

THE FTI CONSULTING THIRD ANNUAL LIFE SCIENCES INVESTOR SURVEY

Expectations for the Sector

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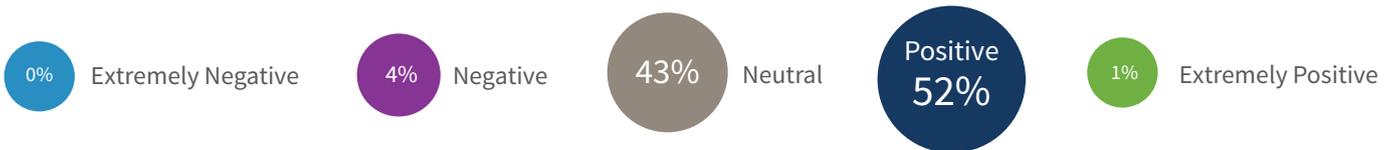
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OVERVIEW OF SURVEY OBJECTIVES

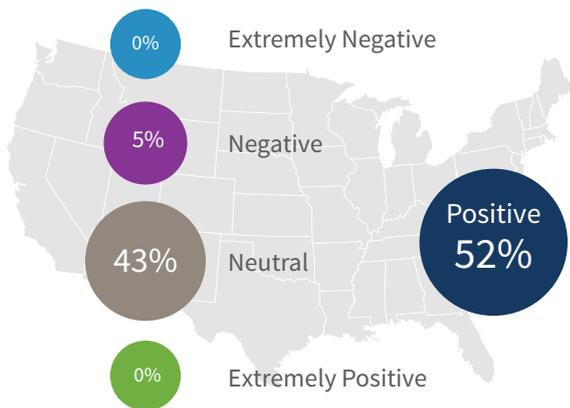
The FTI Consulting third annual Life Sciences Investor Survey, a study conducted by the Strategic Communication practice, assessed U.S. and European investors' outlook on the investment climate in life sciences and, specifically, their expectations for the sector with regard to transactions, drug development pipelines, subsector performance and geographic growth prospects. The survey addressed key industry topics such as the research and development model, the patent cliff, and investor perceptions of the biggest challenges and opportunities for life sciences companies in the coming year. The following charts and discussion represent the most significant findings from the survey.

INVESTOR OUTLOOK FOR PHARMACEUTICAL COMPANY PERFORMANCE IN 2013

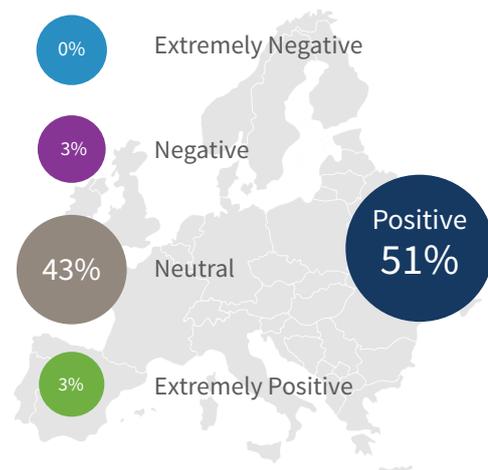
Overall Investor Outlook



U.S. Outlook



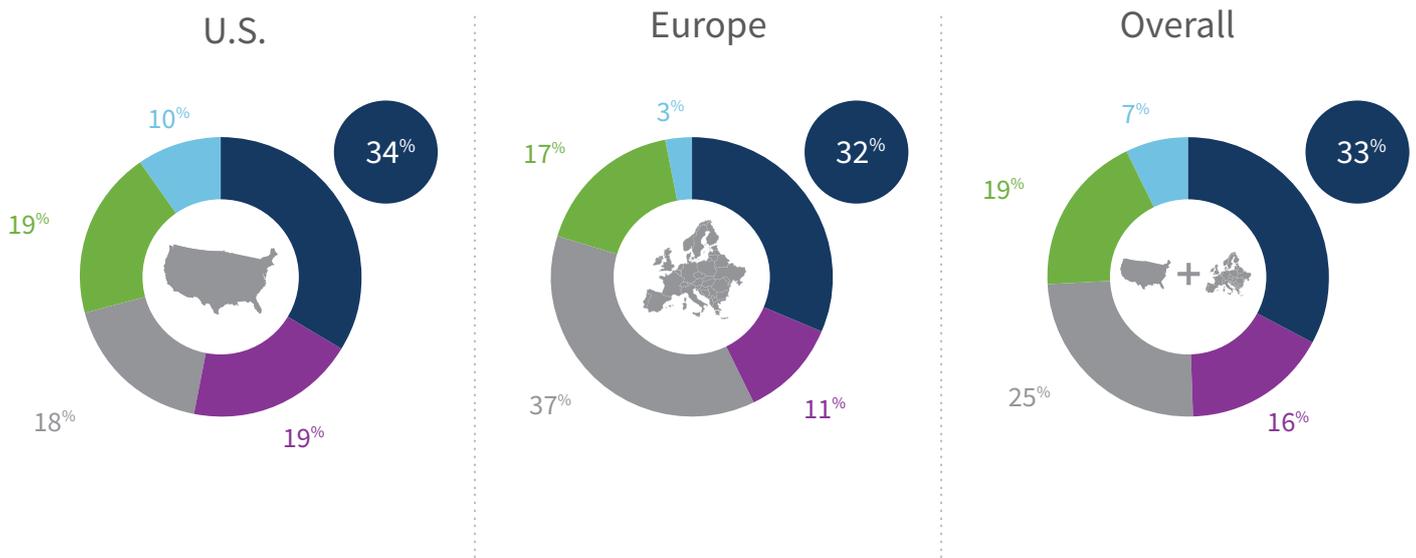
European Outlook



Investors' expectations for pharmaceutical company performance in 2013 can be characterized as neutral to positive. Compared with last year's survey, European investors' outlook remains consistent, while U.S. investors are demonstrating a more positive outlook (up from just 35 percent in 2012).

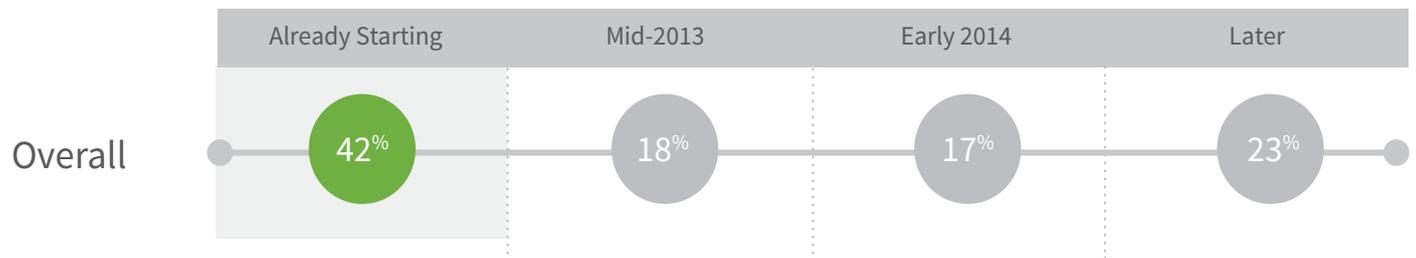
IMPACT OF GLOBAL ECONOMIC CONDITIONS ON INVESTOR APPETITE FOR HEALTHCARE INVESTMENT

- Increasing my appetite for investing in healthcare
- Decreasing my appetite for investing in healthcare
- Investing less in pharma but more in other areas of healthcare
- Investing more in pharma but less in other areas of healthcare
- Other



The largest contingency of participants feels that current global economic conditions are increasing their appetite for investing in healthcare, with more than a third of European investors noting that the current macroeconomic environment is causing them to invest less in pharma but more in other areas of healthcare.

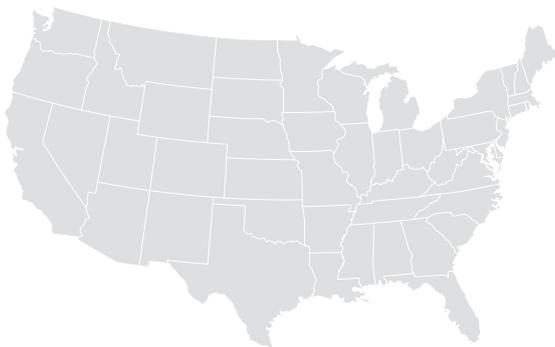
EXPECTATIONS AROUND TIMING OF COMPANIES' EMERGENCE FROM THE PATENT CLIFF



Three out of four investors surveyed believe the pharma sector will have emerged from the patent cliff by no later than early 2014, a key expectation given the significant overhang the patent cliff has been for pharmaceutical companies.

MOST CRITICAL ISSUES IMPACTING THE LIFE SCIENCES SECTOR IN 2013

U.S.



Europe

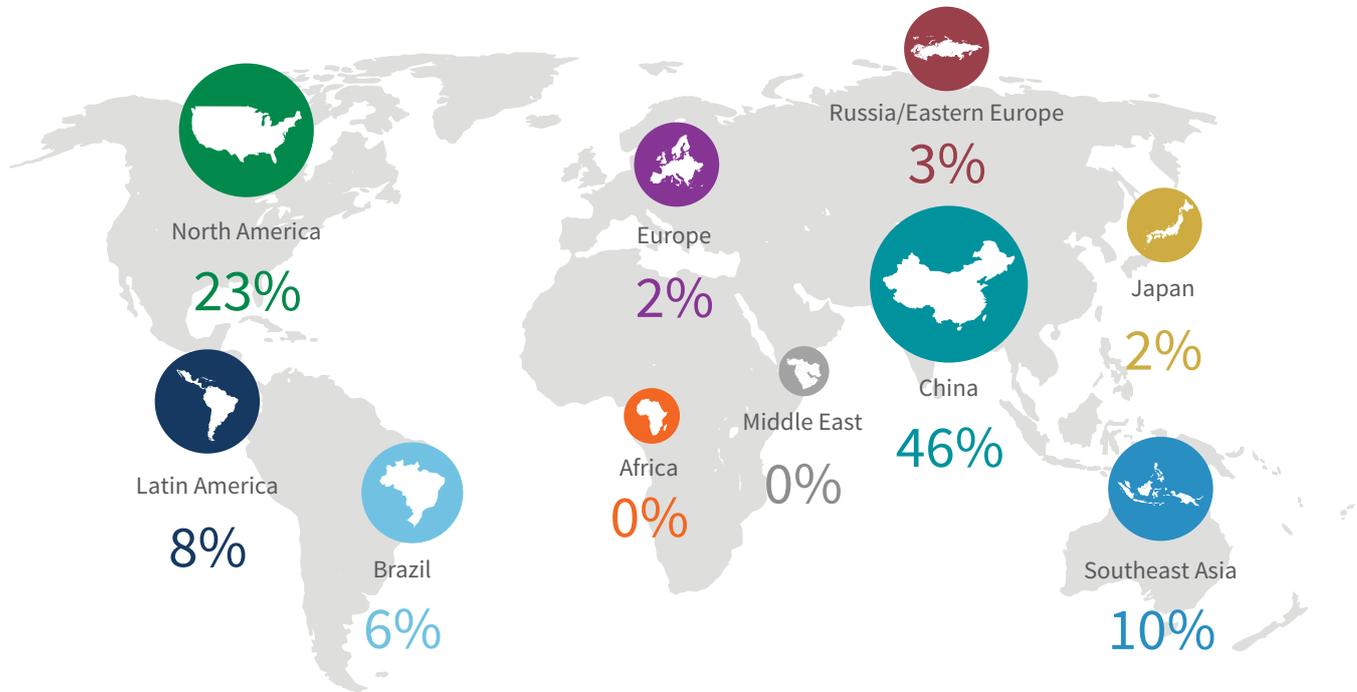


Note: Investors were asked to rank the above issues in order of significance, with 1 being the most significant. The above graphic represents the frequency with which each issue was ranked #1.

*Mergers and acquisitions

Both U.S. and European investors view global healthcare reform and pricing pressure as the issue that will have the most significant impact on the performance of life sciences companies in 2013. In terms of geographic disparities, U.S. investors see new drug launches as the next biggest issue impacting performance, whereas European investors view emerging markets growth as a more important area.

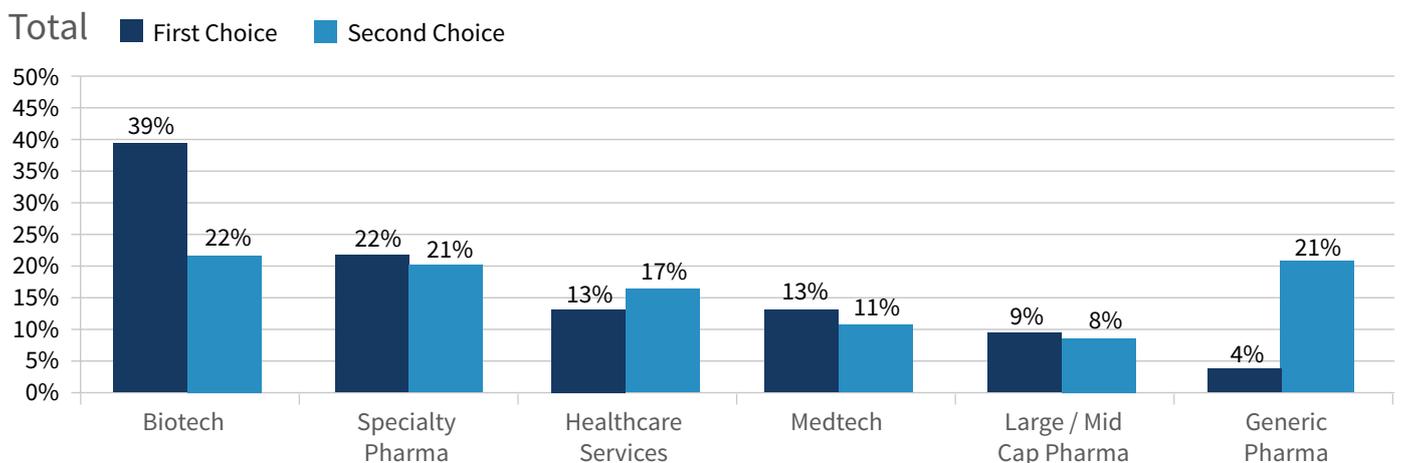
GEOGRAPHIC GROWTH EXPECTATIONS FOR LIFE SCIENCES COMPANIES



Note: Investors were asked to rank the top 3 growth regions; percentage shown represents investors' first choice rankings.

When asked to identify which geographies will deliver the greatest growth within the life sciences sector in 2013, investors demonstrated that China is the region that they are the most bullish on, followed by North America.

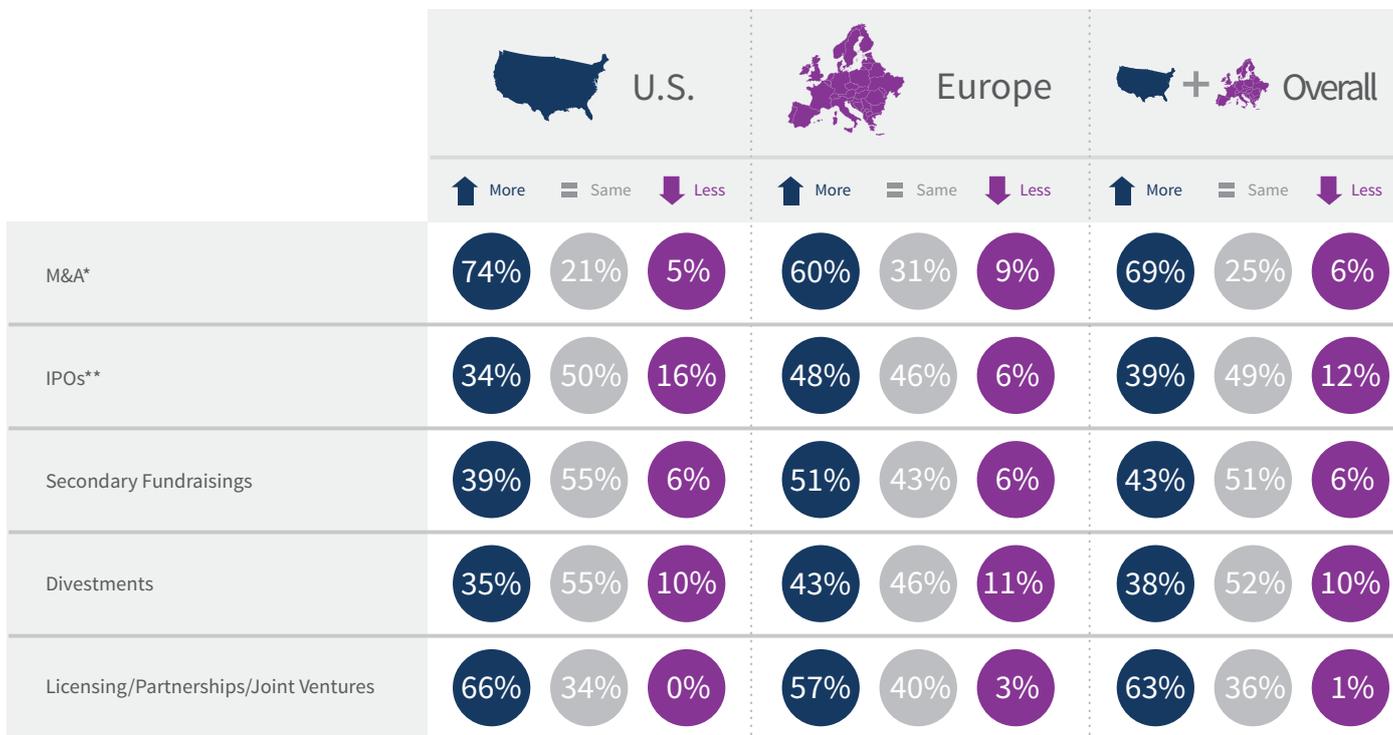
HEALTHCARE SUBSECTOR ROI* EXPECTATIONS



*Return on Investment

Investors expect biotech companies to deliver the greatest share price returns in 2013, followed by specialty pharma.

EXPECTATIONS AROUND LIFE SCIENCES TRANSACTION ACTIVITY IN 2013

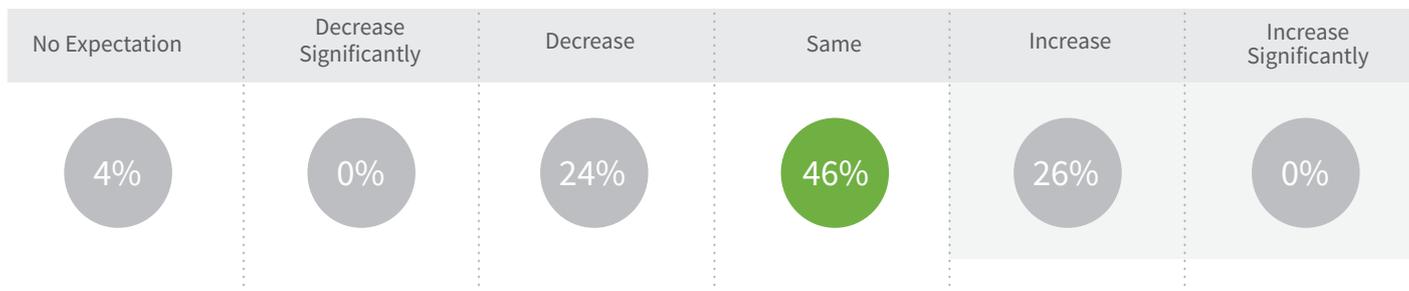


A majority of all investors expect to see more M&A deals and licensing/partnerships/joint ventures in 2013 vs. 2012. Roughly half of all investors expect the number of IPOs, secondary fundraisings and divestments in 2013 to be flat vs. 2012 levels.

*Mergers and Acquisitions

**Initial Public Offerings

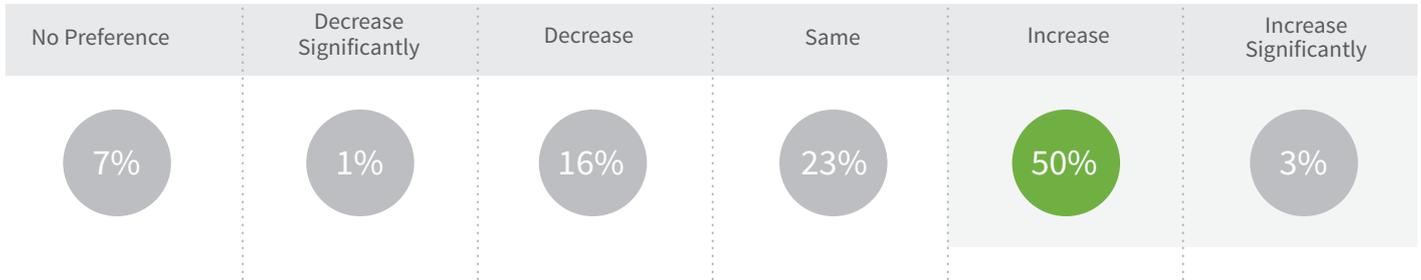
EXPECTATIONS AROUND PHARMACEUTICAL COMPANY R&D* SPEND



*Research and development

The largest contingency of investors expects R&D spend in 2013 to remain flat compared with 2012 levels.

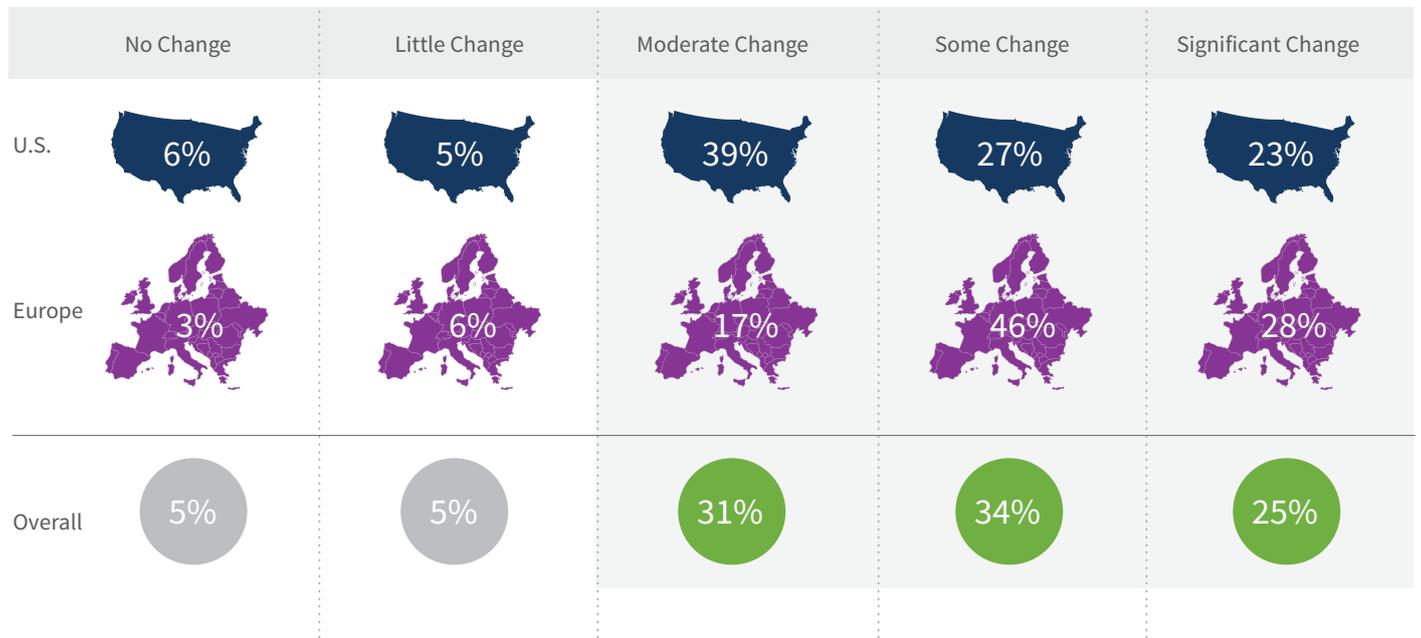
PREFERENCES AROUND PHARMACEUTICAL COMPANY R&D* SPEND



*Research and development

A majority of investors would prefer to see pharmaceutical companies increase R&D spend in 2013. However, consistent with our findings from last year’s survey, these sentiments appear to be more pronounced in the United States (60 percent of U.S. investors called for an increase in R&D spend vs. just 40 percent in Europe).

VIEWS ON THE NEED FOR CHANGE TO CURRENT R&D* MODELS



*Research and development

On average, 89% of U.S. and European investors believe there needs to be some level of change to R&D models in order to address current market dynamics. However, the call for changes to R&D models is more prominent in Europe. Included within investors’ suggested changes to R&D models are calls for 1) more partnerships, 2) less in-house research and more outsourcing, 3) increased focus on orphan diseases and 4) increased focus on new technologies (i.e., regenerative medicine).

THE CASE FOR COMMUNICATIONS

Given investors' relatively positive outlook for the sector, life sciences companies need to be proactive and aggressive in their competition for capital. In order to drive valuation, companies need to make a concerted effort to differentiate their corporate investment narrative by:

- **Hosting unique investor events**
- **Increasing management's time on the road with quality investors**
- **Establishing a strong presence at key industry investment conferences**
- **Developing additional investor touchpoints**
 - **CEO video**
 - **CEO blog**
 - **Flash Reports/newsletters to communicate key corporate initiatives**

ADDRESSING HEALTHCARE REFORM AND PRICING PRESSURE

Our data indicate that healthcare reform and pricing pressure are viewed by investors globally as the most critical issues impacting the life sciences sector in 2013. For those companies likely to be impacted by healthcare reform and

pricing pressure, it is critical that they develop and communicate a clear and comprehensive strategy for how they intend to navigate these issues in 2013 and beyond.

MANAGING EMERGING MARKETS EXPECTATIONS

Similar to many other sector-focused investors, life sciences investors are bullish on the growth prospects for China. However, recent returns from China have not been quite as robust as

initially expected, as many companies have experienced setbacks in this region. Life sciences companies need to carefully communicate the inherent risks of doing business in China and avoid overpromising while managing investor expectations. Additionally, those companies with a significant presence in

China, or those with plans to expand or initiate operations in this region, need to spell out how the company is positioned to succeed in this key emerging market, and explain what specific initiatives they have in place or are in development.

ENHANCING R&D COMMUNICATIONS

R&D strategy is unique to every life sciences company. Given the often conflicting views of investors and life sciences companies around research and development strategy and spend, it is essential that companies present compelling messaging to support

their R&D strategy within the context of overall capital allocation, including, where possible, an indication of return on investment on R&D investments and rationale for the scale of R&D expenditure vs. alternatives. Companies can accomplish this through a variety of communications channels, including:

- R&D events that feature presentations from R&D-related executives

- R&D Flash Reports that update investors on important pipeline milestones and data
- Interactive pipeline section on corporate website to visually communicate drug candidate details
- Video on corporate website to communicate specific pipeline key messages

OVERVIEW OF THE FTI CONSULTING HEALTHCARE AND LIFE SCIENCES GROUP

FTI Consulting is a global business advisory firm dedicated to helping companies navigate complex business issues. Our healthcare and life sciences teams bring together experienced professionals from across our service offerings, including corporate and financial communications, economic and financial consultancy, risk and regulation advisory, mergers and acquisitions, investigations and corporate tax.

As life sciences companies face an ever-increasing number of commercial and regulatory challenges, our dedicated sector advisors provide business-critical counsel to protect and enhance the value and reputation of client companies. Whether it is the patent cliff, the pressure on shareholder value or the drag on growth caused by price reductions, FTI Consulting professionals have the experience to develop a strategic response to engage multiple stakeholders, including those at the board level.

The depth of knowledge and understanding of the healthcare sector speaks for itself: FTI Consulting works with nine of the 10 leading global pharmaceutical companies. One of the leading global healthcare communications practices in the world today, we are ranked first in the Mergermarket Global League Tables of PR Advisors and have consistently ranked #1 in Europe for the last twelve years and in Asia Pacific by Mergermarket.* ■

OUR COMMUNICATIONS SERVICES INCLUDE:

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- Brand Communications
- Investor Relations
- Media Relations
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* Source: Mergermarket League Tables of Financial Public Relations advisors advising on announced transactions in Europe, ranked number one on volume of transactions for the past 12 years. Ranked equal first in global Mergers and Acquisitions by number of deals. Ranked #1 in Asia Pacific for 2012 and 2011.

RESEARCH METHODOLOGY

FTI Consulting executed primary research among 97 life sciences-focused buy-side investors from the United States and Europe in December 2012 so as to provide a diverse and global perspective on the current state of the life sciences industry.

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