

# NEW GROWTH STRATEGIES FOR BIOPHARMA AND MEDICAL DEVICE

HOW TO COMPETE IN A CHANGING SECTOR ?

WHAT OPPORTUNITIES AND CHALLENGES FOR ITALIAN PLAYERS ?

CORPORATE & INSTITUTIONAL BANKING

Discussion materials

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# Focus on Medtech: Challenges & growth strategies

## Medtech is reaching maturity : Outlook more constrained

The slowing pace of innovation will limit top line growth

Cost pressures on broader healthcare system will be increasingly passed along to medical devices

Innovation-driven mix and price opportunities appear more limited

As market volume growth decelerates and healthcare service pressures increase, the industry's historical grip on pricing may slip

## Understanding the new environment

Revenue growth rates to consolidate around the low to mid single digits

R&D efficiency will decline

Gross margin expansion is not sustainable

Increase reliance on capital deployment as operational growth matures

Emerging markets become a significant driver of growth

Source: Morgan Stanley Research

# So it's med tech finally « safer harbour » than pharma?

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- 1 More controlled R&D / pipeline risk, no generic impact for high value added product**
- 2 Faster path to market**
- 3 However:**
  - **Big is often better (bundling strategy)**
  - **Price pressure impacting heavy materials**



## Challenges

- Lower investment in R&D rate compared to other European groups
- Pro capita HC public expenditure lower than European average (-20% for healthcare, -30% for pharma)
- General country ecosystems less "supportive" for early stage R&D financing

## Opportunities

- Cutting edge stems cells / gene-therapy expertise
- Historical good positioning in manufacturing (CMO) and complex API production
- Strong engineering academic and country expertise creating attractive global leader in med tech (e.g. Diasorin , Sorin, Esaote)
- Above average international presence offering natural hedge to price cut and reimbursement risk

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