

BRUNSWICK

Global Investor Views on Healthcare

J.P. Morgan Healthcare Conference
San Francisco
2018



Our Approach

The Brunswick Group conducted an online survey among buy-side investors and sell-side analysts to understand:

- What is the premium for innovation in the health sector?
- What questions do investors want answered before investing?
- What is the appetite for risk when it comes to funding in pharma or biotech?

Brunswick surveyed 150 investor across North America, Europe, the UK, and Asia between November and December of 2017.

Brunswick conducted the first annual investor healthcare survey in December of 2016. Tracking data from that work is included in this report.



By the Numbers – Key Investor Facts



Will Drug Prices Get Regulated?

76%

A majority of investors believe the pharmaceutical sector will face regulation if it can't justify its drug pricing models.



Is Healthcare Lagging in Cybersecurity?

52%

Half of all investors agree that healthcare lags in cybersecurity compared to other industries.



Will Price Scrutiny Reduce Investment?

74%

A majority of investors are less likely to consider investing in a company that is receiving public scrutiny over drug prices.



Can Cybersecurity Risks Discourage Investment?

48%

Nearly half of all investors would not make an investment due to cybersecurity risks with a healthcare company.

The Political and Regulatory Outlook

The background features a dark blue field with two prominent diagonal stripes. A bright yellow stripe runs from the bottom-left towards the top-right, crossing the text. A purple stripe runs from the top-right towards the bottom-left, also crossing the text. The stripes are solid and have a consistent width.

What Drives Investment Strategies?

QUESTION: Please rank how important each of the following factors have been in shaping your investment decisions over the past 12 months...

QUESTION: Now, thinking just about your investment strategy for the health care sector...



What Are the Expectations from Policy and Financial Influencers?

QUESTION: Please RANK the following activities based on how IMPORTANT they are to you when deciding how INNOVATIVE health and biotechnology companies are.

An innovative healthcare company...



Policy Influencers



Financial Influencers

Most Important

Least Important



- Cares about patients
- Is working to address serious medical conditions
- Is on the leading edge of scientific research
- Works to ensure that all customers can afford its medicines
- Has created many successful, FDA-approved medicines
- Is a significant employer in the U.S.
- Makes a positive contribution to local communities
- Supports important scientific philanthropic efforts
- Is a good place to work
- Has a healthy pipeline of new medicines in development

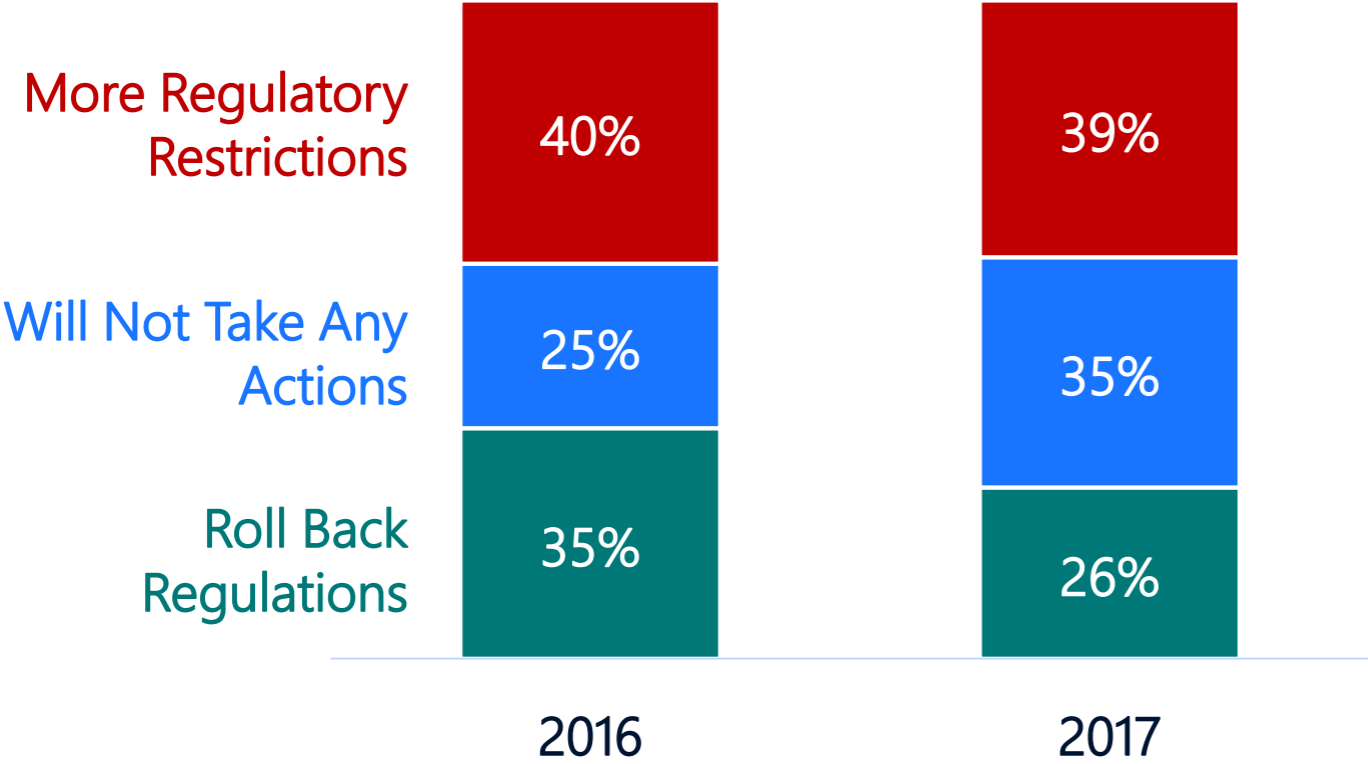
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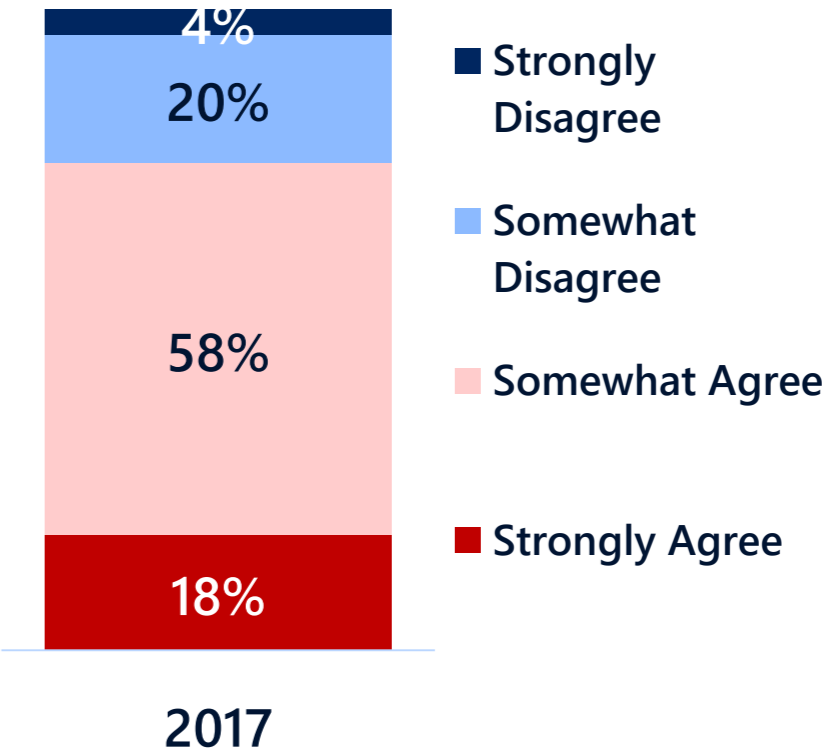
Policy and Financial Influencers view a company's ability to care about patients more highly than being at the scientific cutting-edge

Investors Are Less Optimistic that Regulations Will Be Loosened and Believe Scrutiny of Drug Prices Will Lead to New Regulations

Do you believe the new administration in Washington will create **more regulatory restrictions** on drug pricing, will **roll back regulations** on drug pricing, or **will not take any actions** around drug pricing?

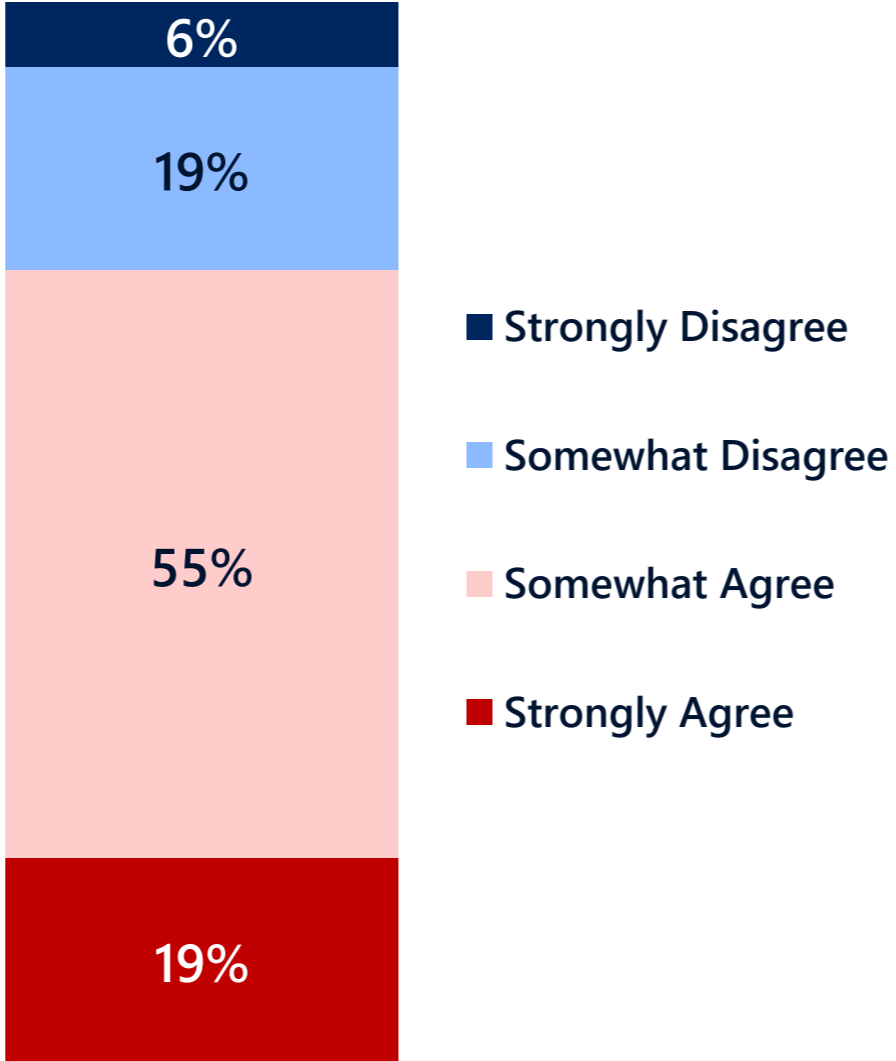


Unless companies in the pharmaceutical sector can better justify their drug pricing models, **the industry will face harsh regulations** that will harm innovation and profitability.



Scrutiny on Drug Prices Can Discourage Investment in Healthcare Companies

*When a pharmaceutical company is being scrutinized over its drug pricing, it **makes me less likely to consider** investing in that company.*



Drug Price Scrutiny Has Real and Long-Term Impact with Investors



HEALTHY LIVING 08/18/2016 05:53 pm ET

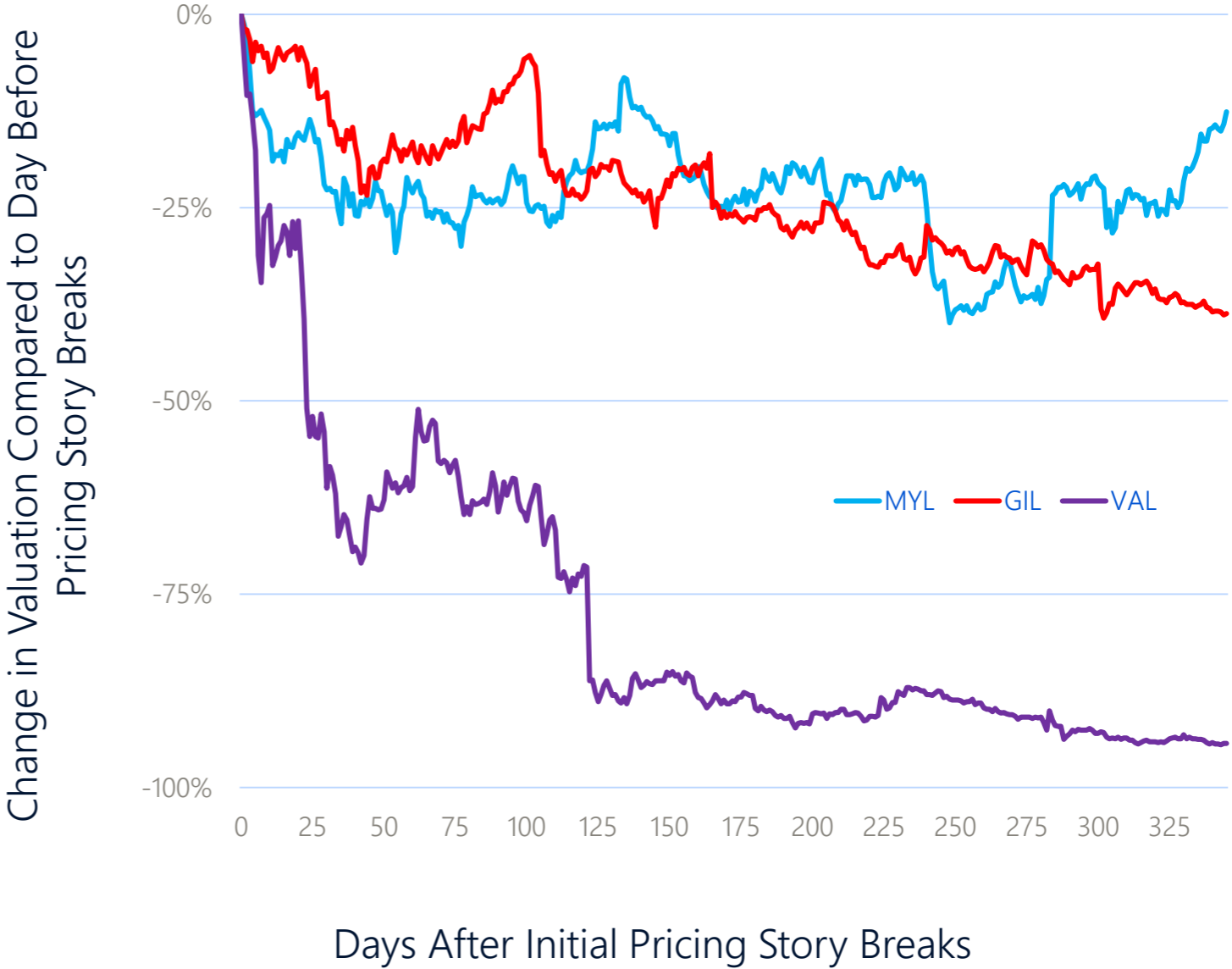
EpiPen's 500 Percent Price Hike Leaves Patients Scrambling



How an \$84,000 drug got its price: 'Let's hold our position ... whatever the headlines'



Valeant Plummets After Democrats Seek Subpoena on Drug Price Hikes

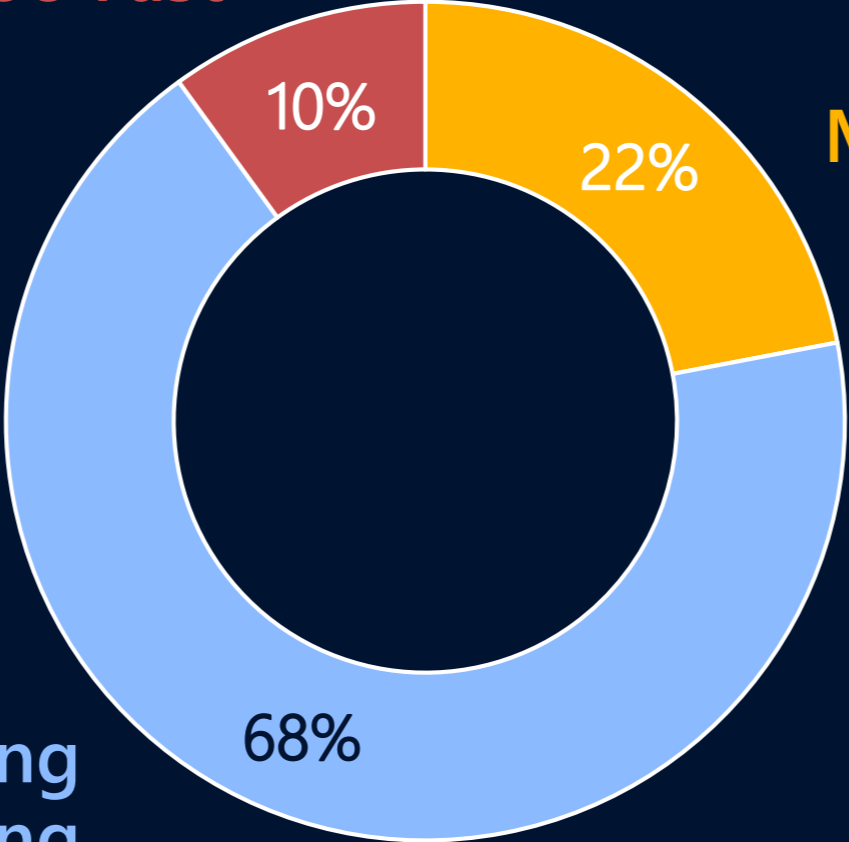


Innovation and Risk

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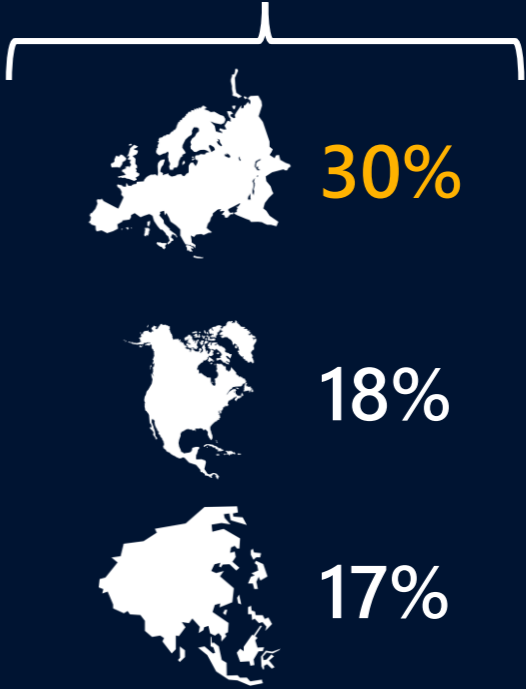
The Pace of Innovation is Right on Track

Innovating Too Fast



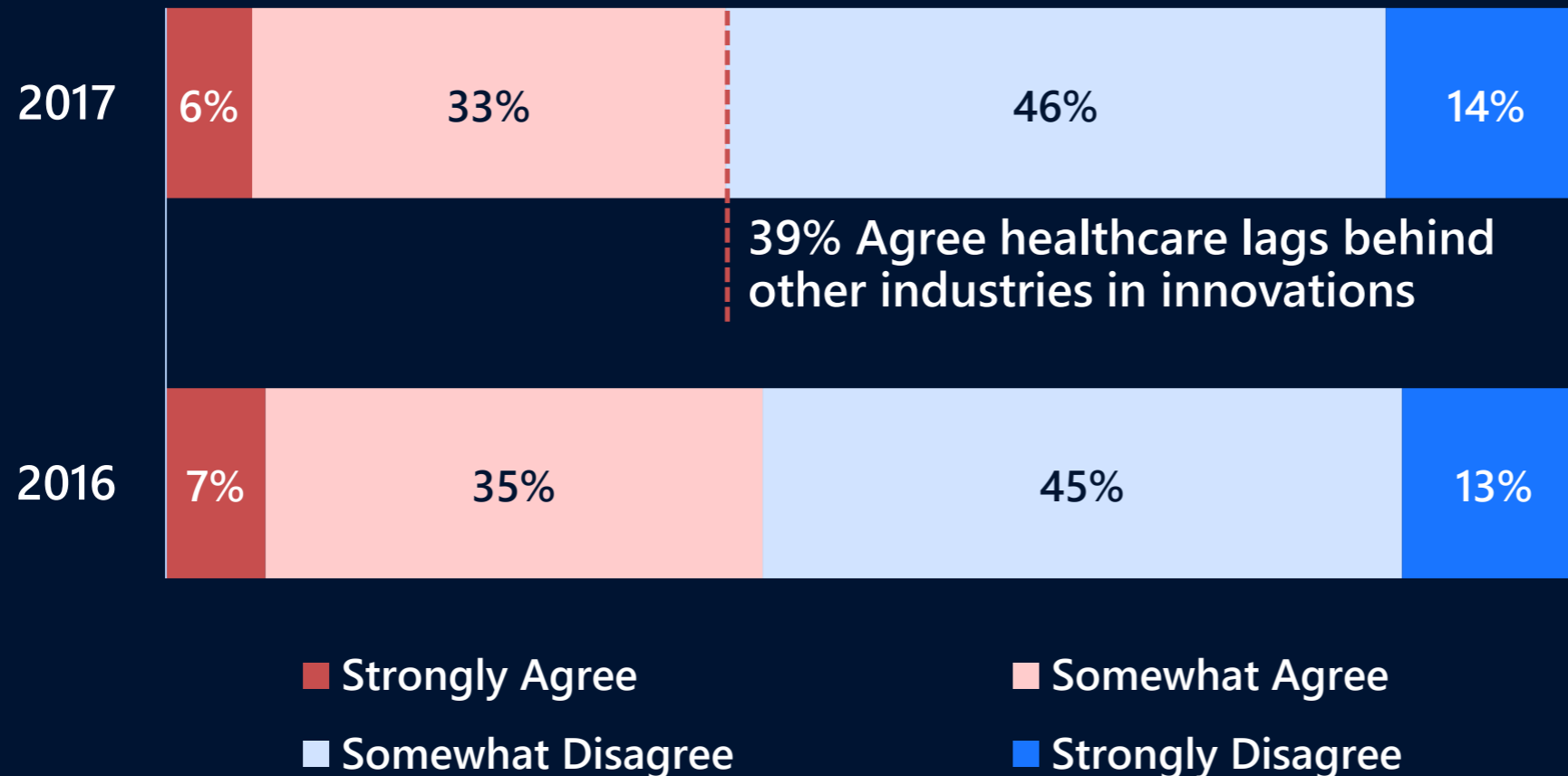
Making Encouraging Advances

Moving Too Slowly



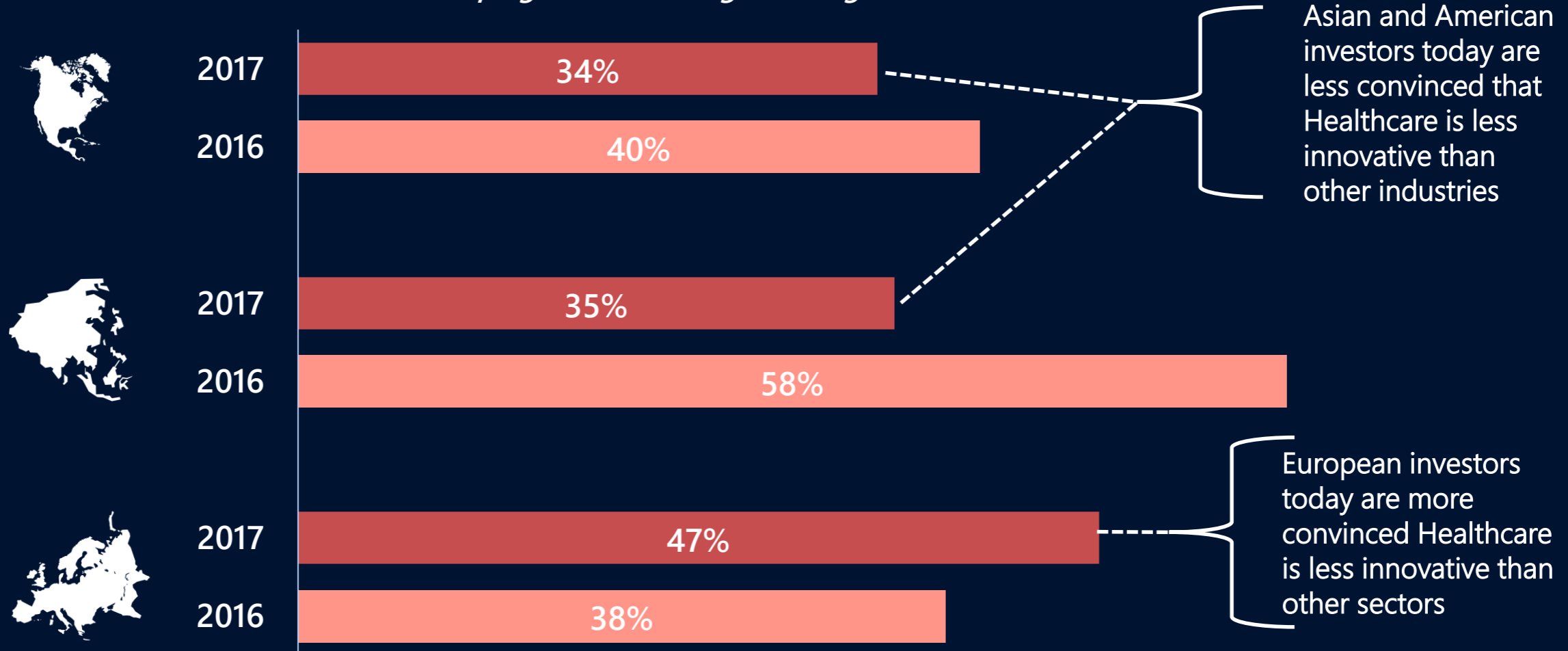
Globally, Investors Do Not Believe Healthcare Lags Behind Other Sectors As a Source of Innovation

Currently, the health care industry is lagging behind companies in other industries when it comes to developing and marketing meaningful innovations.



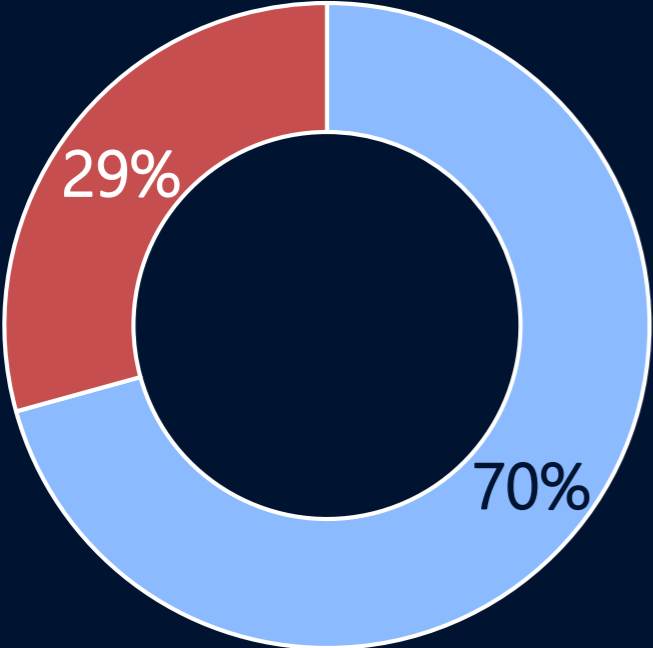
Investors in Europe Increasingly Think That Healthcare Lags Behind Other Industries in Innovation

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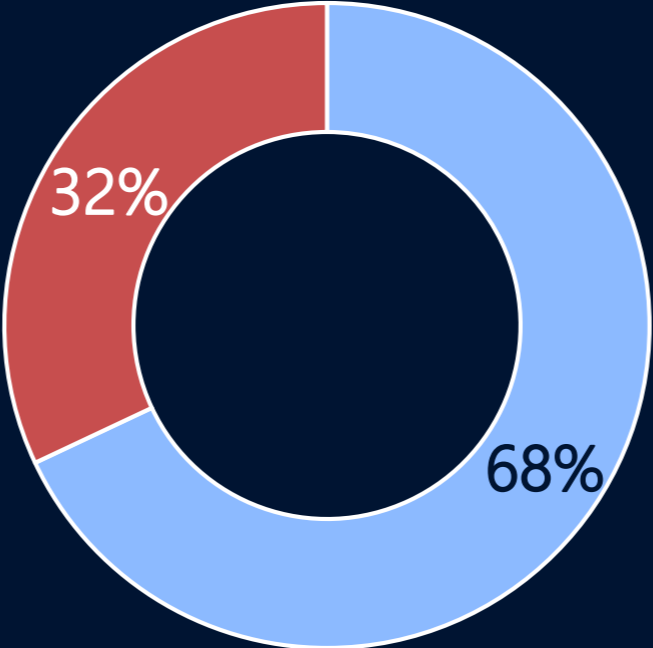


Investors And the Medical Community Are Open to Connected Devices

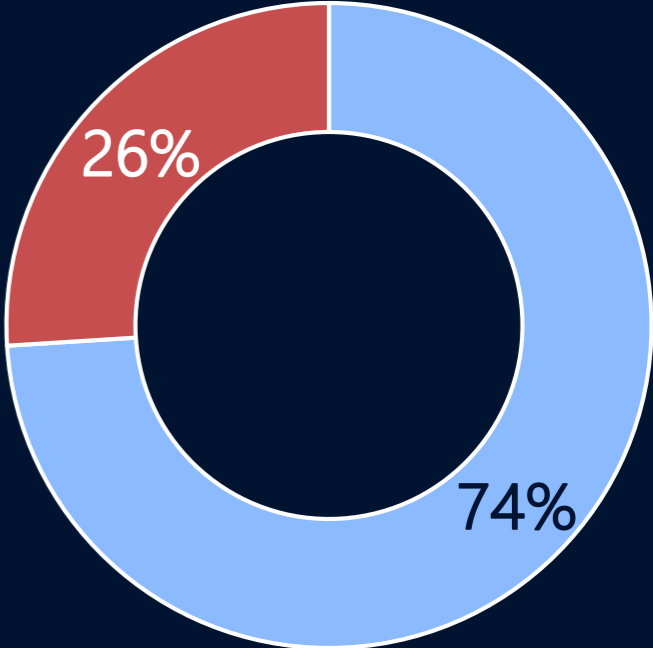
Investors




Physicians



Patients

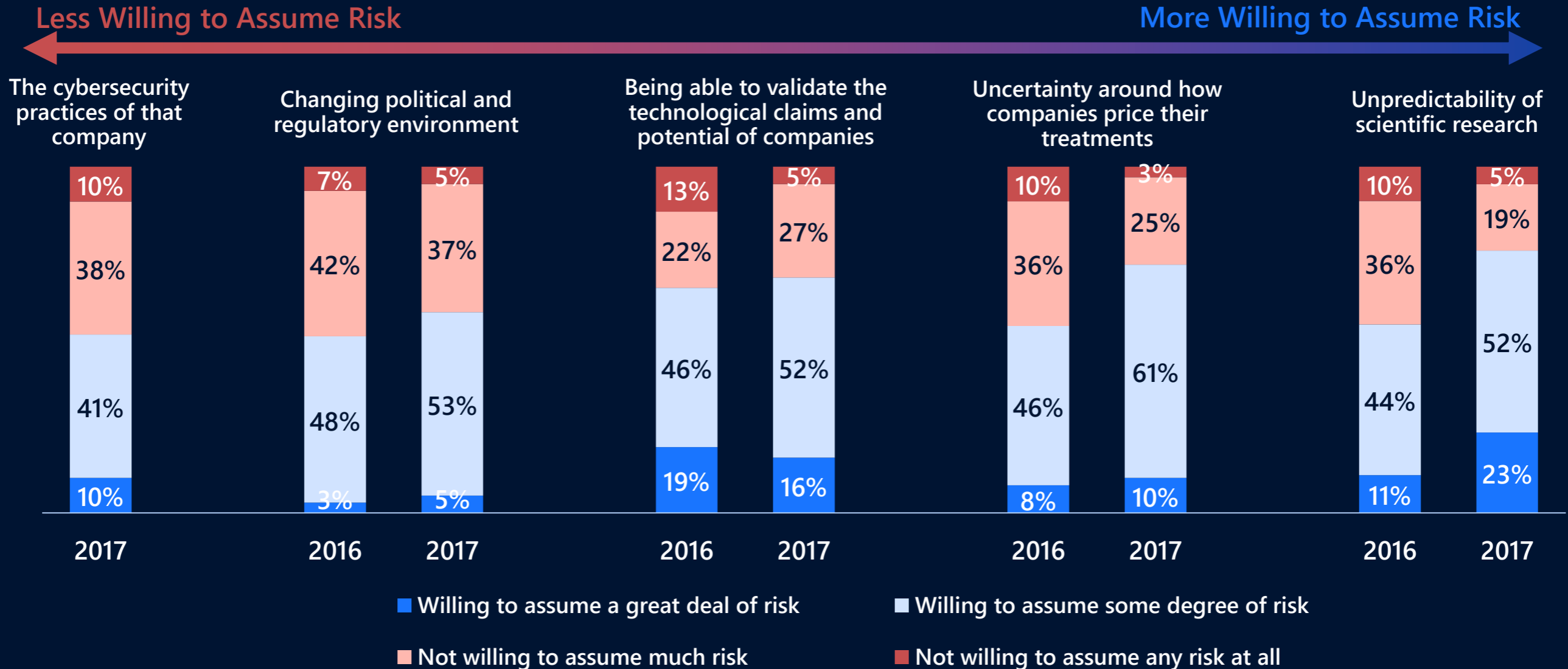


 *The benefits of connected medical devices outweigh the potential risks*

 *Cybersecurity issues are an expected risk of connected medical devices*

Physician and Patient data from Abbott/Chertoff Group white paper: "Why Medical Device Manufacturers Must Lead on Cybersecurity in an Increasingly Connected Healthcare System"

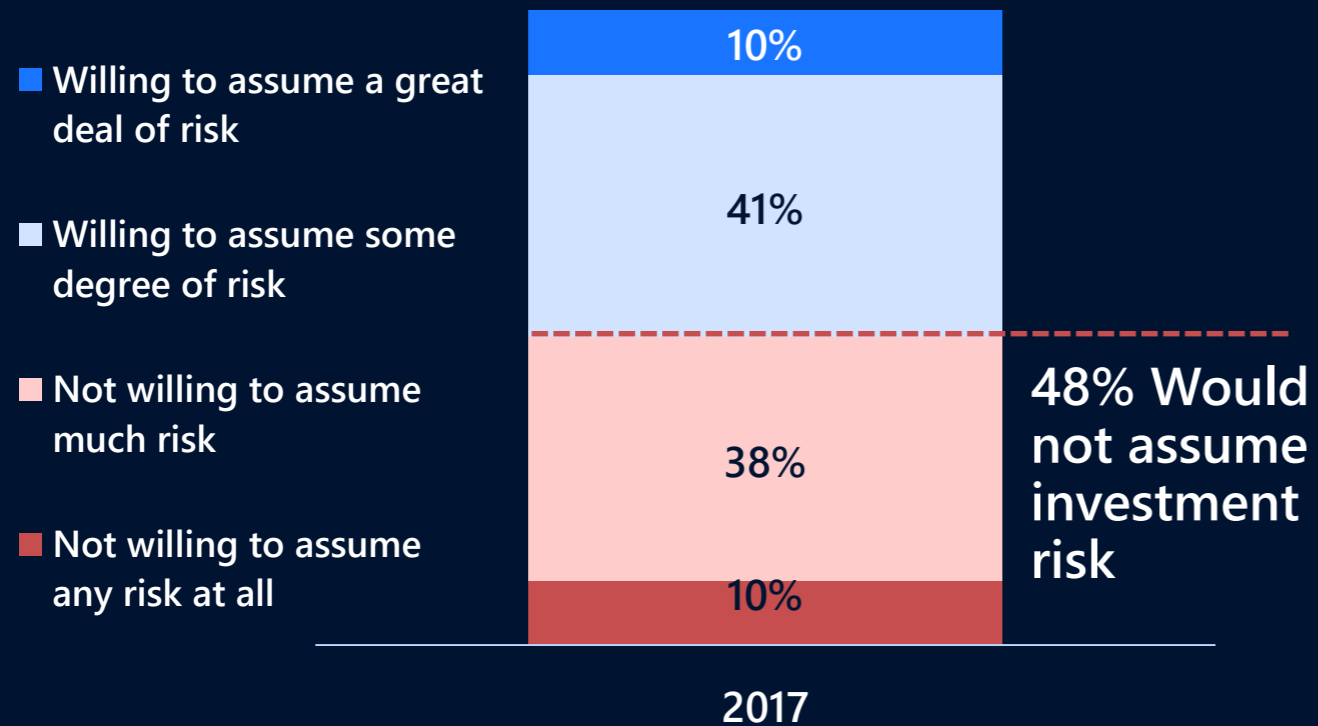
Risk Tolerance Has Increased for Investing in Pharmaceutical and Biotech, but Cybersecurity Risks are the Most Off-putting



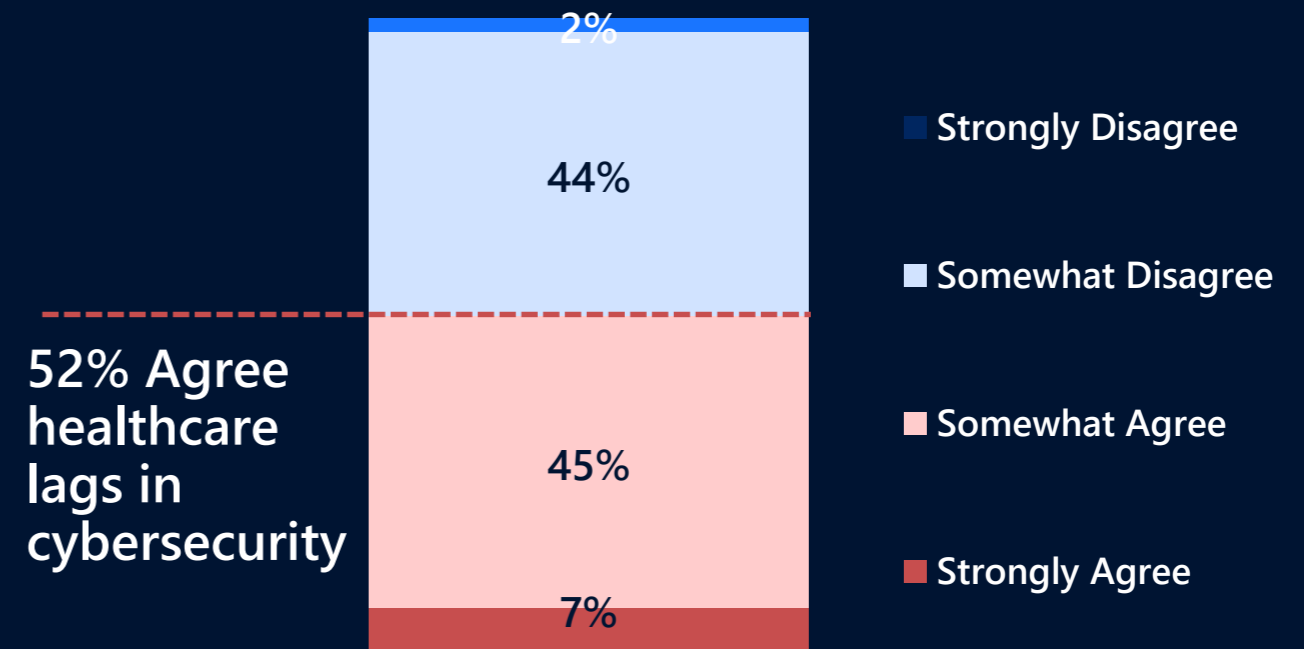
When thinking about your investments in the pharmaceutical or biotech fields, how much risk are you willing to take on when it comes to:

Cybersecurity Risks Align With Perceptions That the Health Care Industry is Lagging in Effective Security Measures

When thinking about your investments in the pharmaceutical or biotech fields, how much risk are you willing to take on when it comes to the cybersecurity practices of that company

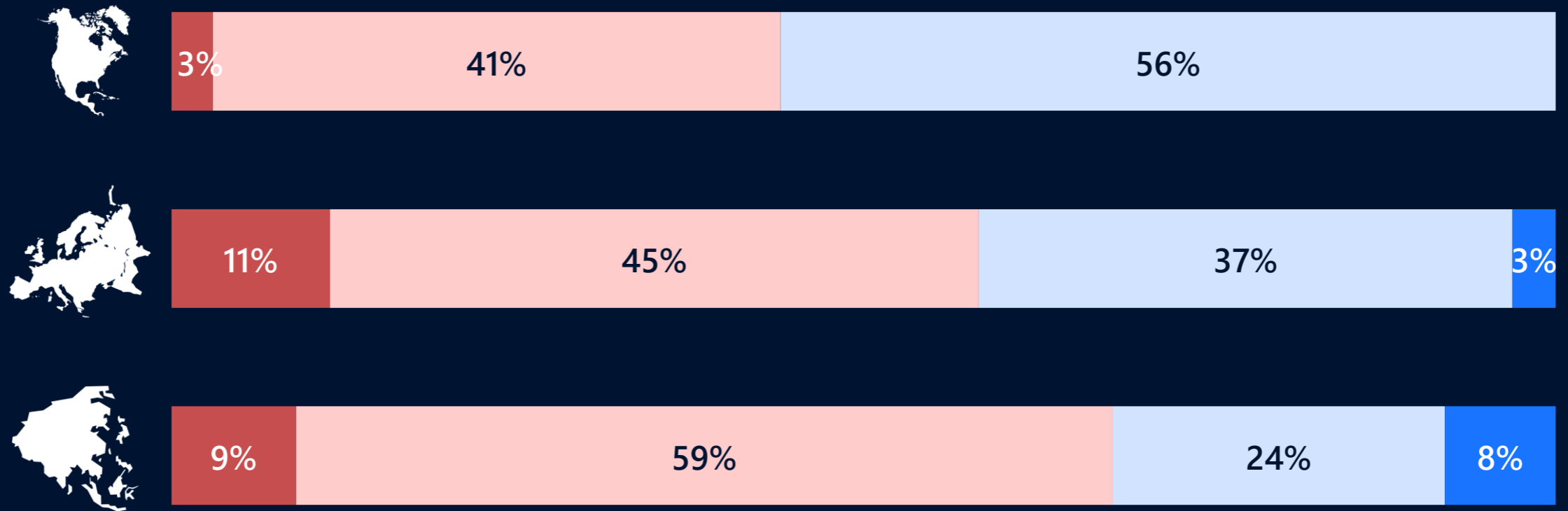


Currently, the health care industry is lagging behind companies in other industries when it comes to implementing effective cybersecurity measures.



Asian and European Investors Especially Feel the Industry Lags Behind Others in Implementing Effective Cybersecurity Measures

Currently, the health care industry is lagging behind companies in other industries when it comes to implementing effective cybersecurity measures.



■ Strongly Agree ■ Somewhat Agree ■ Somewhat Disagree ■ Strongly Disagree



Implications

Implications

1 Innovation is the price of admission

- Health investors expect innovation – companies need to better describe and differentiate their technology and innovation strategies.

2 Engaging stakeholders to mitigate criticism of drug pricing is a business priority

- Health investors are highly sensitive to the political and regulatory environment – companies need to rally supporters when drug prices come under scrutiny to help ensure that doesn't impact investment decisions.

3 Cybersecurity isn't an IT story – it's an IR story

- Health investors and the medical community overwhelmingly agree that the benefits of connected medical devices outweigh potential cybersecurity risks – but investors are worried that health companies lag behind other industries in cybersecurity.
- Additionally, they are less inclined to invest in a company that doesn't have good cybersecurity practices.

One firm.
Globally.

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