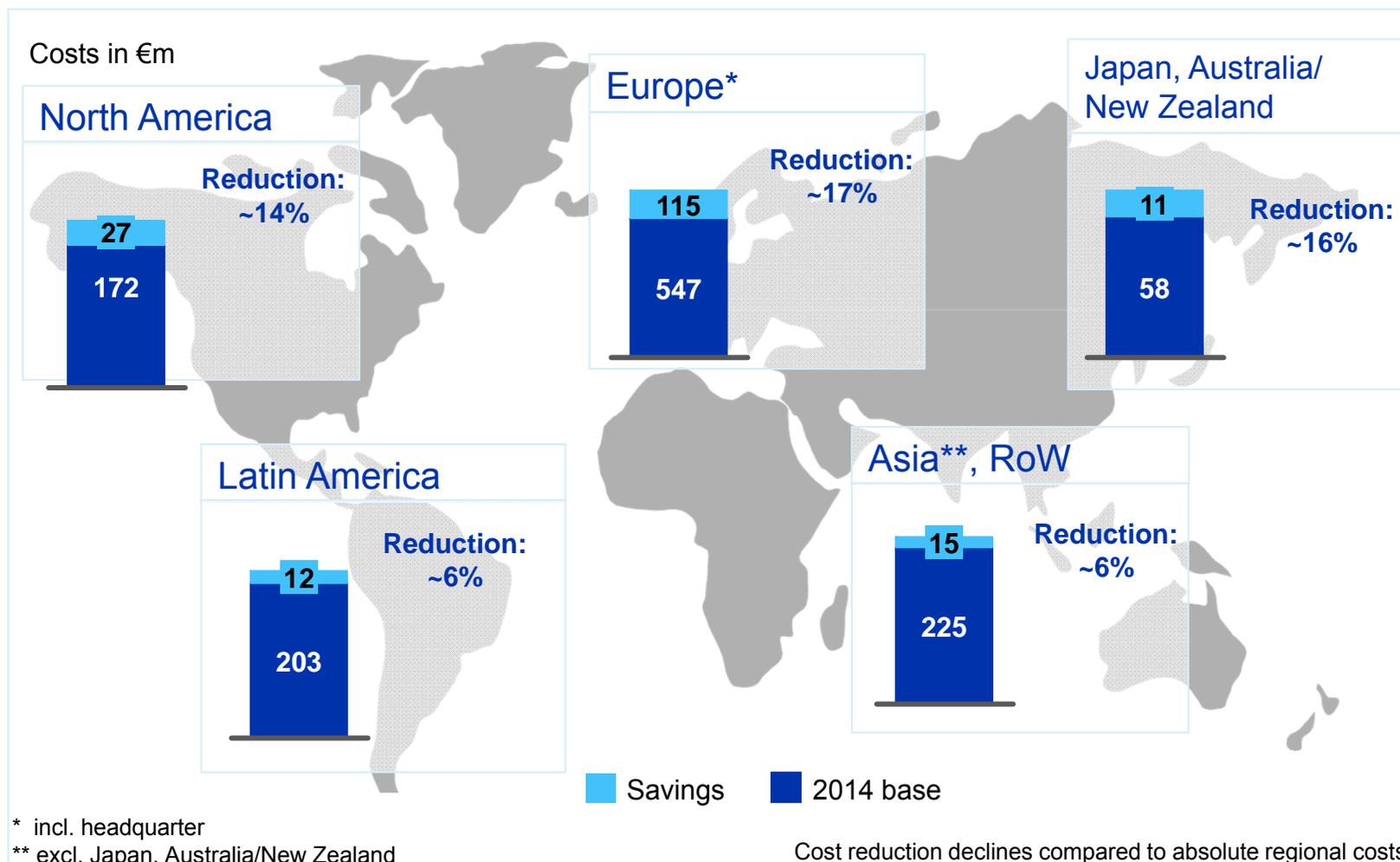
Cost reductions aligned with regional growth potential

# A balance of personnel and non-personnel cost savings will ensure long-term sustainability



~1/2 of savings will come from reduction of personnel costs

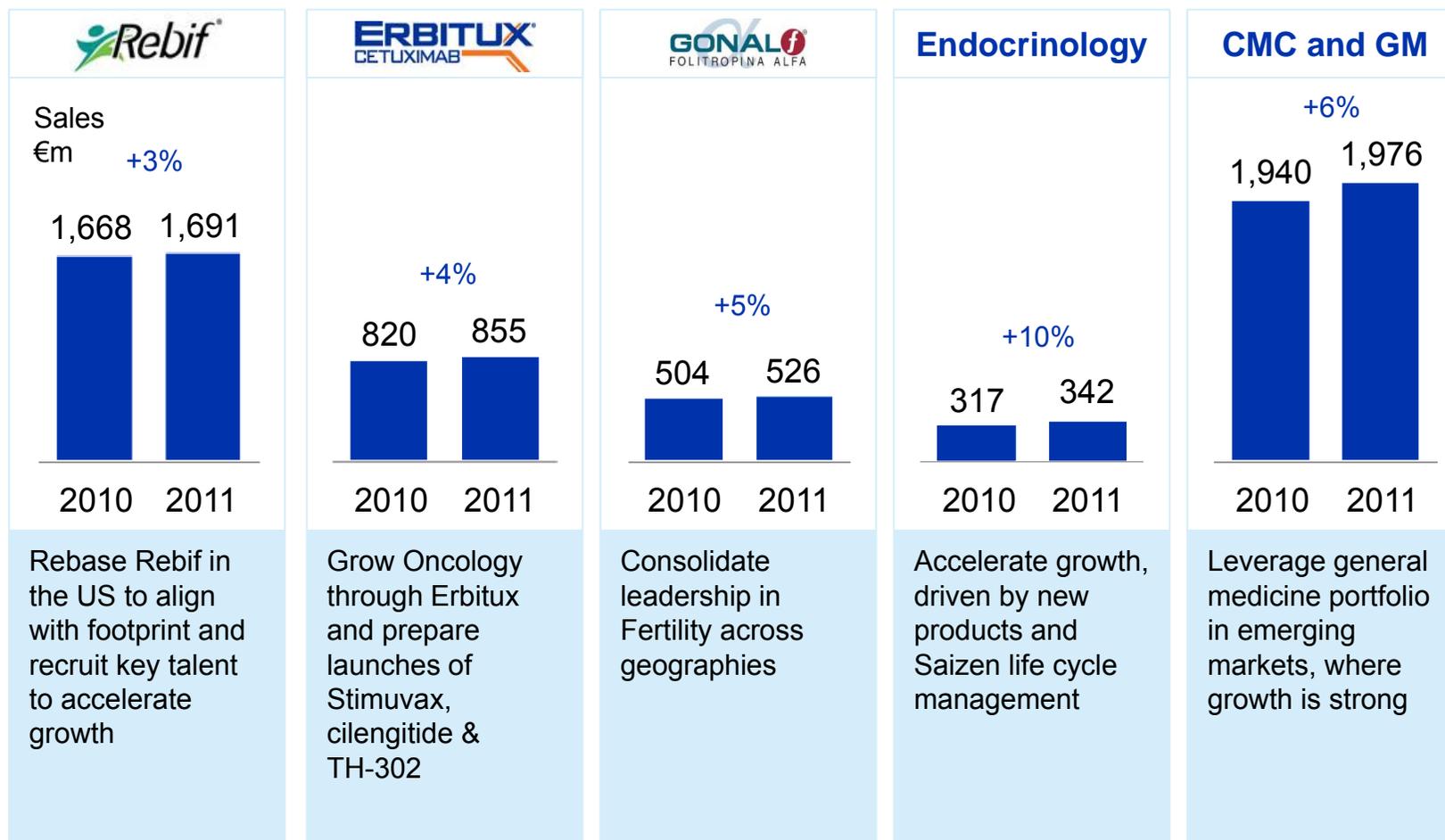
# Cost savings will be in line with regional growth potential



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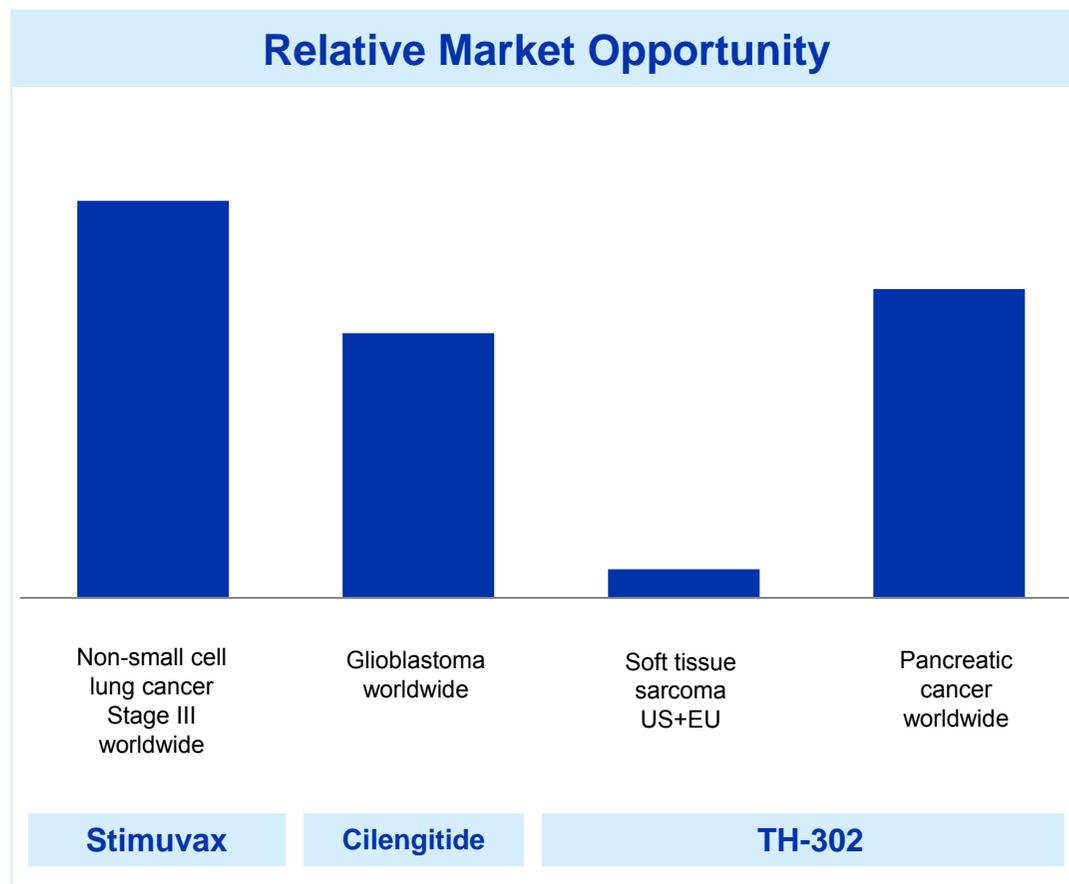
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## Current performance of key brands represents a strong base for future growth



Growth rates refer to organic sales growth

# Phase III Oncology pipeline targets markets with attractive commercial potential



## Biopharmaceuticals strategic focus on Oncology:

- Products with first-in-class potential, e.g., Stimuvax, cilengitide, TH-302 to gain first mover advantage
- Personalized medicine approach to select patients that benefit most
- Areas of high unmet medical need, e.g., glioblastoma, pancreatic cancer, but with higher risk profile

# Oncology will stay a major investment mainly to build a US franchise

## Market

### Opportunities

- Novel-novel combinations will provide new therapeutic opportunities
- New technology applied to familiar molecules to optimize benefit risk

### Challenges

- Competitive area with increased market fragmentation
- Commercial advantage for first-in-class approaches comes with higher risk

## The Group

### Strengths

- Pioneer in patient stratification
- Respected partner in the oncology market for physicians and biotech companies

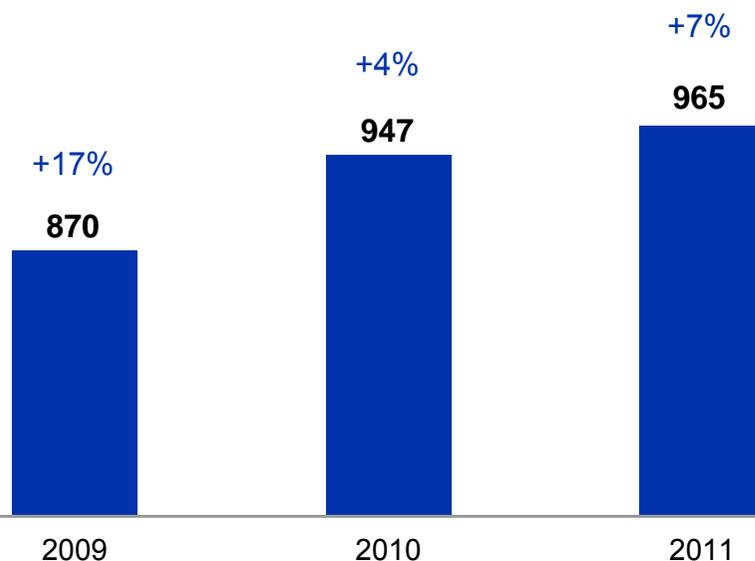
### Weaknesses

- Need to enhance regulatory culture and implementation
- Limited geographic footprint - no US oncology presence

# Capturing organic growth potential and rebasing of talent in the United States

## Biopharmaceuticals US sales and organic growth rates

Sales  
€m

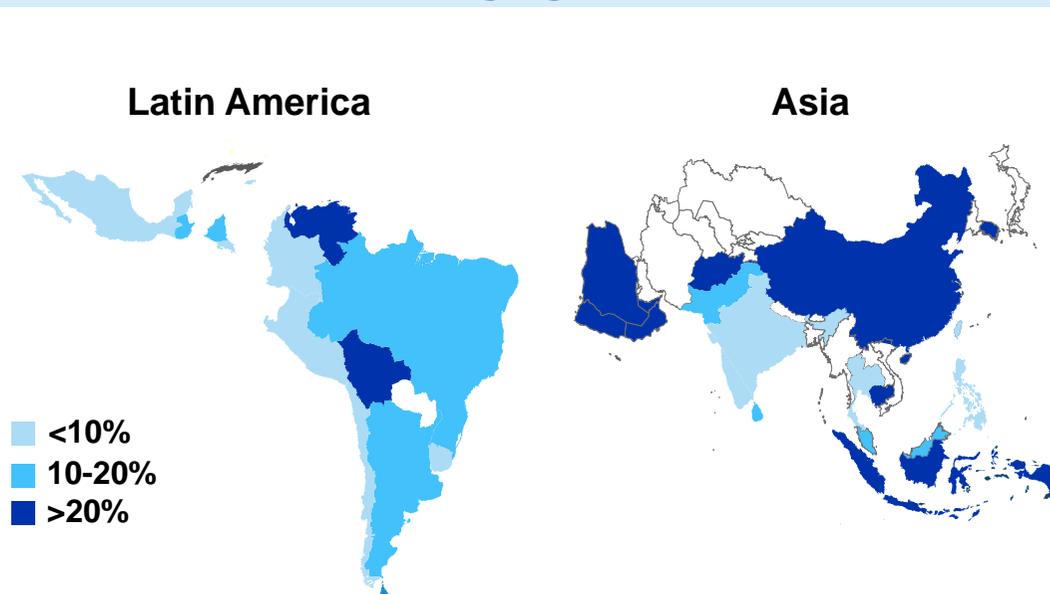


## Opportunities:

- United States is an untapped opportunity
- Global Neurodegenerative Diseases and Fertility franchises, as well as R&D resources, shifted to the United States
- Phase III Oncology pipeline to drive future growth in the United States

# Strong position in Emerging Markets will be further leveraged to drive growth

## 2011 Organic growth rates of Biopharmaceuticals in Emerging Markets



### Top 3 (Sales, €m)

Brazil	317	+10%
Mexico	143	+ 5%
Venezuela	114	+32%

### Top 3 (Sales, €m)

China	218	+56%
India	67	+ 9%
South Korea	50	+24%

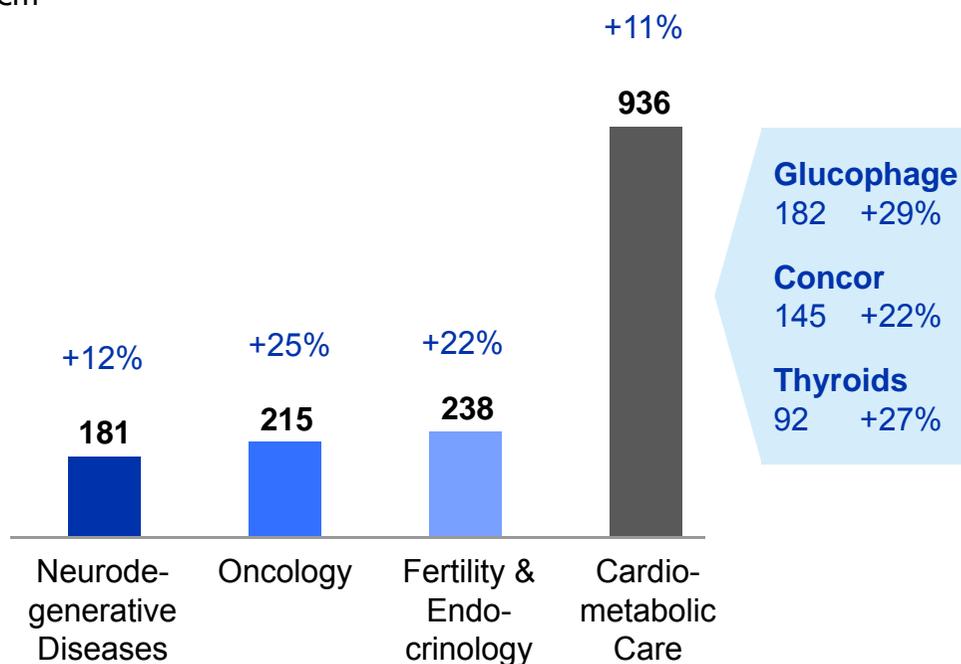
## Today's strengths:

- 29% of sales already in Emerging Markets
- Privileged ranking position in Latin America and the Middle East
- New Regional focus and leadership capabilities
- CMC and General Medicine portfolio adapted to Emerging Market needs

# We will continue to exploit our strengths in Emerging Markets

2011 Sales and organic growth rates in Emerging Markets by Therapeutic Area

Sales  
€m

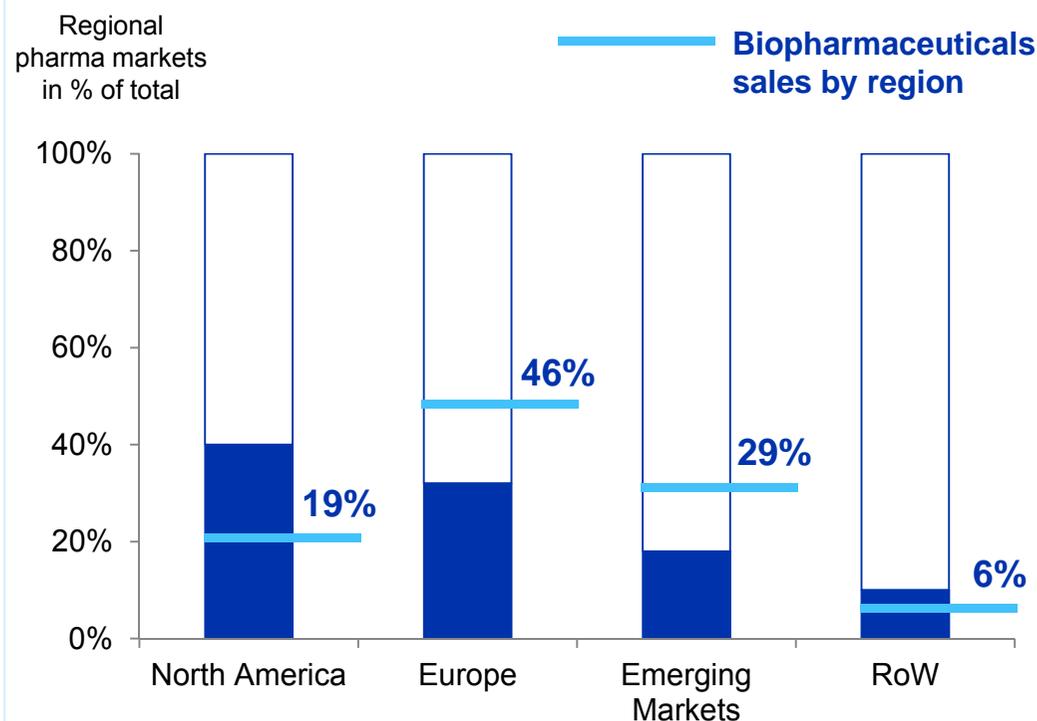


## Key messages:

- Invest in key brands to sustain attractive growth
- Continue to cultivate strong performance in Cardiometabolic Care
- Build our direct sales organization
- Accelerate investments in key countries: China, Brazil

# Current focus must be on costs, while geographic growth initiatives will follow

## 2011 Pharma market sizes and Biopharmaceutical sales by region



Source: IMS Health, Company data

## Growth for the future:

- US & Japan
  - Represent 50% of global pharma market
  - Highest margins
  - But only ~20% of sales for Biopharmaceuticals
- Ex-US and Japan regions
  - Represent remaining 50% of global pharma market
  - Lower margins
  - But ~80% of sales for Biopharmaceuticals

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# Transformation process is well underway

**1** New commercial model with regionally focused organization in place

**2** Efficiency program kicked off to deliver €180 m net cost savings by 2014

**3** Investment to be reallocated towards emerging markets and global brands to drive future growth