

Merck & Co takes number one spot in vaccines

LONDON, UK----12 February 2008----Now all of the major vaccine companies have reported their full year sales for 2007 it is clear that Merck & Co have taken the number one spot in vaccines. The company recorded \$4.3 billion in 2007 (1), a significant increase over \$1.9 billion in 2006. Although a single product, Gardasil (quadrivalent HPV vaccine) has brought this dramatic change (\$1.5 billion in 2007), **VacZine Analytics** believes that in an increasingly competitive market, companies will need two or three blockbusters to stay number one in the future.

Traditionally the big four vaccine companies GlaxoSmithKline, Sanofi-Pasteur, Merck & Co and Wyeth have been divided into two groups. The first group contains the more “European” companies, GSK and Sanofi-Pasteur who run distinctly global businesses and battle each year for the number position. Because of exchange rate fluctuations, it is difficult to argue each year exactly which company was the true leader in terms of sales. Again in 2007 both companies in dollar terms have recorded close to \$4 billion* an increase of around 20% on 2006.

The second group of vaccine companies contains the more US focused companies Wyeth and Merck & Co who previously have managed smaller businesses with sales below \$2 billion per annum. Merck & Co has historically been more global in their approach through the joint venture with Sanofi-Pasteur (SPMSD), which encompasses 19 European countries. In 2007 this venture accounted for around 1 billion Euros, a third of which is attributable to Gardasil.

Wyeth, which recorded \$2.4 billion in 2007, is essentially a one-product company but continues to grow through the international rollout of Prevnar (PCV7). Interestingly Prevnar now records more sales outside the US demonstrating the ability of the company to act global in preparation for their enhanced product (PCV-13). Although Novartis in 2006 entered the vaccines business with the acquisition of Chiron Vaccines, in terms of sales the company is behind the big four recording around \$1.4 billion of which 30% is attributable to diagnostics.

Merck & Co's success with Gardasil again demonstrates that a single blockbuster product can change the fortunes of a vaccine company in a relatively short-space of time. Gardasil passed the \$1 billion mark faster than Wyeth's Prevnar, which took around 4 years from its launch in 2000. It is of note that demand for Prevnar exceeded manufacturing supply soon after launch, undoubtedly a valuable lesson for Merck & Co during their pre-launch demand planning. Merck openly state that if they can fully execute their life-cycle plan for Gardasil their target market for the product could reach 374 million individuals which includes females 9-45 yrs and males 9-24 yrs (2). Although now it does not seem that GSK's Cervarix will be a significant threat to Gardasil, Merck will still need to work hard in convincing international governments to fund Gardasil beyond its core indication.

CONTINUED.....



CONTINUED.....

It should be remembered that Merck & Co's success in 2007 has not only been due to Gardasil. Further sales growth has been driven by the new rotavirus vaccine, Rotateq which was FDA licensed in 2006 beating it's GSK rival Rotarix to the key US market. Rotateq recorded \$525 million (1) for the year and is predicted by **VacZine Analytics** to near blockbuster status globally.

Recent changes in the hierarchy of the big four vaccine companies are a sign of things to come over the next 3-5 years with many more potential blockbuster vaccines forecast to reach the market. GSK and Wyeth are expecting strong revenue gains from their second-generation *pneumococcal* vaccines, 13-valent Prevnar and Synflorix. Sanofi appears more focused on strengthening existing franchises such as influenza and meningitis. The biggest surprise could come from Novartis Vaccines. If the company successfully positions Menveo (CRM-ACWY) and its novel meningitis B vaccine (3) – it will join the big league with two much needed blockbusters.

References:

- (1) Merck & Co 2007 full year results, includes revenue from the company's joint venture, Sanofi-Pasteur MSD. www.merck.com
- (2) Merck & Co company presentation. Available at http://media.corporate-ir.net/media_files/irol/73/73184/ABB07/ABB_2007_GHH.pdf (accessed Feb 08)
- (3) Novartis Vaccines company presentation. Available at http://www.novartis.com/downloads/investors/presentations-events/sales-results/2008/Q42007_Reinhardt_IR_a.pdf (accessed Feb 08)

* Sanofi-Pasteur does not consolidate sales from the SPMSD joint venture. The terms of the venture are not public but it is assumed in terms profitability the benefit is higher to Merck & Co.

For more information about this research please visit www.vacZine-analytics.com
Or e-mail us at info@vacZine-analytics.com

About VacZine Analytics:

VacZine Analytics is a new strategic research agency based in the United Kingdom. Its aim is to provide disease and commercial analysis for the vaccine industry and help build the case for developing new vaccines.

