

A background image featuring a medical syringe and a vial, both rendered in a dark teal color. The syringe is positioned vertically on the left side, with its needle pointing downwards. The vial is located below the syringe, also oriented vertically. The background is split diagonally from the top right corner, with the upper right portion being white and the lower left portion being a solid dark teal. The text is overlaid on the white and teal sections.

VINC

2024

Future Optimism Score

VINC European Small- and Mid-Market
Bio-Pharma CEO Barometer

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Imprint

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Preface



Thomas Kern \ Managing Partner
VINC – The Capital of Life Sciences

With the VINC 2024 Future Optimism Score – in its second annual edition – we are particularly proud of having established a report of international format, that lays its emphasis on small and medium-sized companies. This report represents the view of company owners, CEOs and top management and takes a closer look at their challenges and opportunities – an unparalleled insight into this part of the market. With an overall Future Optimism Score of 3.8 the general market sentiment is slightly better than during last year's survey. Strategic transformation remains a key topic for the months ahead. Company leaders are keen to intensify their licensing activities going forward and to invest more resources into innovation partnerships. While at the same time the survey participants are planning to invest slightly less. Succession and M&A topics remain important, yet company leaders clearly indicated that during the next months their focus will especially be on improving operational performance, streamlining processes and organic growth. In a nutshell, companies are expected to continue to sweep their own backyard while at the same time starting to foster partnerships with each other.



Telma Lapa Costa \ President
Europharm SMC

EuropharmSMC is pleased to collaborate with VINC on the Future Optimism Score 2024 survey and report. It is an important tool for gaining insight from key decision-makers in SME pharma companies on current industry sentiment and trends, and perspectives on the future of the pharma industry.

The overall Future Optimism Score (3.8) is good to see. After the strain on profit margins and the necessary adaptations resulting from the Covid pandemic – especially those relating to very significant increases in COGS, logistics, and energy supply, and delays in the sourcing of raw materials from Asian countries – it is now the time for creative solutions, such as incorporating digitalization and AI in our manufacturing, promotional, and clinical activities.

The survey results also reveal that partnerships are likely to increase in the future – especially for SMEs. We need to find ways to collaborate – it is no longer a time of plenty, and companies need to share risks and profits on value-added development projects, further develop both in- and out-licensing activities and find new geographies for their products.

The new pharmaceutical legislative framework, still under discussion, will bring major challenges, and companies need to be flexible and adapt to the increased demands. These changes will, however, offer opportunities for companies to form co-development projects together, repurpose mature APIs, make use of AI and RWD to support clinical trials, and take advantage of incentives, such as the transferable data exclusivity voucher to develop new antibiotics, etc. It is therefore essential that the industry keep pace while also making room for change, which will result in increased SME competitiveness in the European setting.

Executive Summary

VINC Future Optimism Score 2024 – The second annual European Small- and Mid-Market Bio-Pharma CEO Barometer was conducted via an online survey in May and June 2023. Over 60 key decision makers from midsize (bio-) pharma product and service companies participated this year. These industry leaders reflected on the state of the industry and its outlook and commented on upcoming trends and developments.

Future Optimism Score (FOS) 2024



The general industry sentiment is positive (3.8 on a scale of 0 to 6), with optimism trending upward from last year.

VINC Future Optimism Score 2024 is derived from the following four sub-categories:

- Business Future Optimism Score
- Financial Future Optimism Score
- Licensing Future Optimism Score
- Partnership Future Optimism Score

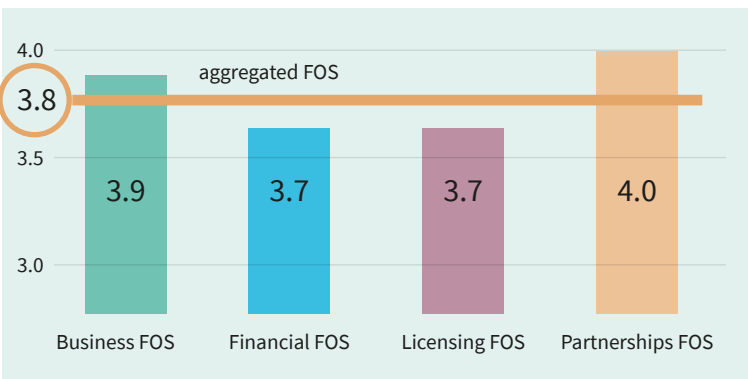
Our CEO respondents rated their outlook on each category. The results below reveal the strong positive outlook for the Partnerships category, in particular.

The VINC Future Optimism Score 2024 (FOS 2024) combines the results from the four categories into one overall score.

? What is the Future Optimism Score?

(Bio-) pharma and pharma services industry sentiment and outlook in one single number.

Future Optimism Scores 2024



Business Sentiment & Challenges

Strategic transformation is seen as the most important challenge by (bio-) pharma service companies (56%); 46% of pharma product companies also see this as a central challenge for the future. By contrast, only 22% of biopharma product companies in our survey consider strategic transformation an important challenge for the future.

Biopharma product companies cite growth as the key industry challenge for 2024 (56% evaluate it as a main challenge).

(Bio-) pharma service companies also rank business development high on their list of future challenges.

For the industry leaders in the pharma market, motivated, well-educated workforce, and industry know-how and expertise are key to staying competitive in the future.

Investments & Finance

Although a slight decrease is seen compared to the previous year, driven by growth and positive results, investments remain key across industry players (especially among biopharma product companies): nearly half of the companies invested more than 10% of their revenues and almost every sixth company invested more than 20%, The Financial Future Optimism Score for 2024 averaged 3.7.

Increasing capacity is the predominant incentive for (bio-) pharma product companies, while service companies are focused on enlarging their capabilities by investing in new technology or offering. Generally, more than 40% of the survey participants intend to increase their investment in capacity, capability, or regulatory requests.

Licensing

Licensing is becoming even more popular, almost 7 out of 10 (bio-) pharma companies consider in- or out-licensing relevant for their business. Among (bio-) pharma product companies, where already more than 90% are engaged in licensing, the segment is still growing. Out-licensing, in particular, is experiencing a current boost, most significantly in European countries.

The near future of licensing is seen quite optimistically: on a scale from 0 to 6, the average Licensing Future Optimism Score hits 3.7.

The success of licensing activities is very much dependent on the right partner.

Technology on the rise: Digitalization is seen ever more as a driver for the pharma business.

Partnerships

Business Development and Innovation are the main partnership drivers.

Innovation pressure is increasing; thus, plans for innovation partnerships are rising in tandem.

Finding the right partner is key!

To meet the demands of the market, companies are launching new products and searching for new partners.

The challenges are manifold: Our respondents cited particular concerns about finding the right partner, evaluating deals, and performing the due diligence process.

Compared to the VINC FOS 2023 survey responses, the importance of innovation partnerships is growing. Therefore, also the importance of startups and large companies as partners in this sector is rated higher than before.

The strategic focus differs based on company type: Biopharma product companies, which generally rate the importance of innovation partners higher, deem innovation partnerships with investment and private equity firms most important.

Pharma product companies, by contrast, slightly favor partnering with startups.

Startups

Even in these challenging times, every 6th company leader indicates an interest in investing privately.

Investors in startups are found in the greatest number in Central and Eastern European (CEE) and Southeast European (SEE) countries.

Companies with negative growth are more likely to invest in startups than those who report an increase in value.

Almost 8 out of 10 companies considering startup investments would put money into Pharma / Biotech. This trend is especially dominate within (bio-) pharma product companies.

Almost half of survey participants are not considering investments in startups. The main reasons for NOT investing in startups fall into two categories: financial reasons and risk considerations.

Potential cooperation and investment opportunities are mainly found within the private network (77%), followed by corporate contacts (60%).

Mergers & Acquisitions

When it comes to geographic expansion, M&A is both the driving force and the solution. Divesting assets is considered less frequently, and mainly by biopharma product companies with respect to mature products (33%) or growth products (22%). M&A is reported as not under consideration by 23% of survey respondents. The reasons are mainly the intention to grow organically or the need to fix the business issues internally before taking the next step.

Succession

Successful succession is expected primarily via strategic partnerships and company sale. The survey conducted in 2022 predicted a significant increase in the importance of a successful succession. However, those numbers only increased by 2% in the latest survey. Nonetheless, plans for a further extension of succession projects are visible.

Company types / terminology

The companies whose managers participated in the survey can be differentiated by the following company types:

- Biopharma product companies
Businesses in the biopharma industry that offer their own products - focus on large molecules
- Pharma product companies
Businesses in the pharma industry, excluding those in the biopharma industry, that offer their own products - focus on small molecules
- (Bio-) pharma service companies
Business offering pharma services in the biopharma as well as in the (non bio-) pharma sector

(Bio-) pharma product companies is therefore referring to the total product companies in the biopharma as well as in the (non bio-) pharma sector.

(Bio-) pharma product and service companies includes the entire survey population.



1\

Business Sentiment

Company leaders anticipate a positive future, though they are facing the same challenges as other businesses: high inflation, rising Cost of Goods and Services (COGS), supply chain issues, strategic transformation, and difficulties finding and maintaining a well-educated workforce. Additionally, (bio-) pharma companies must deal with strict regulatory requirements and complex processes.

\ Business Future Optimism Score

Optimism in the (bio-) pharma product and services industry is growing.

With an average Business Future Optimism Score (Business FOS) of 3.9, the business of (bio-) pharma is seen as having a positive future trajectory. And that optimism is growing!

While business sentiment in the FOS 2023 survey reached a score of 3.7, the FOS 2024 survey score improved to 3.9.

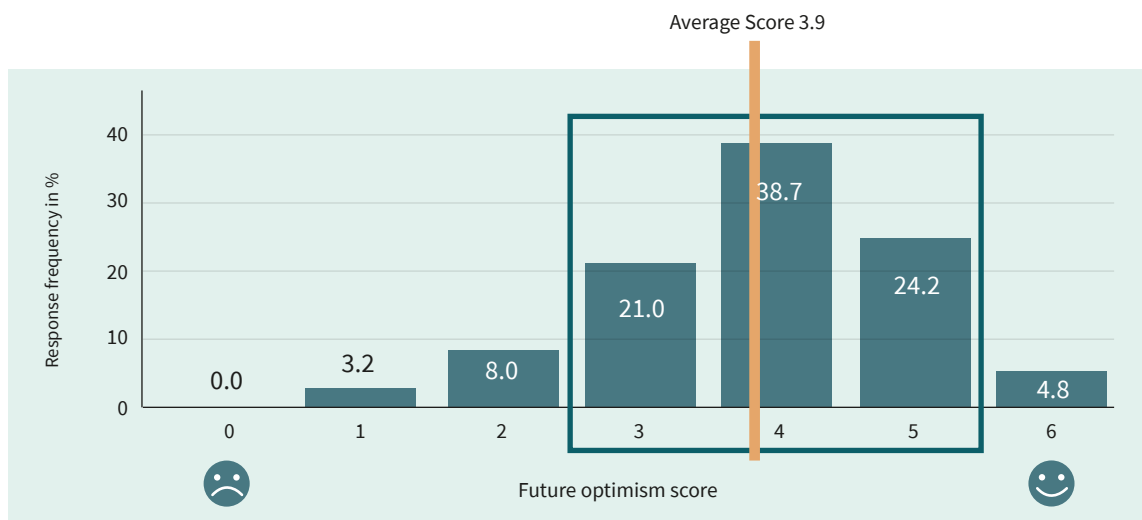
(Bio-) pharma product companies are the most optimistic (4.0), and service companies report an average score of 3.8, while biopharma product companies trail behind with a lower 3.6 score.

Compared with the FOS 2023 results, the optimism of (bio-) pharma service companies slightly decreased (from 4.1 to 3.8), whereas (bio-) pharma product companies improved their score from 3.5 to an average 3.9.

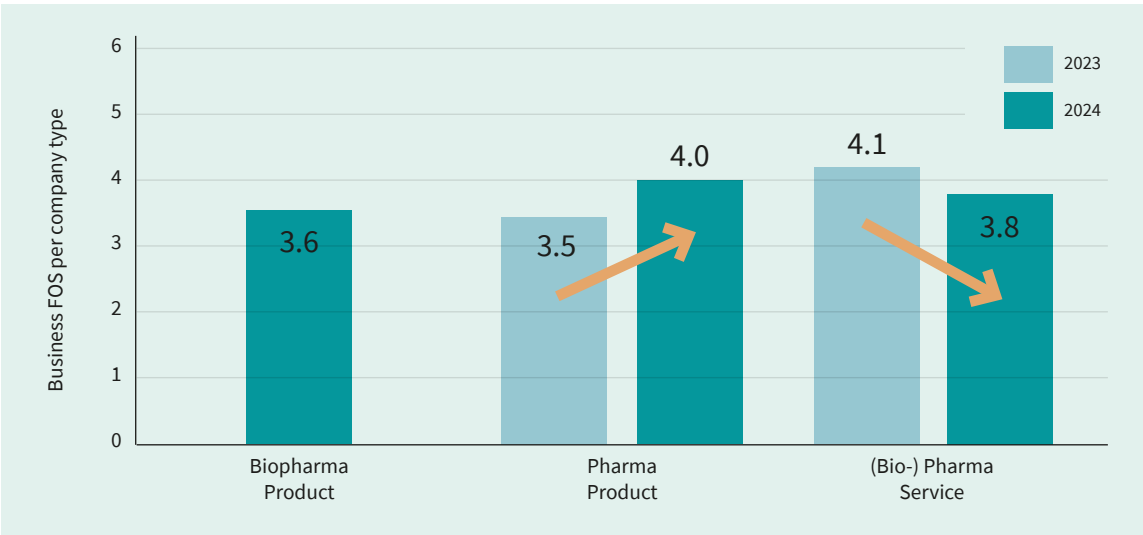
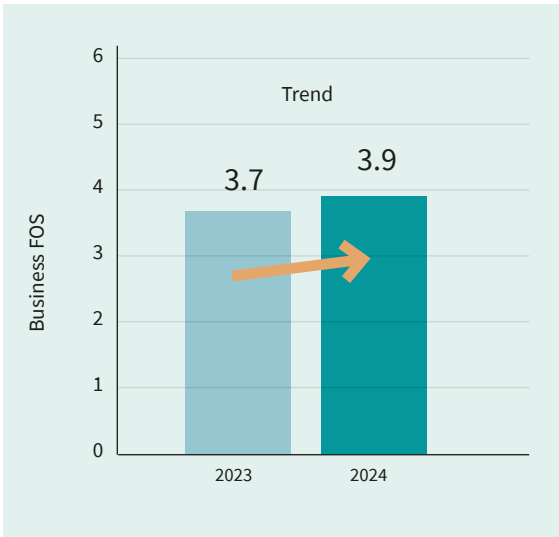
As in the FOS 2023, the 2024 responses similarly underscore that optimism increases in line with a company's growth. Companies reporting growth are more optimistic than those that are shrinking. The latter have a less optimistic outlook on the future and reach an FOS of only 3.7. In contrast, companies that report growth of 10% or more reach a score of 4.2.



? What is your outlook on the future (next 12–18 months) of your business sector?



Industry leaders with the most positive outlook are again located in the UK (Current value 5 vs. 4.5 in 2023 report), whereas Central Europe’s responses are somewhat less favorable: the DACH region registered a lower-than-average value in the survey (3.6), holding marginally positive views on future prospects.



\ Associations

(Bio-) pharma market in the next 18 months.

The industry is dealing with increasing regulatory demands, inflation and supply chain issues.

When industry leaders are asked what comes to mind when thinking about the pharma market, they report the following:

- Government regulations that are hard to meet and that impact business throughout Europe;
- Increasing purchase prices due to inflation and higher COGS, resulting in lower margins for product end sellers;
- Supply chain issues or general product and raw material availability;
- Opportunities for growth despite powerful challenges within a volatile market full of pressures.

Increasing regulatory demands	13%
Inflation	11%
Supply chain issues / product availability	11%
Opportunities & growth	6%
Increasing COGS	6%
Pricing / decreasing sale prices	6%
Challenging market environment	5%
Decreasing margins	5%
Personalized health care	3%
High economic pressure due to inflation influencing costs and control on Pharma	
Prices from government	3%
Business volatility	3%

Answers given, grouped by their frequency (above) and graphically displayed (below)

? What comes to mind when you consider the pharma market in the next 12–18 months?

opportunities market environment
 COGS increase growth
 regulatory demands
 digitalization economic pressure
 inflation health care business volatility
 decreasing sale prices
 product availability decreasing margins

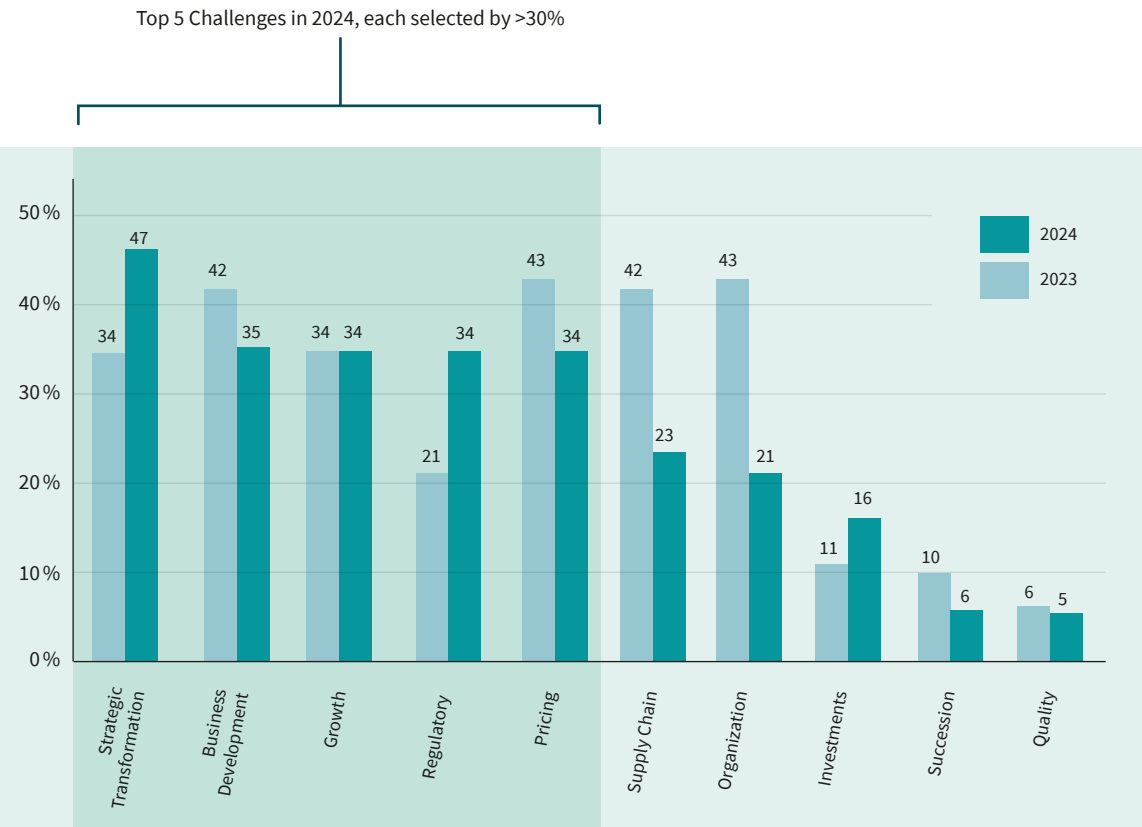
\ Main business challenges in the future

Strategic transformation is seen as the main business challenge coming up.

When industry leaders were asked about the main challenges, their business is facing in the near future, strategic transformation is selected by most respondents (47%), followed by business development (35%), and growth, regulatory issues, and pricing (each 34%).

Compared with the FOS 2023 survey results, the challenges of strategic transformation have grown significantly, from 34% to 47%. Supply chain issues and organizational challenges are less prominent in the FOS 2024 survey.

? What are the main challenges you anticipate in your line of business?



When compared by company type, the main differences are in the following areas:

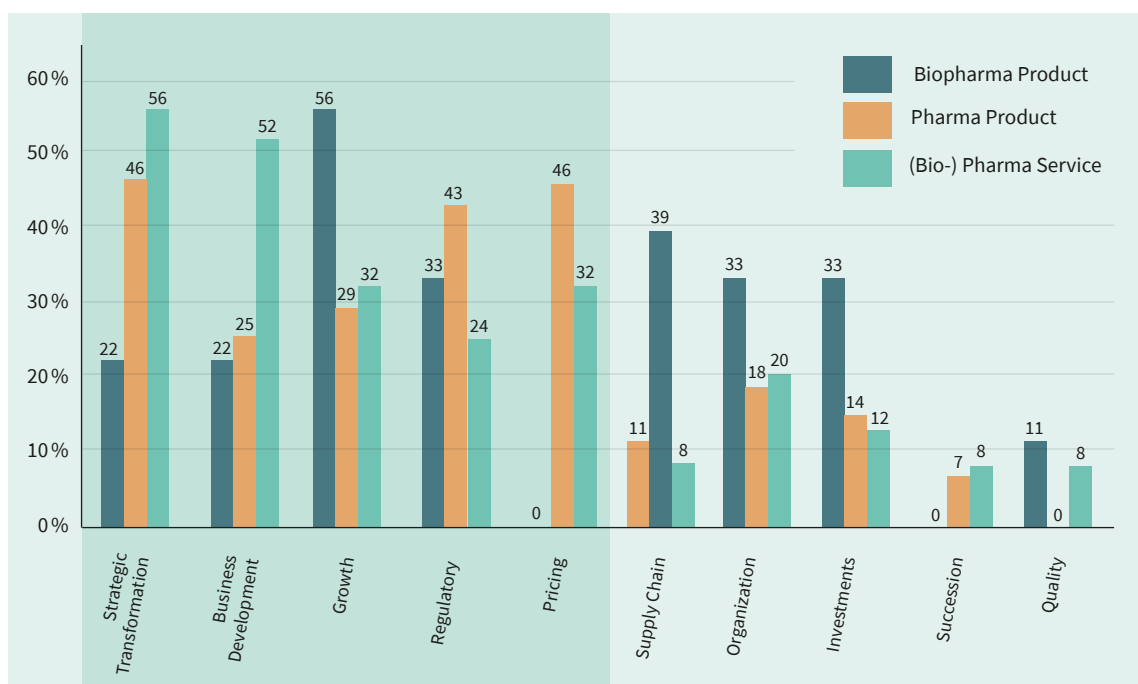
Strategic transformation is seen as the most important challenge by (bio-) pharma service companies (56%), whereas only 46% of (bio-) pharma product companies see this as a main challenge for the future.

The survey results reveal an interesting change of sentiment among businesses. Strategic transformation (+14%) and regulatory (+13%) challenges have witnessed notable growth in importance

since the previous year's survey. On the other hand, Supply Chain (-19%) and Organization (-22%) challenges appear to be affecting a reduced number of companies currently

Among biopharma product companies, only even 22% see strategic transformation as an important challenge in the future. Rather, growth is reported as key (56% cite it as the main challenge) for biopharma product companies. For service companies, business development also ranks high on the list of challenges (52%).

Main challenges (per company type)



\ Important factors maintaining a competitive edge in the future

Achievement of innovation with an experienced workforce and financial strength.

In the (bio)- pharma industry, finding and retaining the right employees has become essential for success. A motivated and well-educated workforce with industry know-how and expertise is key to stay competitive in the future. Human resources is the most cited factor for maintaining a competitive edge (10%).

Close behind human resources as a crucial element for outperforming competitors is the development of innovative technologies and products – also named as a top factor in the FOS 2023 ranking and maintaining its importance in the FOS 2024 survey. In addition, supply chain stability has been considered as a key factor.

? What do you consider particularly important to maintain your competitive edge in the future?

An experienced workforce, new innovations, investments in technologies, and business developments or partnerships are all supported and enabled by investments and financial strength – this is the foundation for a company to harness possibilities and reach their goals.

A word cloud of factors for maintaining a competitive edge, with 'human resources' as the largest word. Other prominent words include 'innovation', 'investment', 'pricing', 'networking', 'expertise', 'business development', 'quality know-how', 'strategic insights', 'partnerships', 'market analysis', 'niche products', and 'global activities'. The words are arranged in a grid-like pattern with dashed lines.

networking
expertise investment pricing
human resources
business development innovation
quality know-how
strategic insights niche products
partnerships market analysis global activities

Human resources	10%
Innovation	8%
Investment & financial strength	6%
Supply chain stability	6%
Digital transformation / technology	5%
Market analysis & research, strategic insights	5%
Networking & partnerships	5%
Pricing / price-performance ratio	5%
Business development	3%
Flexibility in the production	3%
Global activities / international markets	3%
Know-how & expertise	3%
Niche products	3%
Quality	3%

Answers given, grouped by their frequency (above) and graphically displayed (previous page below)



2\

Investments & Finance

Top management of (bio-) pharma companies – company CEOs, presidents, owners, and members of the board – were questioned about their investment activities over the last year and their strategic planning for the coming two years.

Investments are decreasing slightly, but still almost half of the questioned biopharma and pharma companies invest more than 10% of their turnover.

\ Financial Future Optimism Score

A tempered optimism is also visible with regards to Investments & Finance.

On average, the future outlook of the financial situation is rated somewhat optimistically, with a Financial FOS of 3.7.

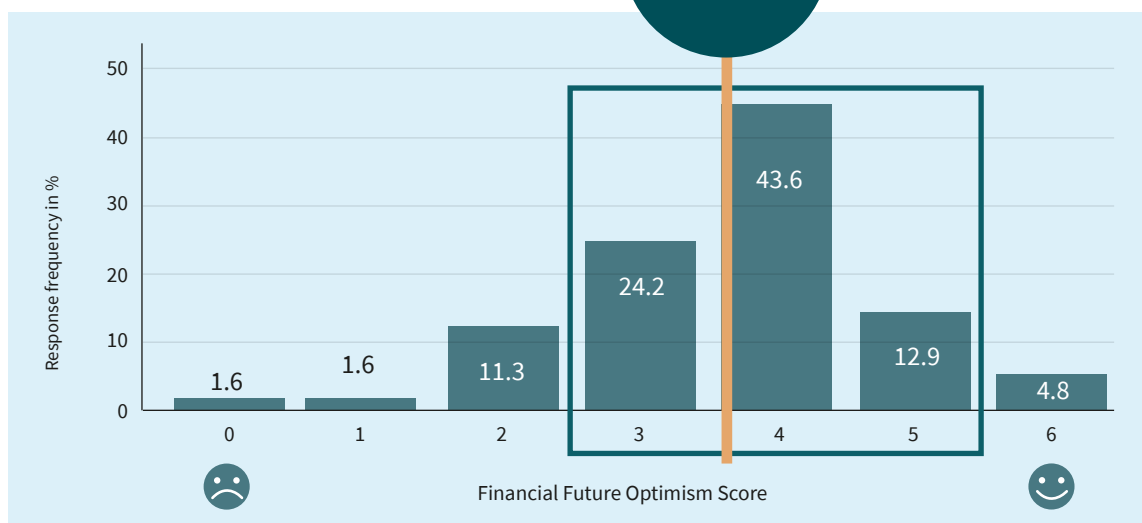
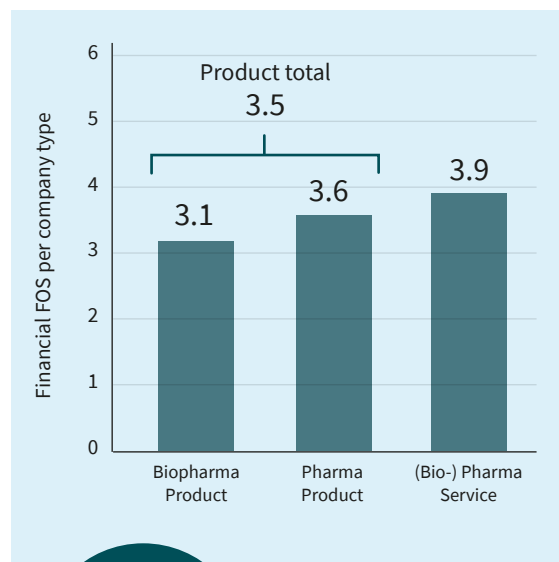
Looking more closely at individual European regions and countries, we find the DACH area (= Germanic region) has an average Financial FOS of 3.7, France reports the highest score (4.3), while Scandinavia indicates the lowest (2).

Interestingly, the Financial FOS is indirectly proportional to a company's growth: Companies with a negative growth average a score of 4, companies with a positive growth result reach an average Financial FOS of 3.7.

The data clearly indicates that (bio-) pharma service companies are exhibiting a more optimistic outlook towards their financial future, with a notable score of 3.9. In contrast, (bio-) pharma product companies, while still positive, attain a Financial FOS (Financial Future Outlook Score) of 3.5, reflecting a slightly lower level of optimism.

However, it is noteworthy that biopharma product companies achieve a significantly lower score of merely 3.1, suggesting a comparatively less optimistic view of their financial prospects.

? How do you see the financial situation of your company in the next 12–18 months?



\ Prior year investments

Investments are declining generally, but biopharma product companies are investing intensively.

Last year's survey revealed that 2021 was a year of investments for many European midsize bio-pharma product and service companies. Companies stated that they were looking to increase capital investments to spur future growth.

This trend of investing a major share of turnover has already declined:

57% of the questioned companies in the FOS 2023 reported having invested more than 10% of turnover in the previous year (reaching 58% among pharma product companies). One year later, only 44% declare the same.

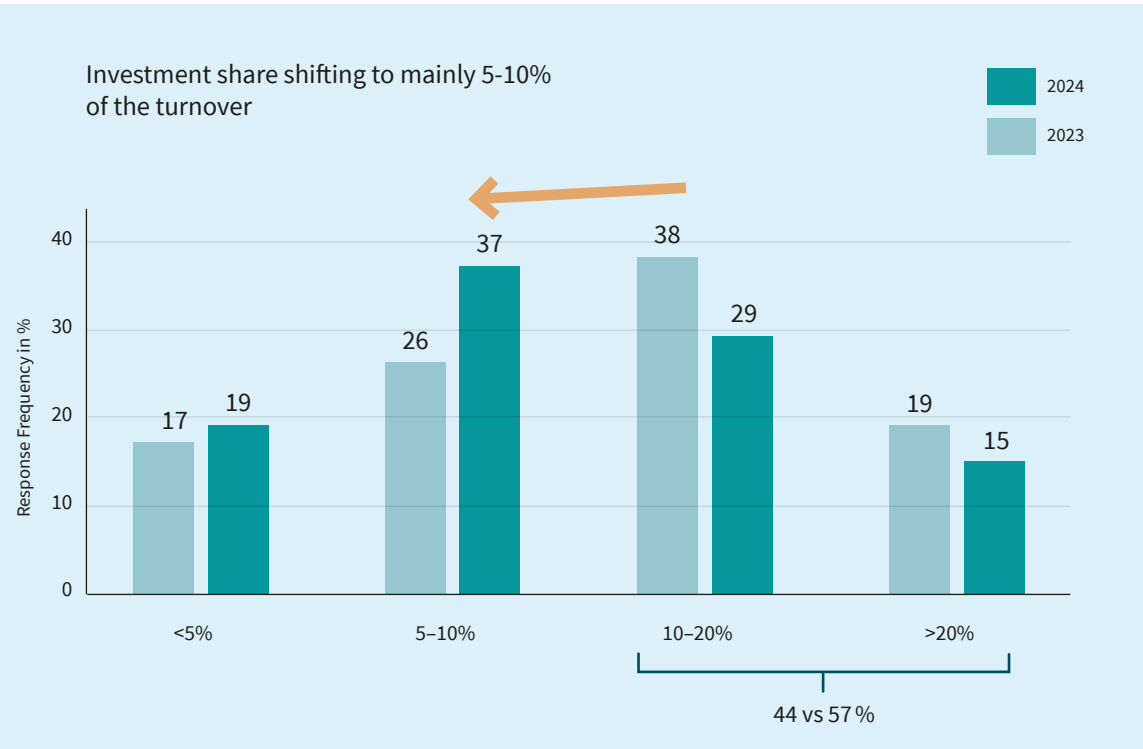
Currently, most companies invest only 5%–10% of their annual sales volume.

? What percentage of turnover did you invest last year?

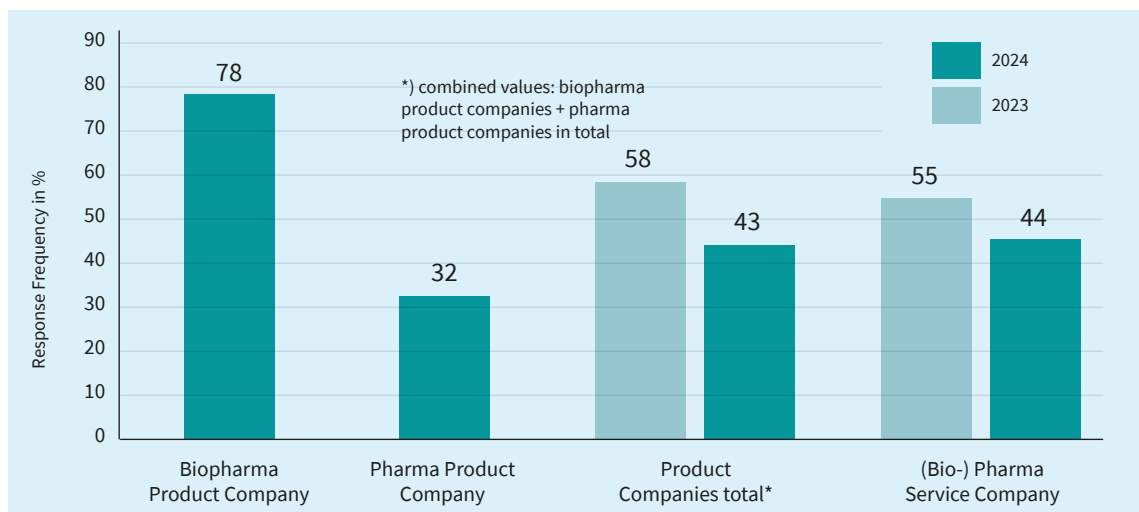
Looking at the different business types, it is significant that 78% of the biopharma product companies invested more than 10% of their annual turnover in the last year, while 44% invested greater than 20%.

(no comparison to previous survey possible, as this company type was not a selectable option)

When looking at the total numbers, the investment share decreased for both (bio-) pharma product and service companies.



Investments of > 10% of the sales volume in the previous year (by company type)



Results again reveal that companies tend to invest in line with their growth. A majority of companies (58%) that reported growth of greater than 10% invested more than 10% of turnover – a trend that was also visible in the prior year report.

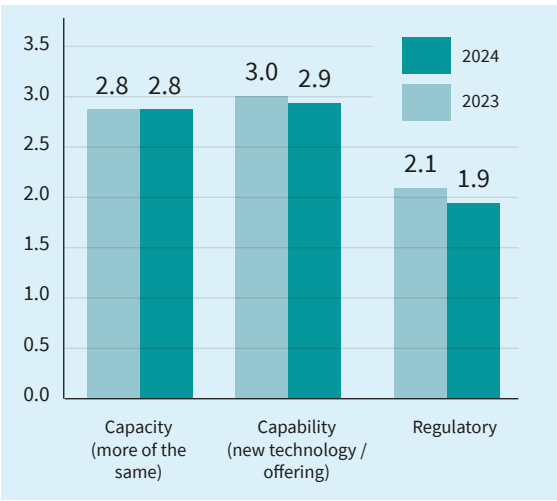


\ Investment split of capital expenditures

Technology is marginally dominating capacity.

In the FOS 2024, companies report making their largest investment for capability, followed closely by capacity. Those outputs are in line with last year's results.

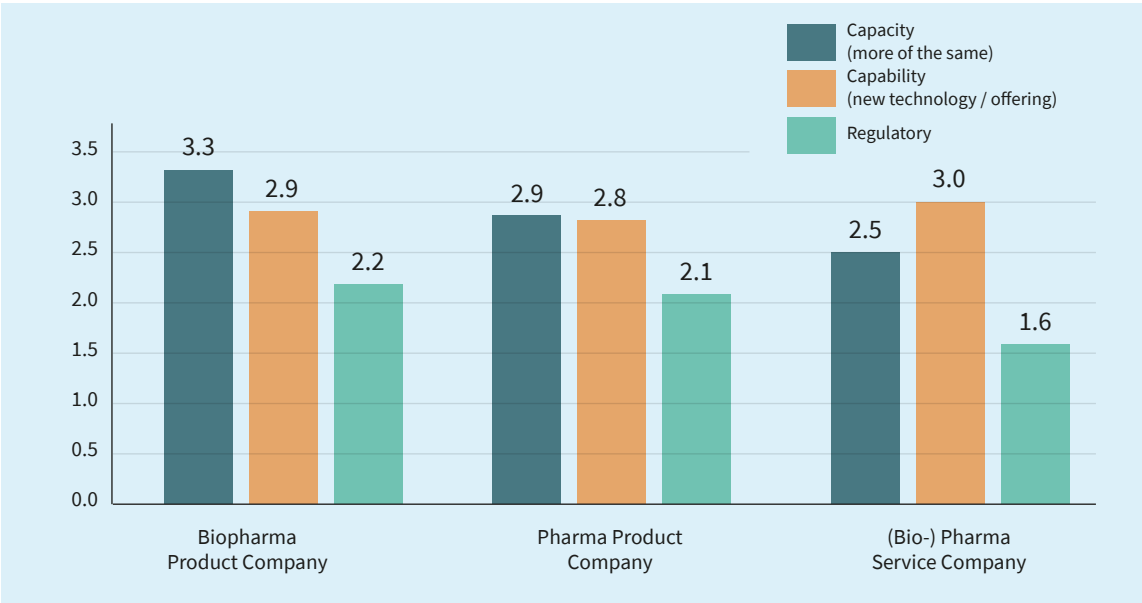
? How did you split your investment in the following areas? 0 = lowest to 6 = highest / very much



- Capacity**
Investment in additional resources for an existing technology / product: increase number of machines, stock up laboratory or workforce.
- Capability**
Investment in a new product range or offering: new technology, expansion of know-how, new machines or workforce with special skills.

In the prior year's report, (bio-) pharma service companies invested a greater share in capacity than product companies, who invested more in capability projects.

In the FOS 2024, the numbers have shifted: Currently, product companies, especially biopharma product companies, tend to invest more in capacity, followed closely by capability investments.



\ Investment trends

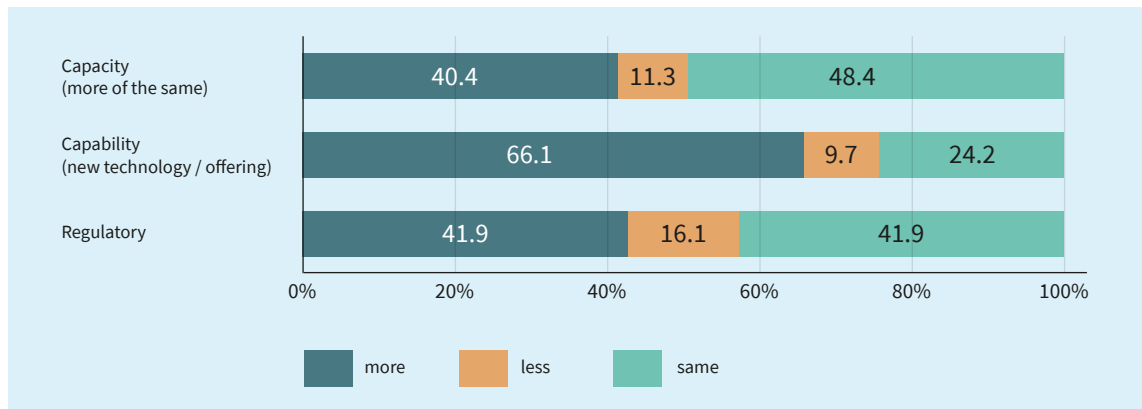
Investment in capability projects is expected to increase.

Increased investment in capability is targeted by 66% of companies, while only 42% are planning to invest more in capacity projects, as compared to previous years. Regulatory topics are projected to see further investment by 40% of respondents. Regulatory topics refer mainly to official matters and regulations within the industry.

Compared to the previous year's report, investment in capability remains stable (68% planned to increase investment last time), whereas the trend to invest more in capacity decreased from 53% to 42%. This year's report also shows companies shifting away from increasing their investment in regulatory areas (57% vs. 40% now!)

? Do you plan to invest more or less in the next two years in the following areas?

Overall, more than 40% of survey participants intend to increase their investment in capacity, capability, or regulatory issues, while only a few companies reported that investment reductions are planned. Although the number of companies planning to increase their investment was higher last year, a positive future trend is still clearly visible!



More than 40% of companies plan to increase their investments at least in one of the mentioned areas! (vs. more than 50% in VINC FOS 2023) Around 10%–15% plan to reduce investments generally.

In the DACH area, where the majority of participating pharma company leaders are located, 72% of respondents want to extend investment in capability (compared to 53% in FOS 2023 – a significant increase!), and 32% plan to increase investment in the other two investment areas. (Bio-) pharma service companies report plans to

mainly invest in capability (+76%) this year. Last year, the majority planned investments in capacity projects (+64%), only 55% stated a preference for capability.

Pharma product companies plan to increase capability. (+61%)

In contrast, bio-pharma product companies show a clear trend to increase financing for regulatory topics (+78), with 56% wanting to invest more in capability.

3\

Product and / or IP Licensing

Current licensing activities, attitudes on the expansion of licensing ventures, and the primary challenges to licensing were detailed by survey respondents. They also provided more precise information on the relevance of technology and digitalization, the preferred vehicles for licensing, as well as the potential markets they will consider in the future.

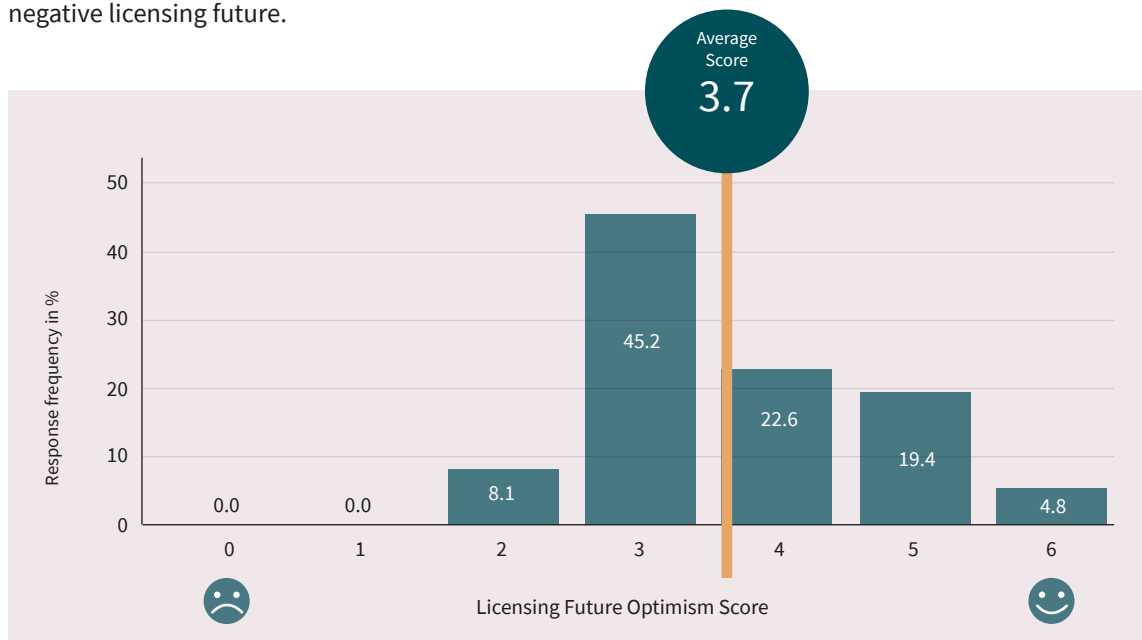
\ Licensing Future Optimism Score

Licensing is a growing sector.

The near future of licensing is seen quite optimistically: on a scale from 0 to 6, the Licensing Future Optimism Score averages 3.7.

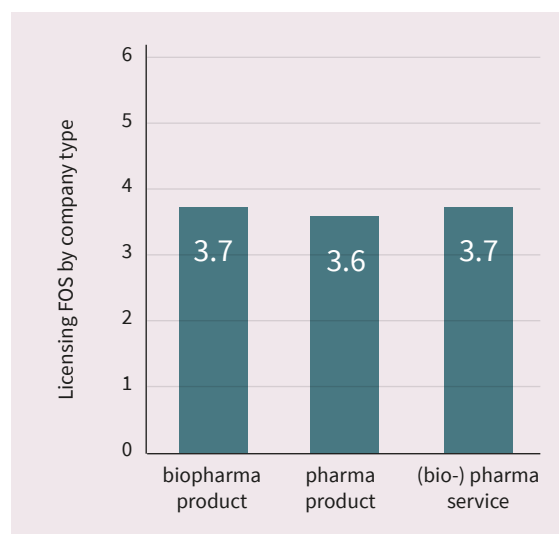
Almost half of respondents are indifferent and rated the licensing FOS as a 3 out of 6. The other half gave more optimistic feedback. Only 8% foresee a negative licensing future.

? How do you view the future of licensing activities in the (bio-)pharma market?
(in the next 12–18 months)



Results align through all company types – opinions do not differ on licensing generally among (bio-) pharma service or product companies. Looking at different countries, it is clear that Central and Eastern European (CEE) (4.5) & South-eastern European (SEE) (4.3) countries are more optimistic about licensing activities in the next one and a half years.

In the DACH area, a Licensing FOS of 3.8 is reached. The lowest values are found in Italy (3.1) and Scandinavia (3), where survey participants have a very neutral view on licensing.



\ Relevance of licensing

2 out of 3 companies consider licensing relevant for their business.

Launching new products is a laborious and bureaucratic process. Licensing is a great opportunity to receive fast and easy access to international markets.

■ Of the (bio-)pharma company leaders questioned, 69% consider product or IP in- or out-licensing relevant for their business or are already engaged in licensing deals.

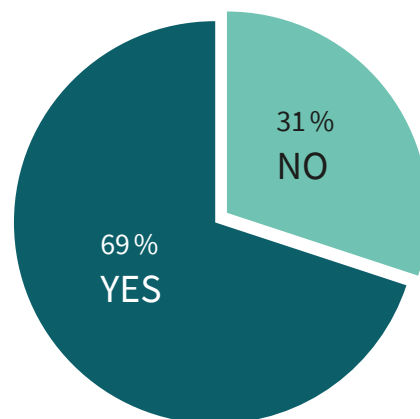
■ Compared to the FOS 2023 results, the relevance of licensing activities slightly increased (from 66% to 69%).

■ The respondents from CEE and SEE countries, who are most optimistic about the licensing future, either currently use or are considering licensing activities.

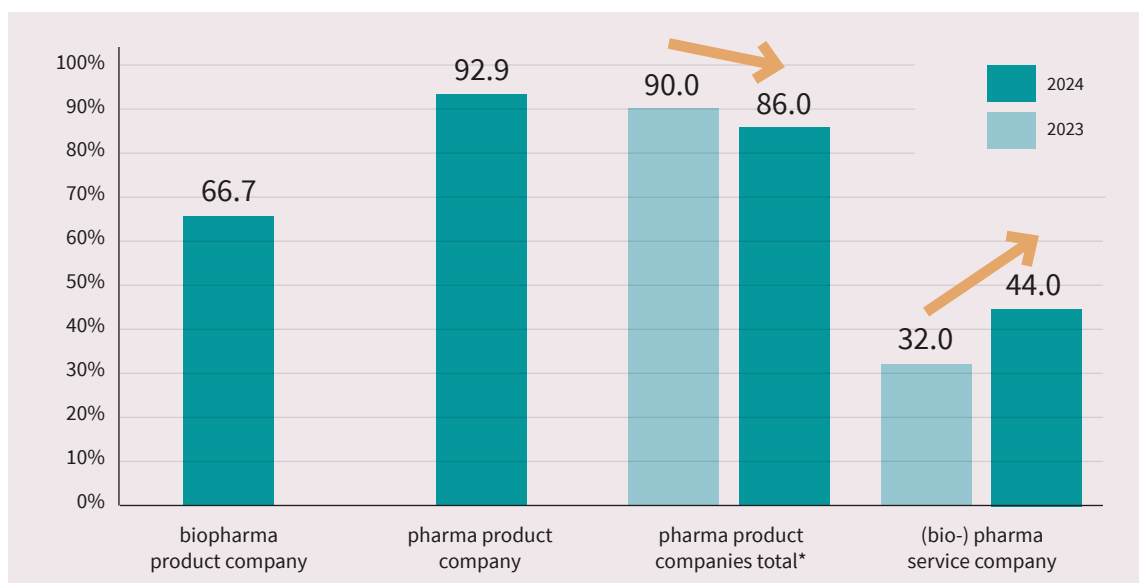
■ In the DACH area, only 52% of survey respondents are currently engaged in licensing, a decrease from the last survey, when 62% of DACH respondents considered licensing relevant.

■ Attitudes toward licensing very much depend on the business type. Survey responses reveal that 86% of (bio-) pharma product companies use licensing or state that it is relevant (compared to 90% in the previous survey). Among those, only 67% of biopharma product companies are engaged in licensing activities.

? Is licensing (product or IP / in- or out-licensing) a tool that you consider relevant for your business / that you also use?



Relevance of licensing (by company type)




\ Future licensing activity

A growing segment – especially in the pharma product segment.

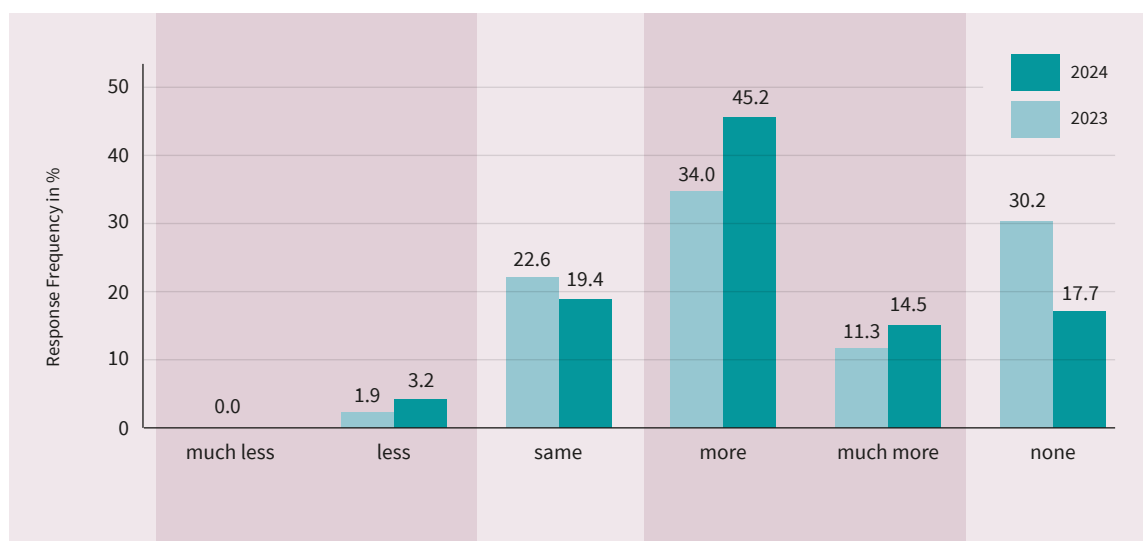
All companies participating in the survey have a clear opinion about licensing. If they do not consider licensing relevant, they stated across the board that this will not change within the next two years.

By contrast, if licensing is considered an important part of a company's business, respondents reported that their company planned to increase in- or out-licensing engagement in the near future.

Among (bio-) pharma product companies, of which 93% consider licensing relevant, 79% plan to increase the engagement in licensing even further.

 How much are you planning to engage in licensing (in and / or out) in the next two years compared to the previous two years?

Engagement in licensing



\ In- versus out-licensing

Out-licensing is growing in importance.

The FOS 2023 found that in- and out-licensing were weighted equally; however, the current survey reveals a different result.

Out-licensing activities have become much more popular among (bio-) pharma product and service companies (37% of the companies state that they are currently engaged in out-licensing the most.)

(Bio-) Pharma product companies, which generally have a greater affinity for licensing than service companies, are most engaged in licensing activities: 39% of pharma product companies and 33% of the questioned biopharma product companies use out-licensing; 29% of pharma product

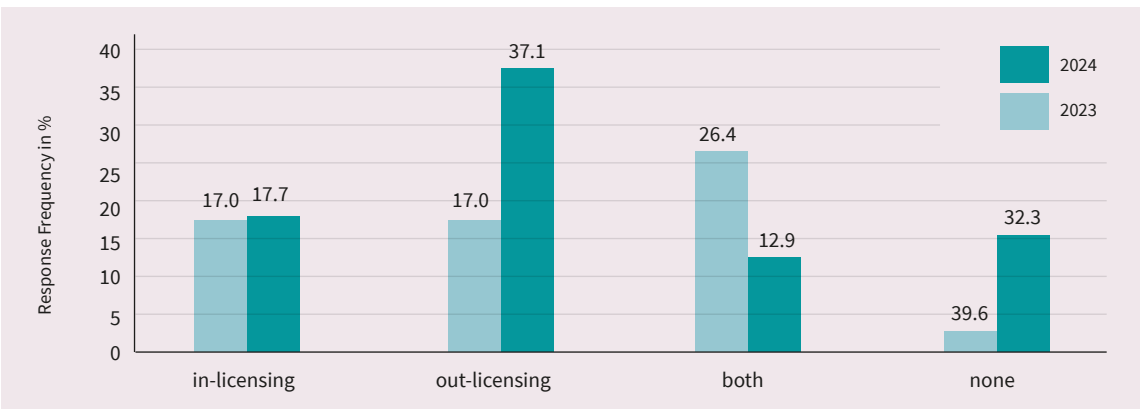
companies and 33% of the biopharma product companies use in-licensing.

Among the service companies that also own a few products, a strong trend toward the expansion of out-licensing activities is apparent: 36% use out-licensing, whereas in-licensing is not used at all.

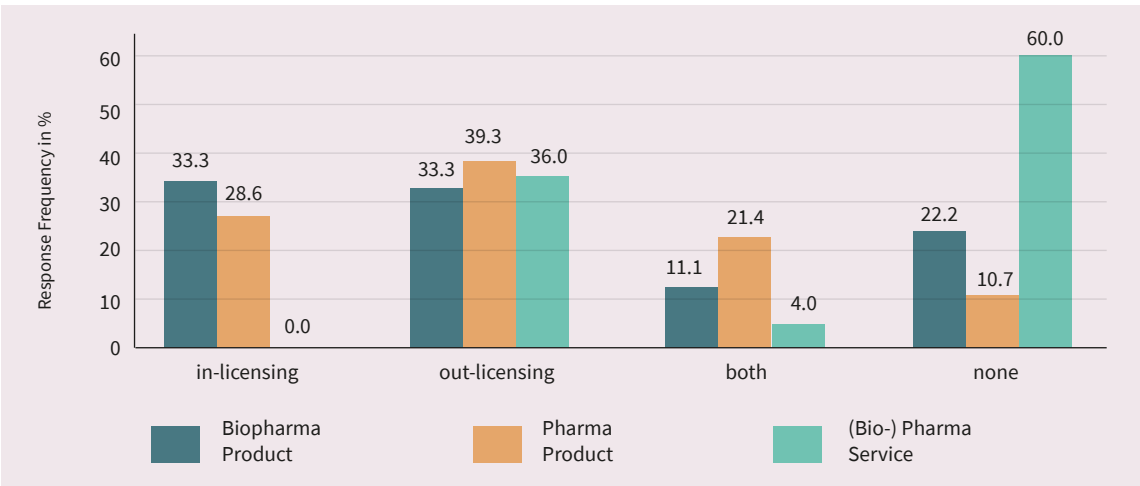


What area of licensing are you currently engaged in the most?

Engagement in licensing



In- versus out-licensing (by company type)



\ Challenges in licensing

Finding the right partner is key.

To meet the demands of the market, companies launch new products and search for new partners. Finding the right company to partner with was, and still is, the main challenge for pharma company leaders.

But the challenges are manifold: Our respondents cited particular concerns about finding the right partner, evaluating the deal, and performing the due diligence process.

Biggest challenges in IN-licensing


When thinking about in-licensing, the most important considerations are finding a trustworthy partner with suitable products and negotiating price and terms successfully.

Finding the right partner	11%
Finding a suitable product	11%
Price and terms negotiations	11%
Development of SMC companies	5%
Regulatory	5%
Marketplace recognition	5%
Integration	5%
High level of value / overestimated in the context of inflation	5%
Scarcity of opportunities	5%
Speed of bringing to market	5%

Biggest challenges in OUT-licensing

Companies that engage in out-licensing are also most concerned about partnering with the right corporation. Furthermore, regulatory and pricing are considered important factors.

Finding the right partner	23%
Regulatory	10%
Cost	6%
Competitive pricing	3%
Finding an attractive offer (price and added value)	3%
Finding the right market	3%
Flexibility with capacity in batch sizes	3%
High standards	3%
Innovation	3%
Lack of margin	3%
Out of EU (bigger markets)	3%
Partner's commitment	3%
Portfolio Updates	3%
Procurement of materials and APIs	3%
Registration and maintenance of MA in new markets	3%
Regulatory of cannabis market uncertain	3%
Supply chain	3%
Terms negotiation	3%
Timelines for dossier development	3%
Unexpected delays	3%

 What do you consider the biggest challenges in engaging in licensing?

\ Digitalization & technology

Technology on the rise.

Digitalization and technology will be improving licensing activities.

On a scale of 0 to 6, the questioned (bio-) pharma product and service company leaders rated the improvement of licensing activities by technology at 3.5: “Rather yes.”

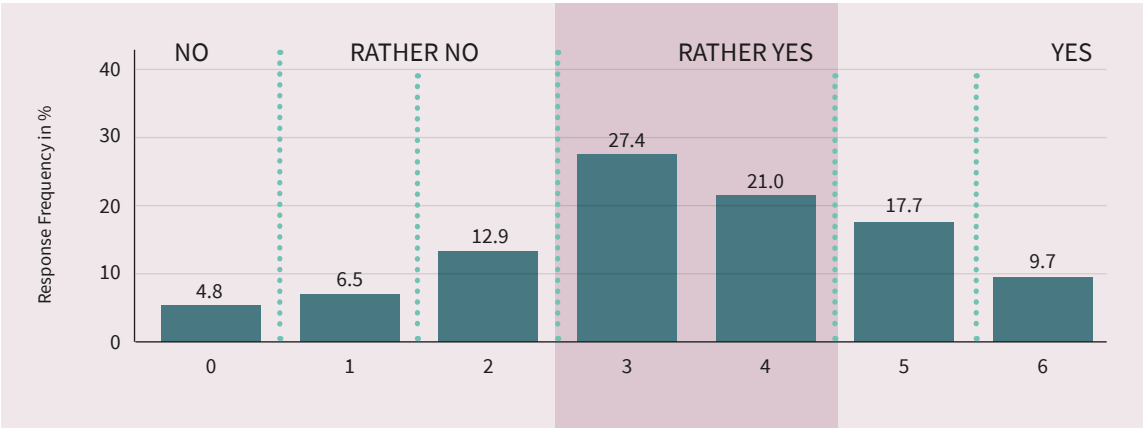
Compared to the FOS 2023, positive sentiment has increased from an average of 3.0 to 3.5. The impact of digitalization is still growing!

Both pharma product (3.4) and (bio-) pharma service companies (3.6) agree that technology could rather improve licensing activities. Among biopharma product companies, however, the sentiment is quite different: a value of only 3.1 is reached.



? Do you think technology / digitalization could improve your licensing activities?
(0 = no, 6 = yes)

Engagement in licensing




\ Regional licensing potential

Licensing in Europe is of particular interest.

The greatest potential for licensing activities is seen in Europe (68%), followed by the United States (44%), and Middle East and North African countries (MENA) (29%).

Looking at the distribution per country, the following trends are seen:

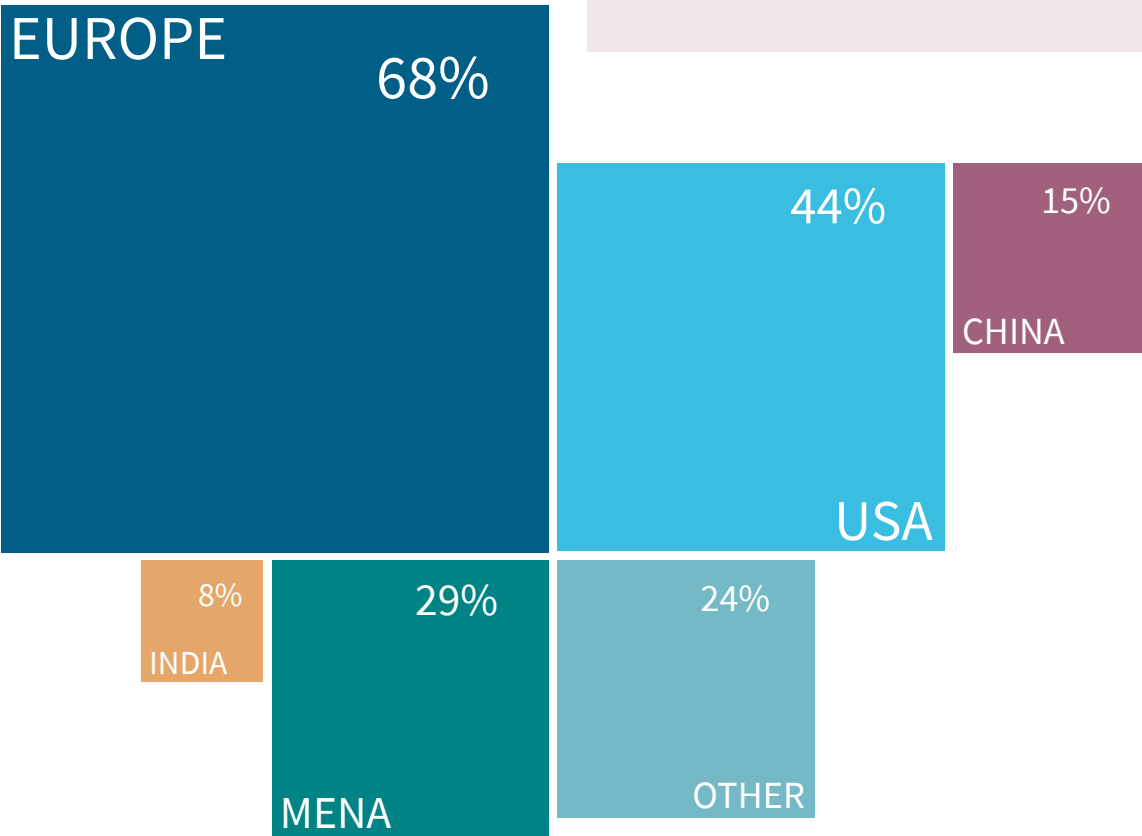
DACH, Benelux, and Italy tend to establish licensing activities in Europe, whereas CEE & SEE countries mainly anticipate chances in the Middle East, Northern Africa and Asia / India. French survey participants see a big potential in licensing in China.

 What regions do you see having the greatest potential for your licensing activities?

(Multiple selection possible)

Other statements

Latin America	6%
Africa	2%
CEE	2%
Emerging economies	2%
Japan	2%
South Africa, Brazil, Mexico	2%
South America	2%
Southeast Asia, CIS countries	2%





4\

Partnerships

The reasons to consider strategic partnerships are broad and varied. But there is general agreement that “Together we are stronger and can create more opportunities.” The (bio-) pharma industry places a lot of hope in cooperation.

On the following pages we look at the motivations for entering a partnership, consider mergers & acquisitions, and examine the challenges and key factors crucial for making those far-reaching strategic decisions.


\ Partnership Future Optimism Score

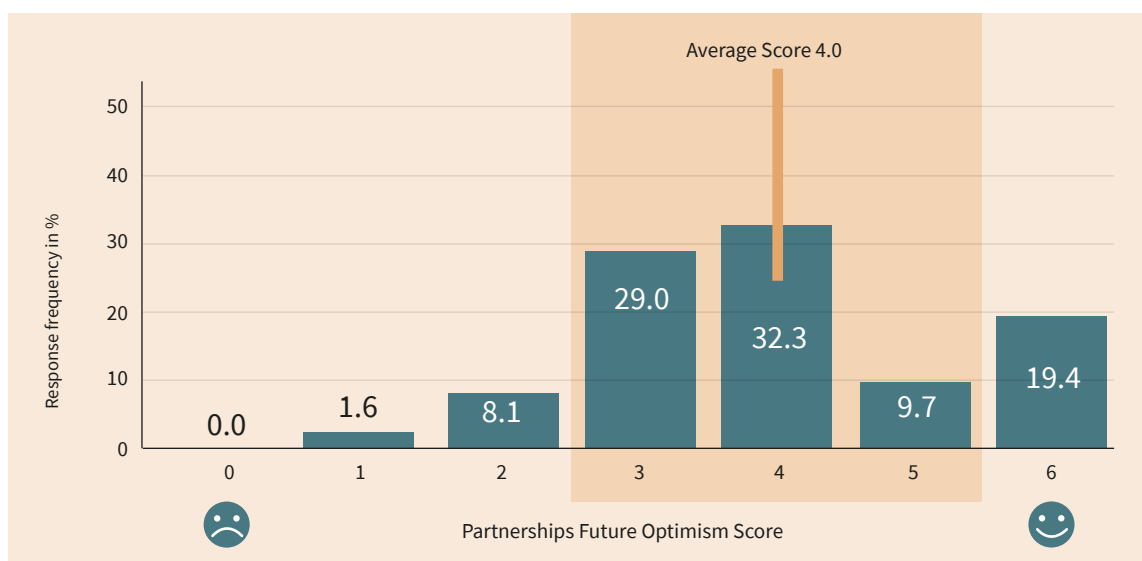
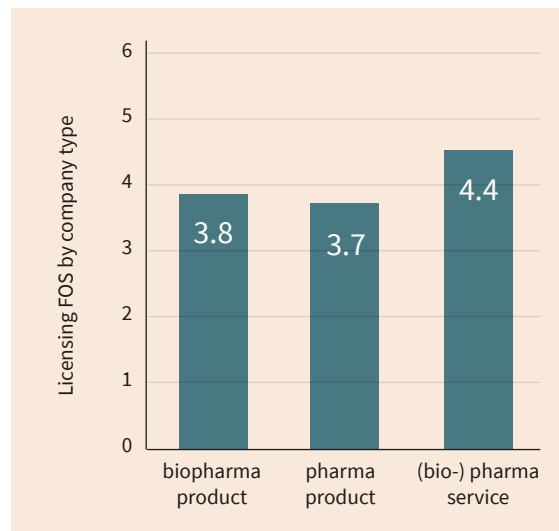
Industry leaders are optimistic about forging strong partnerships.

Optimism about partnerships is high in the (bio-) pharma business: On a scale from 0 (very pessimistic) to 6 (very optimistic), the Partnerships FOS averages 4.0.

The industry is looking forward to successful and prospering relationships!

(Bio-) pharma service companies are even more optimistic than other company types, with an average Partnerships FOS of 4.4.

 How optimistic do you feel about engaging in partnerships in the (bio-) pharma market in the near future? (12–18 months)



\ Reasons for strategic partnerships

Globalization, innovation pressure, and value-chain integration driving partnership consideration.

Developing one's business can be a key motivator. An external view on the processes and structures in the company can offer valuable input, and synergies often can be found with partners.

“Together we are stronger” could be the motto of pharma companies, who go into strategic partnerships for various reasons but with the aim to become more successful through a cooperation. The factors mentioned above (globalization, innovation pressure, and value-chain integration) are considered crucial for competing with the big international players in the pharma industry.

The main driver for considering partnerships or M&A is an international setup (52%). Finding a strong partner abroad helps a company to expand globally. In the FOS 2023, this was the main reason to seek a cooperation (selected by 45%).

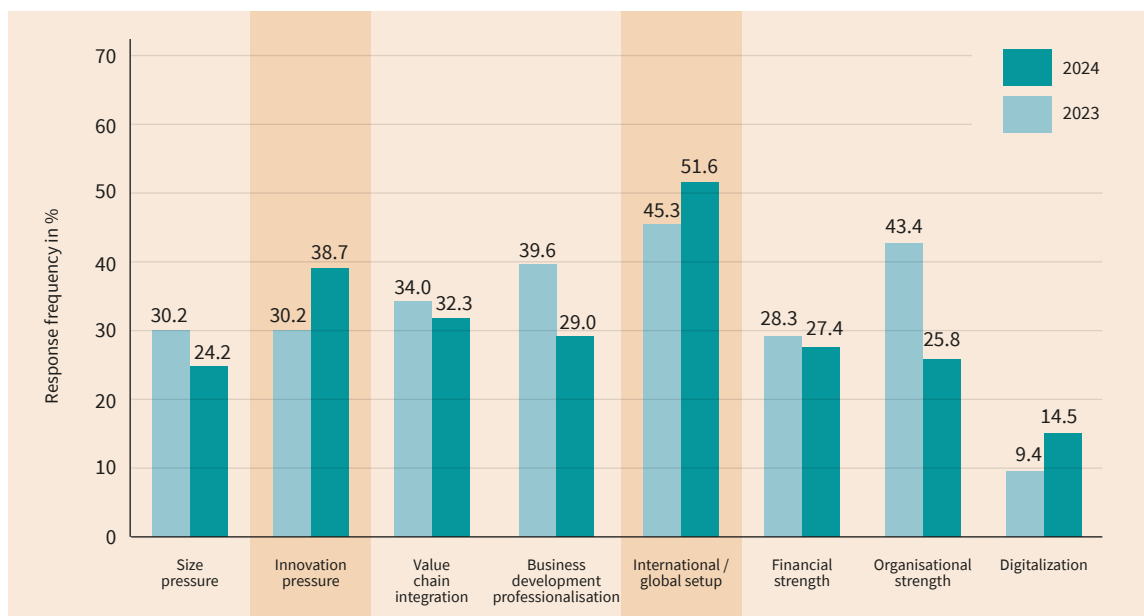
The constant pressure for innovation is ranked #2 on the list of reasons for partnering (39%). Innovation pressure is even higher than last year (when

30% of respondents were considering partnerships for that reason.)

Offering all services and products along the value chain is also a goal many (bio-) pharma companies want to reach by pairing with a suitable partner (32%).

Though rated slightly more important in FOS 2024, digitalization is rarely a key driver for entering partnerships (14.5% vs. 9% last year). Digitalization issues can be solved by different means.

? What are the main drivers in your view for considering strategic partnerships and/or M&A?



Partnerships are often built out of a need.

Smaller companies (that reported lower revenue as well as those with a small number of employees) are more likely to go into partnerships for business development reasons – the less the turnover or the smaller the firm, the higher the percentage that stated business development as a reason. Also, seeking a partner in order to expand geographically and to integrate new offers along the value chain is higher among smaller companies with less revenue.

Among the startup managers in the survey, 100% stated that they are considering partnerships or M&A because of innovation pressure. It is hard to start a company and launch products from

scratch; an experienced partner can help to find your feet in the market.

Larger companies, by contrast, go into cooperation to further expand organizational strength. Partnerships are sometimes seen as a driver to reorganize a company and optimize the structure within the organization, with the goal of making it more efficient.

Pharma product companies, in particular, consider partnerships for the reason of international / global set-up (61%). Biopharma product companies are looking for a cooperation to face innovation pressure (44%). Sservice companies are mostly looking for value-chain integration and internationalization (both selected by 48%).



\ Types of partnerships considered

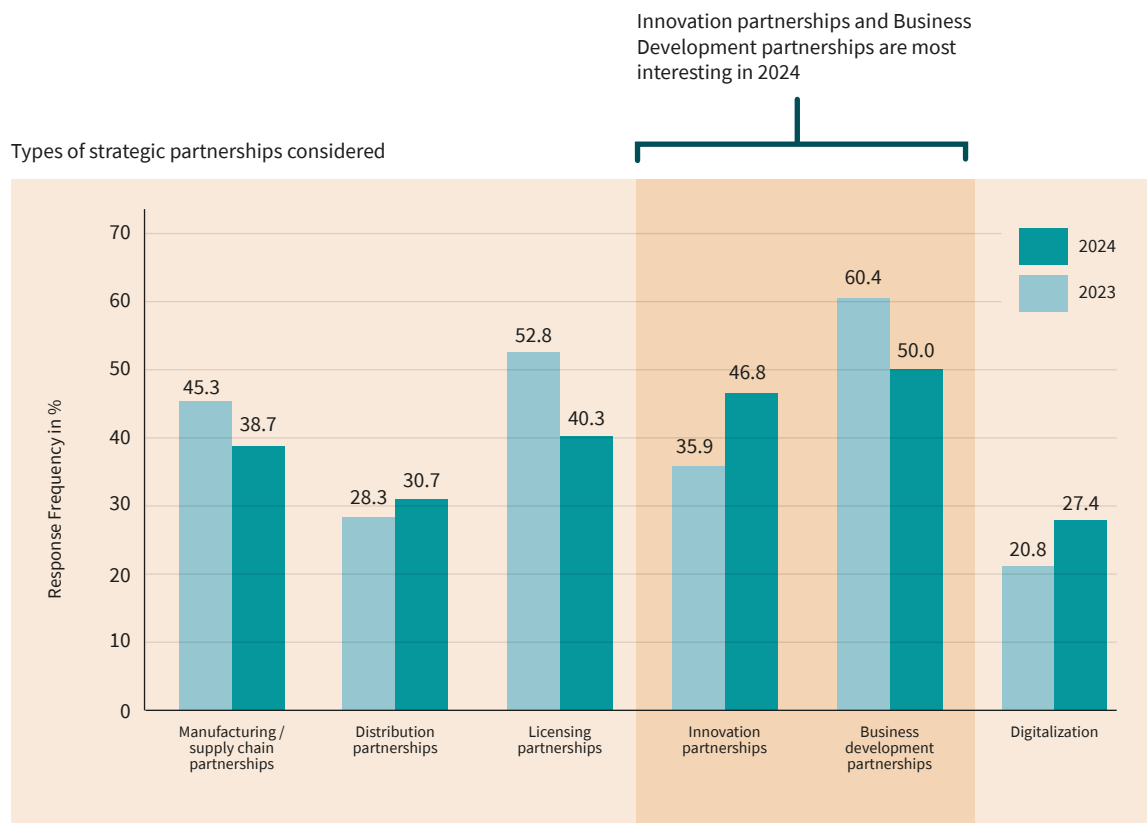
Business development and innovation are the main partnership drivers.

Exactly half of the companies participating in the survey plan to consider business development partnerships within the next year. Compared to last year's results, the value went down about 10%: from 60% to 50%. Still, every second pharma company!

As mentioned above, innovation pressure is increasing. Therefore, plans for innovation partnerships are correspondingly going up (47%).

While in the FOS 2023 report licensing partnerships were planned by more than every second company, the current survey results reveal that 40% of companies are seeking a partner for licensing activities.

? What types of strategic partnerships do you plan to consider in the next years?



Taking a closer look at the different company types reveals some significant differences: The data clearly shows that biopharma product companies favor manufacturing or supply-chain partnerships (67%), followed by partnerships by means of innovation or business development.

Pharma product companies, who are generally very licensing friendly, are not surprisingly considering mainly licensing partnerships (61%), followed by distribution and manufacturing / supply-chain partnerships (50% each).

In the FOS 2023, 71% of (bio-) pharma product companies considered a licensing partnership.

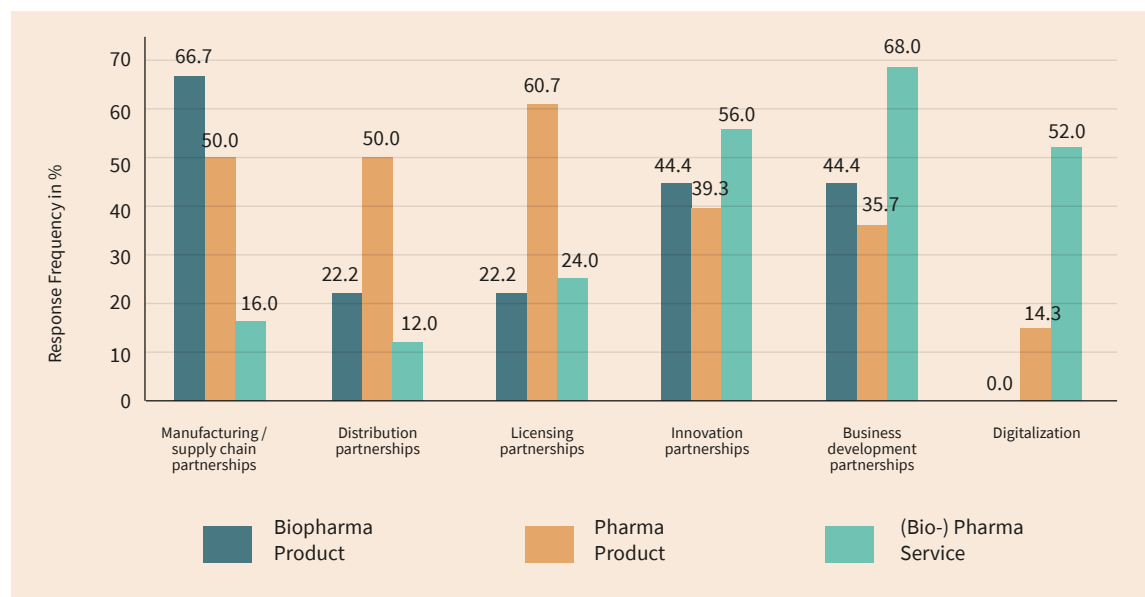
Business Development is important for all types of companies, but (bio-) pharma service compa-

nies are more focused on these types of partnerships: 68% consider going into a cooperation with the aim of driving business development.

It is interesting to note that for pharma product companies (both biopharma and pharma product companies combined), the consideration of entering business development partnerships decreased from 61% last year to 38% in the most recent survey.

Digitalization partnerships on the rise: In the FOS 2023, 32% of (bio-) pharma service companies reported considering partnerships for digitalization purposes. In the most recent report, the number increased to 52%.

Types of partnerships considered (by company type)




\ Importance of innovation partnerships & finding the right partner

Large corporations and startups favored for innovation partnerships.

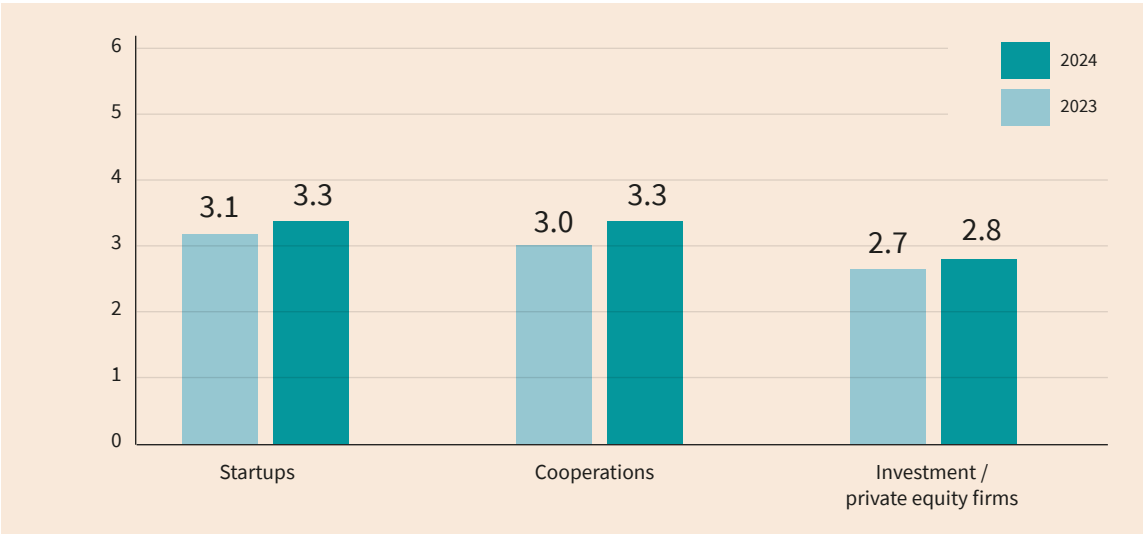
Innovation partnerships with startups and large corporations are considered of medium importance: both were rated equally as 3.3 on a scale from 0 to 6. Innovation partnerships with investment / private equity firms are seen as an additional option.

The results mirror the general increasing importance of innovation partnerships: 47% of respondents are considering making the move in the near future.

Compared to the previous year's results, the importance of innovation partnerships is growing. The importance of startups and large companies as innovation partners in this sector is also rated higher than before.

 How important do you deem innovation partnerships with the following companies?

Average (0-6)



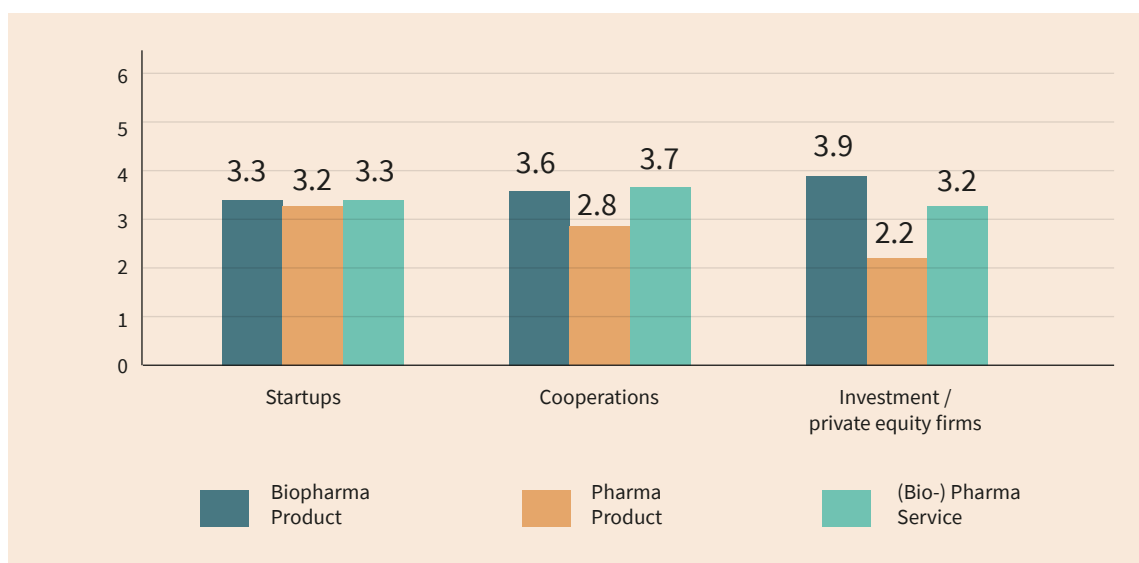
Homing in on the different types of companies, some distinctions become apparent. Biopharma product companies – which generally rate the importance of innovation partners higher – deem innovation partnerships with investment and private equity firms as most important, in contrast to the rest of the sample.

Pharma product companies slightly favor start-ups.

(Bio-) pharma service companies (of which more than half are considering going into innovation partnerships soon) identify partnering with large corporations as important.



Importance of innovation partners (by company type)





5\

Startups and Innovation

Startups are seen as a compelling opportunity for the majority of (bio-) pharma product companies.

The (bio-) pharma startup investment sector is expanding and innovating, making it more attractive, particularly to larger companies seeking growth.

\ Investment in startups

More than 50% of companies surveyed expressed interest in investing in relevant startups.

The overall numbers are consistent with last year's results:

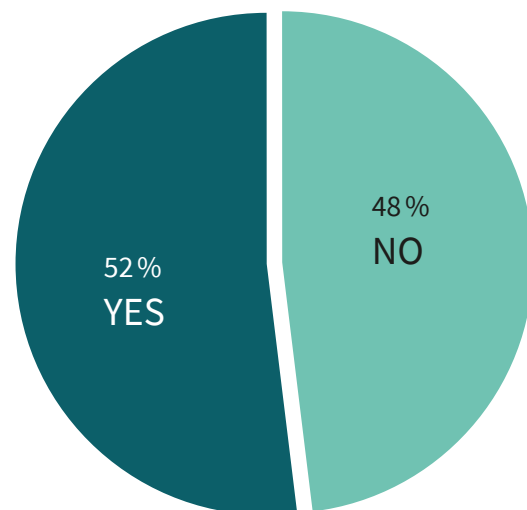
In the FOS 2023, 51% considered investing in startups relevant to the company's development.

Pharma product companies and (bio-)pharma service companies are more likely to invest in startups than biopharma product companies. Of the latter, only 44% consider this an option.

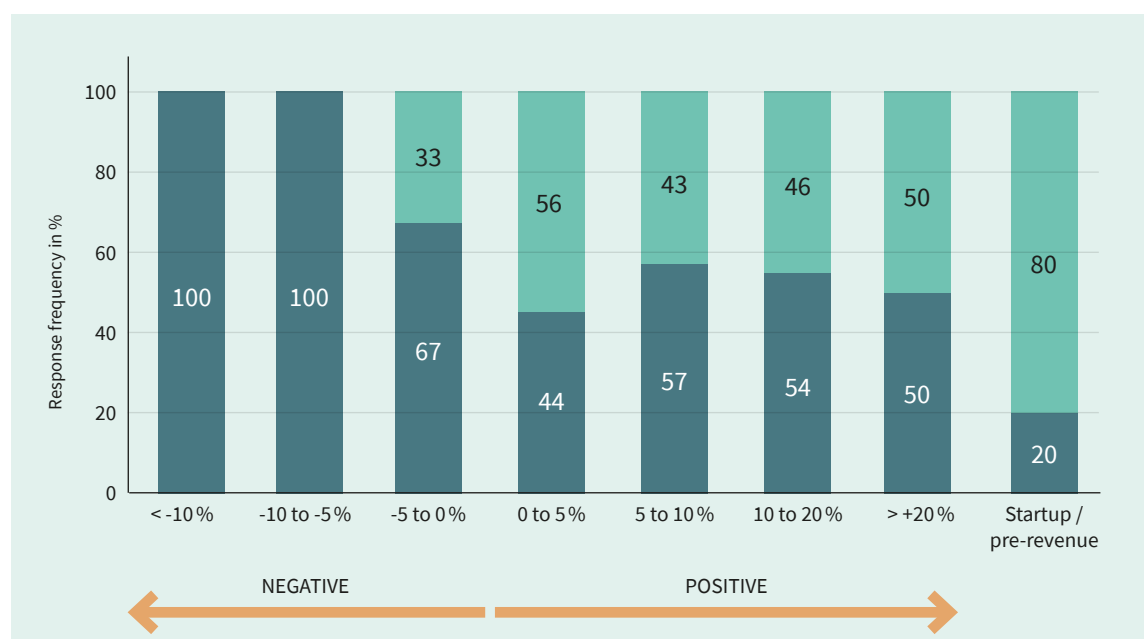
The highest concentration of likely investors in startups is found in CEE and SEE countries.

Companies with a negative growth result are more likely to invest in startups than those who report an increase in value.

? Would you consider investing in startups relevant to your company's development?



Investment in startups (by growth)



\ Areas of investment

Pharma / Biotech of great interest for investments.

? What areas would you invest in?

Respondents who stated an interest in investing in startups were questioned on the areas that would receive their investment.

The answer is clear: Almost 8 out of 10 respondents would invest in Pharma / Biotech.

HealthTech / Digital Health would be an appealing investment for 40% of respondents, diagnostics is interesting for 25%, and MedTech for every fifth to sixth pharma leader.

Other industries that are favored for investments are Algae & Nutraceuticals (6%) and Digitalization in (bio-) pharma (3%).

Investments in Pharma / Biotech is dominant within (bio-) pharma product companies.

Service companies show a trend to invest both in Pharma / Biotech and HealthTech / Digital Health (each was chosen by 32%).

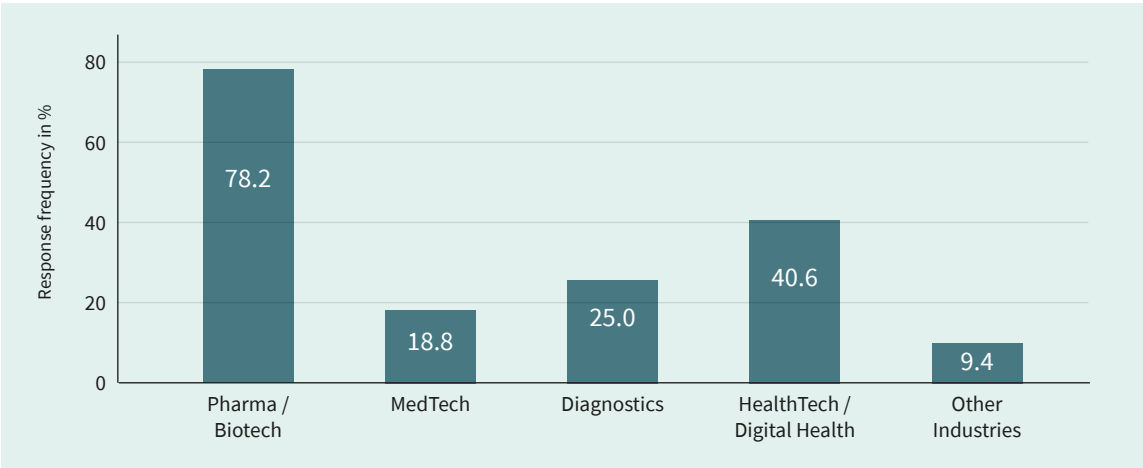
Geographical differences also stand out in the results.

In the DACH region, the investment spread across the mentioned possibilities is even.

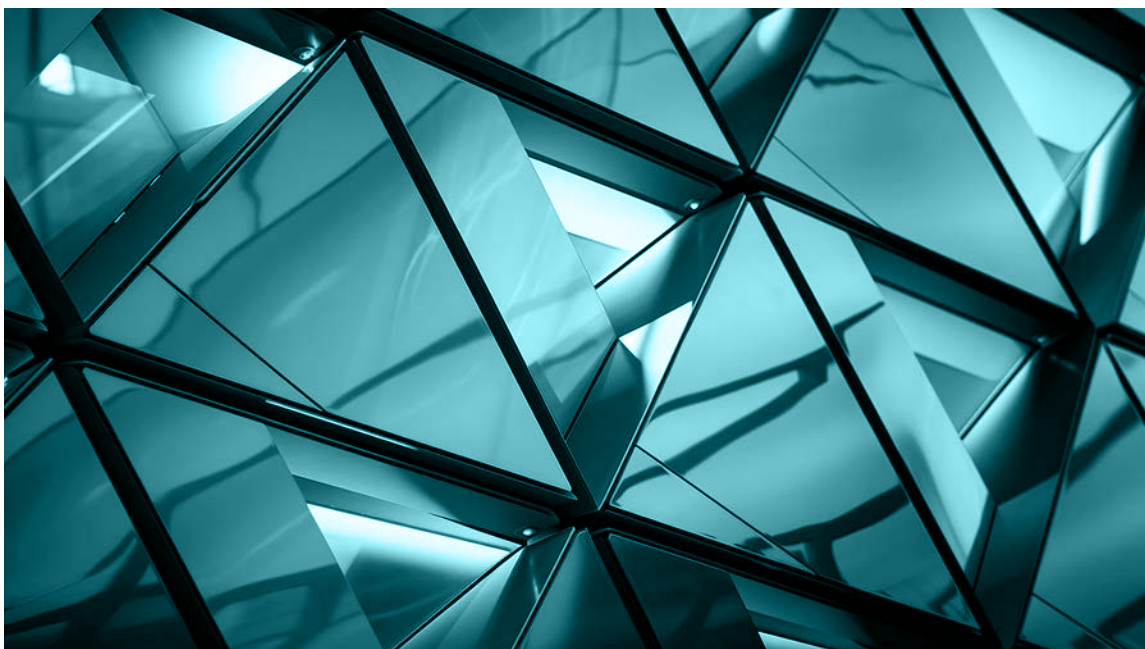
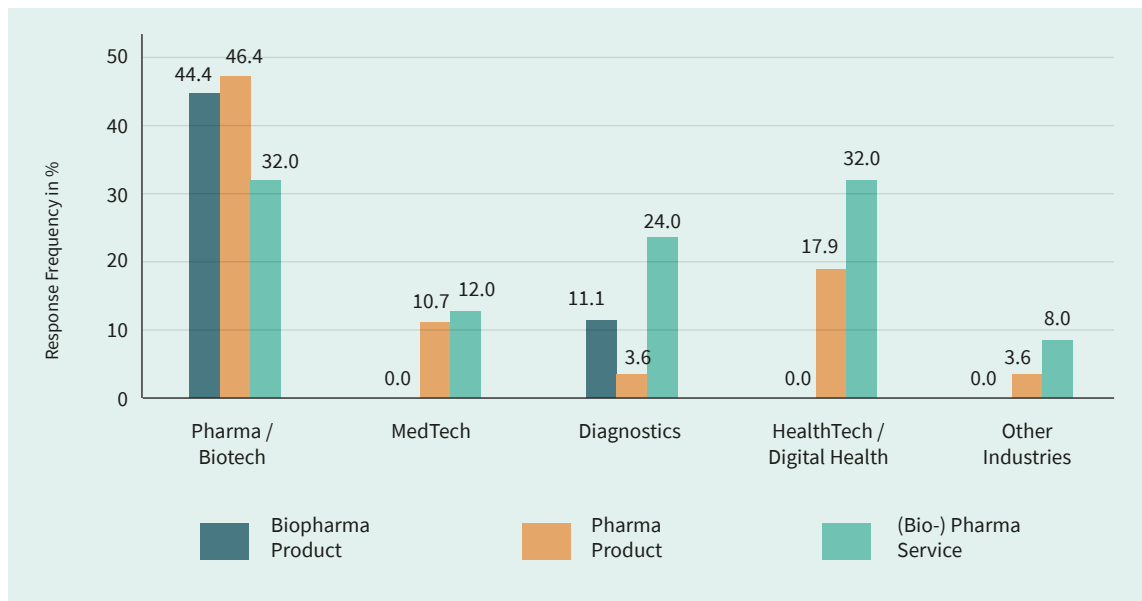
CEE and SEE, as well as UK, mostly invest in Pharma / Biotech.

In France there is a slight preference for HealthTech / Digital Health.

Areas of investment



Area of investment (by company type)



\ Cooperation & Investment opportunities

Personal contacts are ahead in terms of sourcing cooperation and investment opportunities.


Potential cooperation and investment opportunities are mainly found within the private network (77%), followed by corporate contacts (60%).

Associations and startup incubators are interesting for only around one third of respondents.

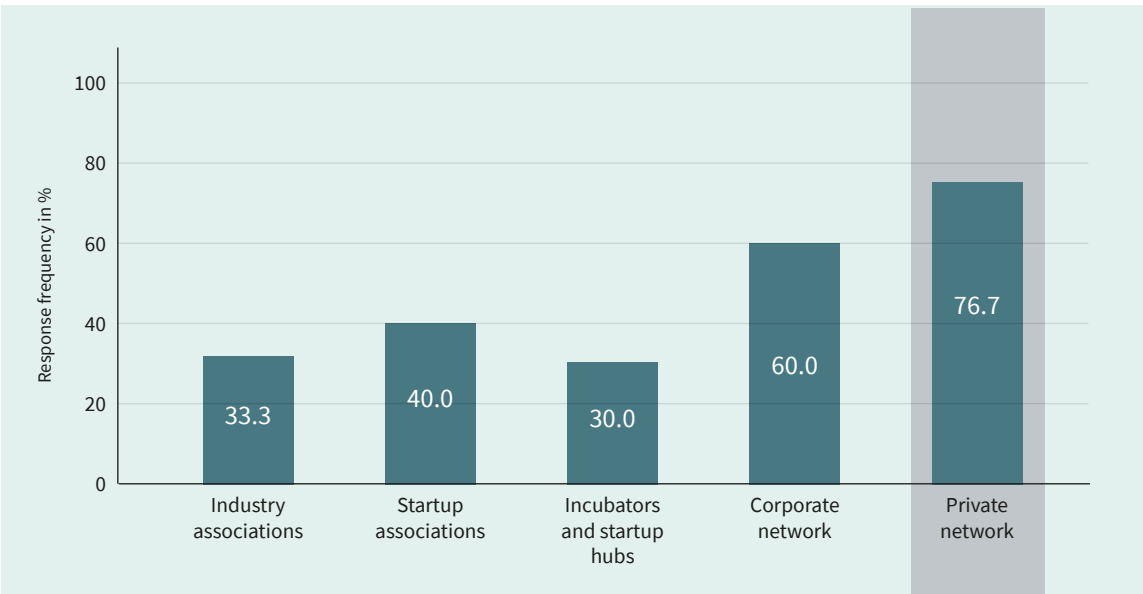
If an investment in Pharma / Biotech is planned, the sources vary, but most contacts can be found in the private and corporate network.

Investors in MedTech and HealthTech find their investment opportunities mainly in the private network.

Startup and industry associations are relevant when looking for an investment opportunity in diagnostics.

 Where do you find potential cooperation / investment opportunities?

Potential cooperation / investment opportunities



Investments in Pharma / Biotech is dominant within (bio-) pharma product companies.

Service companies show a trend to invest both in Pharma / Biotech and HealthTech / Digital Health (each was chosen by 32%).

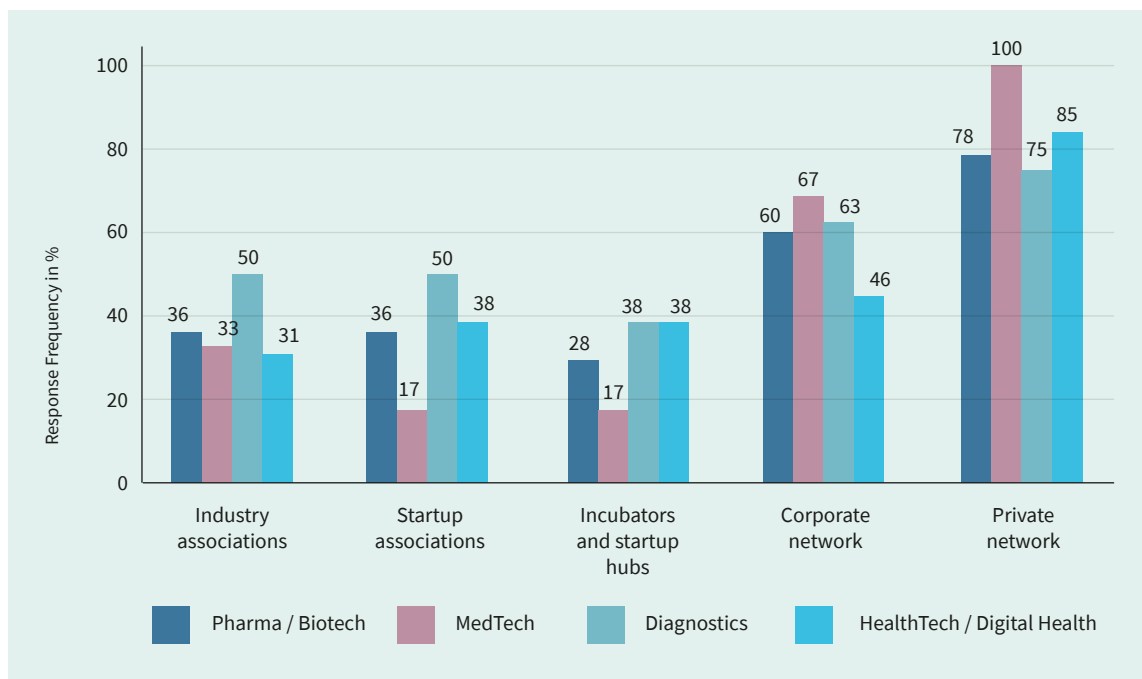
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Source of Investment vs. Investment Area



\ Reasons for NOT considering investments in startups

Almost half of survey participants are not considering investments in startups.

The main reasons for NOT investing in startups fall into two categories: financial aspects and risk considerations.

The financial situation or lack of free cash is given by 10% as the reason for not considering investment in startup companies.

Uncertainty is listed by 6% for why they refrain from startup investments.

Other companies are simply not interested because they can cover everything in-house or do not see an added value.

Financial aspect / Cash availability	10%
Too uncertain / Risk considerations	6%
Size of company	3%
Business is mainly developed through M&A	3%
Covering everything internally	3%
Low value-to-effort ratio	3%
Other	3%



\ Private investment in startups


No surprise in the high interest for startup investment

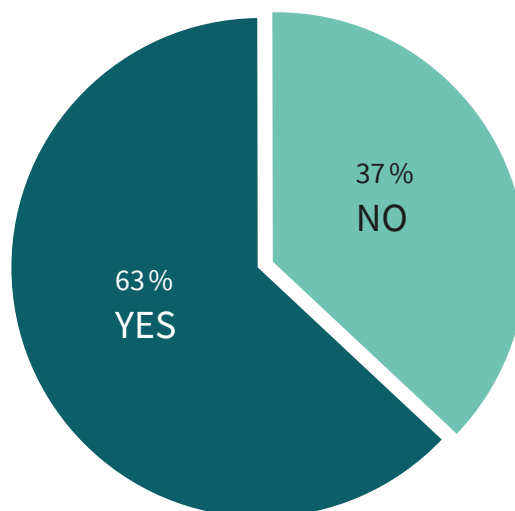
Our survey shows that 2 out of 3 company leaders would also privately invest in startups. The result is not surprising, as high-income individuals are constantly seeking out valuable investment opportunities.

Nonetheless, compared to last year, the share of potential private investors decreased from 75% to 63%.

Investing in a startup can, however, be quite risky. A thorough investigation – evaluating future opportunities and success probability on the market – is essential.

Startups offer a great opportunity and often have good products, but many are not succeeding because the needed investment capital is missing.

 As an entrepreneur / company leader would you also privately invest in startups?





6\

Mergers & Acquisitions (M&A)

Companies targeting expansion into new geographic regions are the primary drivers of mergers & acquisitions. This is not unexpected in the pharma industry, in particular, given that governmental regulations differ by country and so licensing becomes less of an issue. Survey respondents tend to consider M&A as a viable option for company growth.

For those who don't, the most common reasons cited are the intention to grow organically and the desire to fix issues internally before moving forward.

\ Consideration of M&A

Geographic expansion and growth products are key drivers

Almost half of companies considering M&A do it to expand geographically. Among last year's respondent, three quarters stated that they were considering M&A for this reason.

Overall, geographic expansion (45%) and growth products (40%), followed by manufacturing assets (27%), are reported as the most significant reasons for M&A.

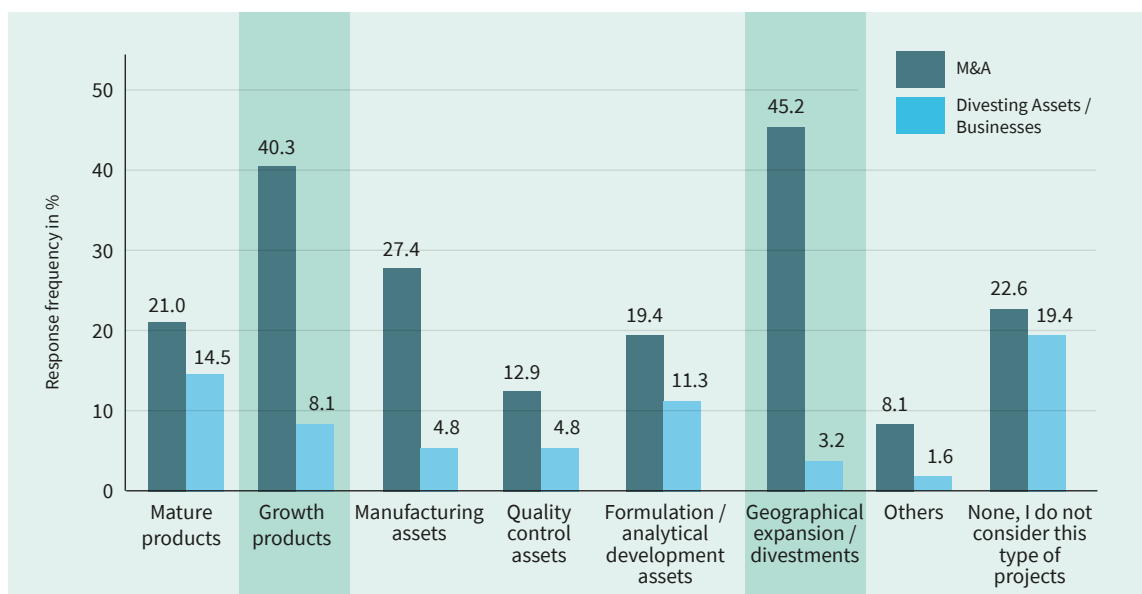
Divesting assets / businesses is generally considered less frequently than M&A. The main reasons given for divesting assets / businesses are mature products (15%), followed by formulation / analytical development assets (11%).

? If you are considering M&A or divesting assets / businesses, in which areas?

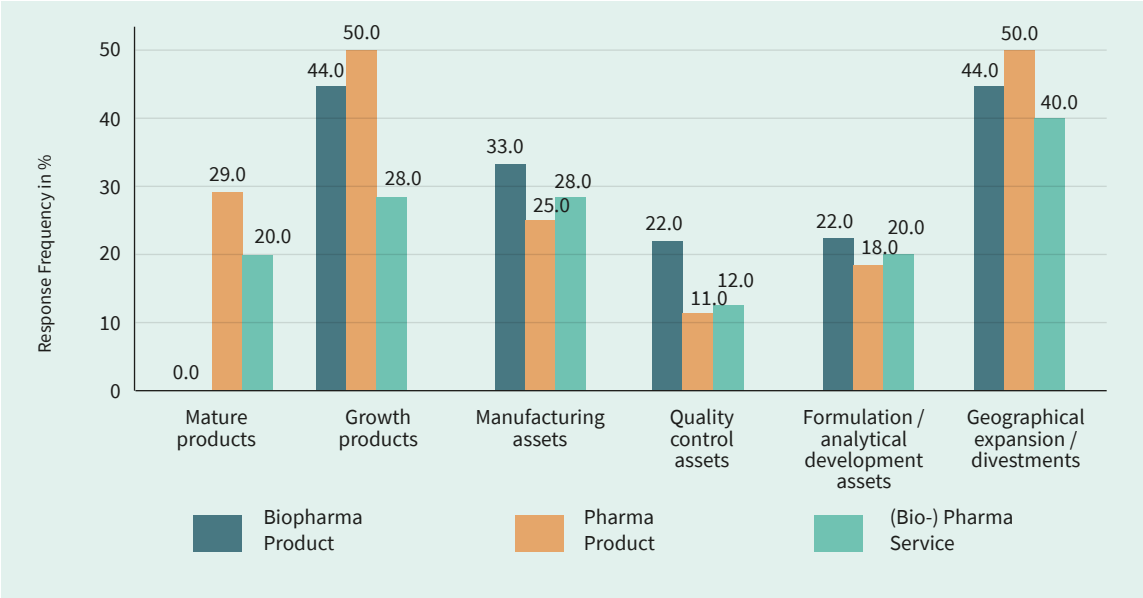
Geographical expansion and growth products are the main reasons for M&A among all company types.

(Bio-) pharma product companies also state growth products as a reason to consider M&A. Divesting assets is considered mainly by biopharma product companies with respect to mature products (33%) or growth products (22%).

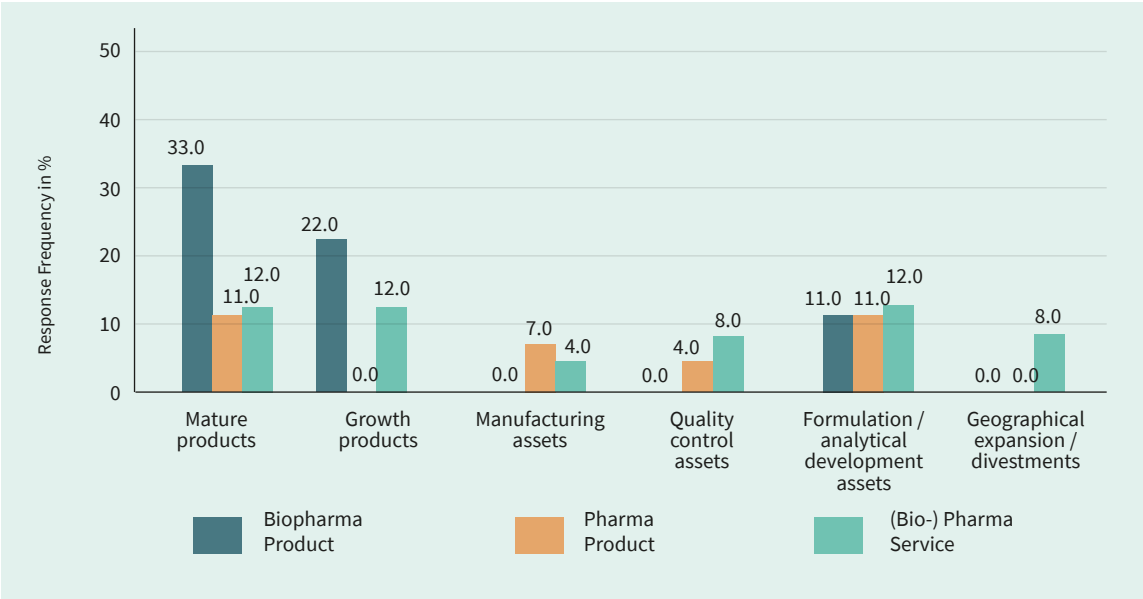
Areas of M&A or divesting assets / businesses



M&A (by company type)



Divesting Assets / Businesses (by company type)



\ Reasons against M&A

Organic growth or fixing current business issues in conflict with M&A plans.

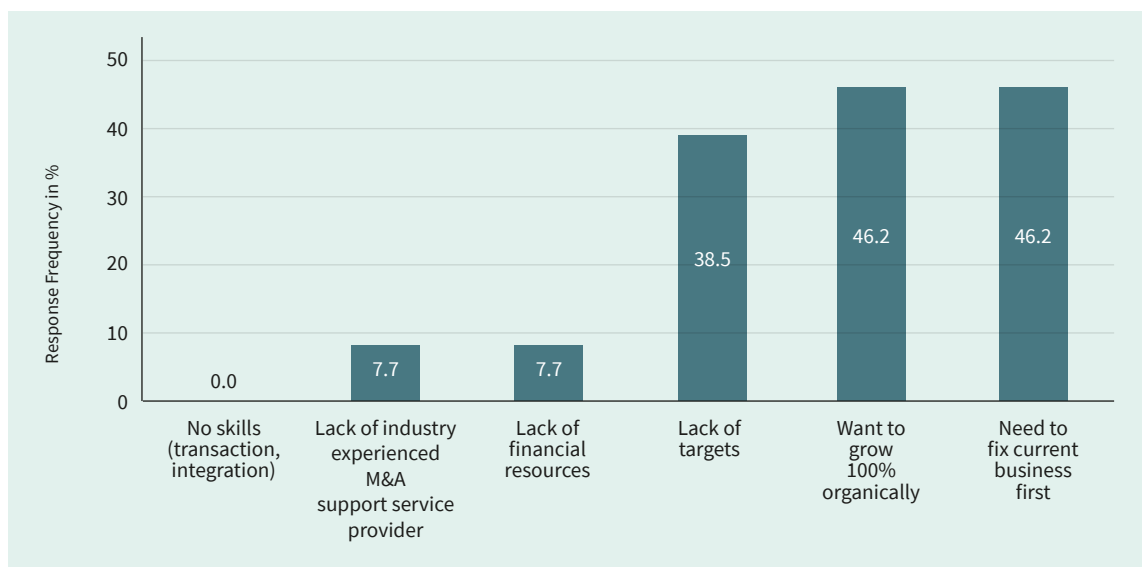
Less than one quarter (23%) of survey respondents reported not considering M&A. The most common reasons given are the preference to grow organically (46%) and the need to fix business issues internally before taking the next step (46%). Almost 4 out of 10 companies have no defined targets.

A lack of financial skills and lack of industry-experienced M&A providers are rarely the reason for declining M&A, while a lack of skills was not selected at all.

? If you are not considering M&A, why?

- If the prior question was answered “no,” respondents were asked for the reasons. This affected 23% of the respondents. In last year’s survey, only 6% stated no interest in M&A.
- The companies not considering M&A are mainly (bio-) pharma service companies, startups or companies with a growth rate below 10% and a slightly positive EBITDA margin. All are situated in central Europe (50% in DACH, the rest in Iberia, Italy or Benelux.)

Reasons against M&A





Succession

For every company there comes the time to think about what comes next. Who will come after me? How will we guarantee further success? Who can think big, take over responsibilities, and lead? Survey respondents report significant challenges finding the top talent ready and willing to take on the risks and responsibilities that come with leadership positions, a problem encountered across industries. To develop a successful succession, processes need to be set in motion years in advance.

\ Consideration of succession or company sale in the past

Succession trending mainly within pharma service companies.

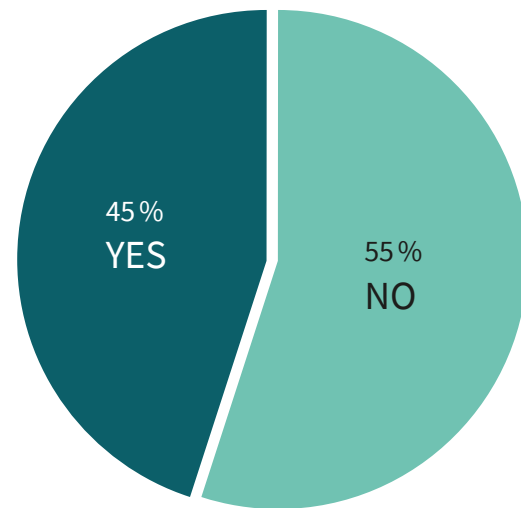
Overall, 45% of respondents have thought about a succession / company sale in the past two years. The number increased slightly since the FOS 2023.

More than 52% of (bio-) pharma service companies have thought about a company sale or succession.

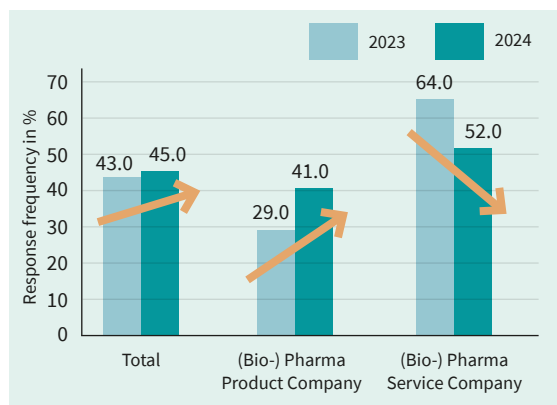
This contrasts with (bio-) pharma product companies, of which only 41% have thought about or discussed succession or a company sale.

Why the discrepancy? The most likely reasons: the consolidation wave in the pharma services market remains ongoing and valuations are still high.

? Have you thought about or discussed a succession / company sale in the past two years?

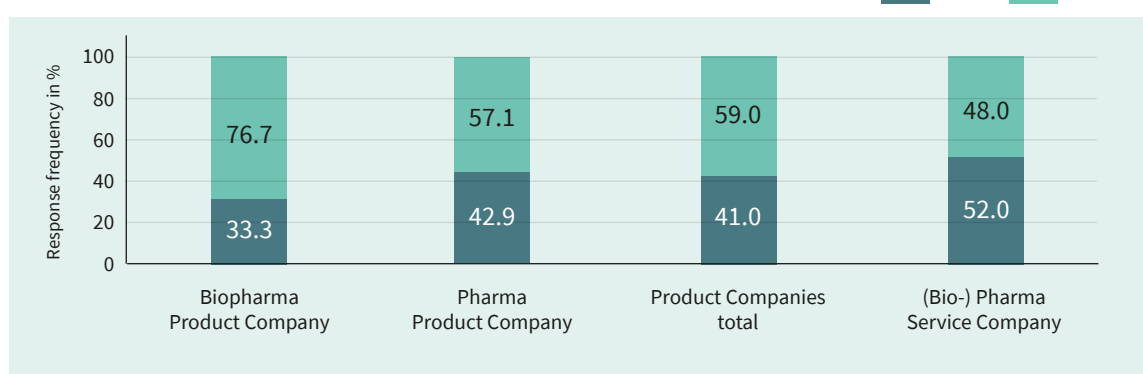


Succession / company sale trend (2024–2023)



Compared to the previous year's survey results, the trend for succession is slightly growing, with a convergence in numbers between (bio-) pharma product and service companies.

Consideration of succession or company sale



\ Consideration of succession or company sale in the future

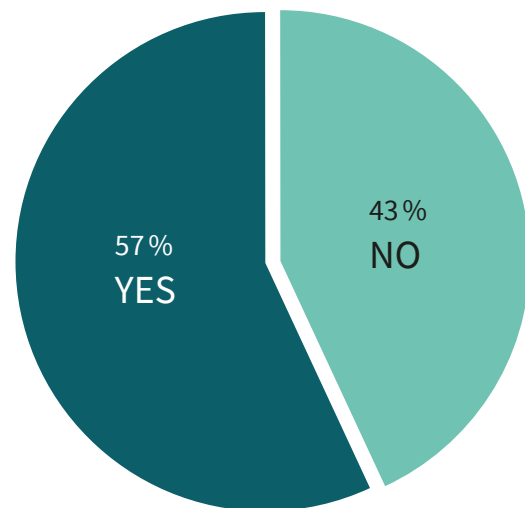
Succession trend: curve is flattening.

More than half of company leaders think that succession might be relevant for their business in the future. Compared to FOS 2023 survey, the numbers decreased significantly from 77% to 57%. Nevertheless, future succession plans are increasing when compared to the succession activities of the past 2 years.

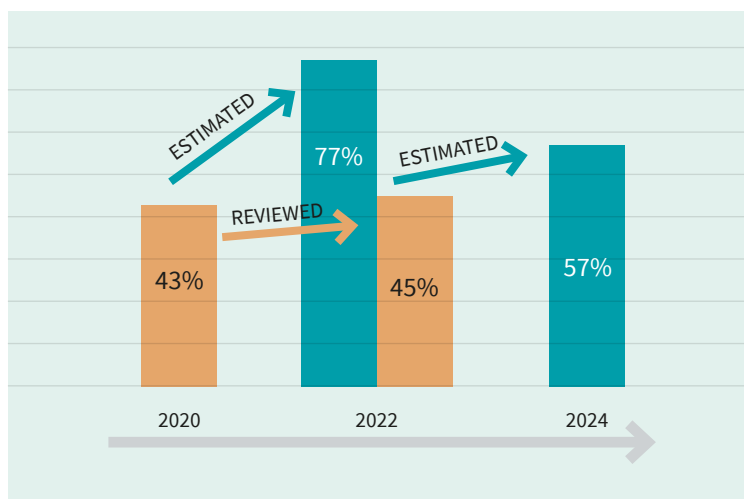
As seen on the previous page, 45% of the surveyed companies have been contemplating succession planning in the last two years. Out of those companies, 86% expressed their intention to actively address succession planning in the future.

Differences can be seen between the company types: 50% of pharma product companies think succession might play a role in their company in the future and 44% of biopharma product companies, whereas 86% of service companies think succession will play a role.

? Do you think succession might play a role for your company in the future?



Succession trend (estimated and reviewed)



In the previous survey, 43% stated to have considered succession in the past and 77% estimated it for the near future.

Actually it turned out that only 45% implemented the plans within the next 2 years. Therefore, in the FOS 2024 report the value was reviewed and estimated more conservatively: 57% of participants noted to consider succession in the next 2 years.

Consideration of succession or company sale in the past

Consideration of succession or company sale in the future

\ Relevant areas of succession

Family is of growing importance, but still less significant than external options for succession.

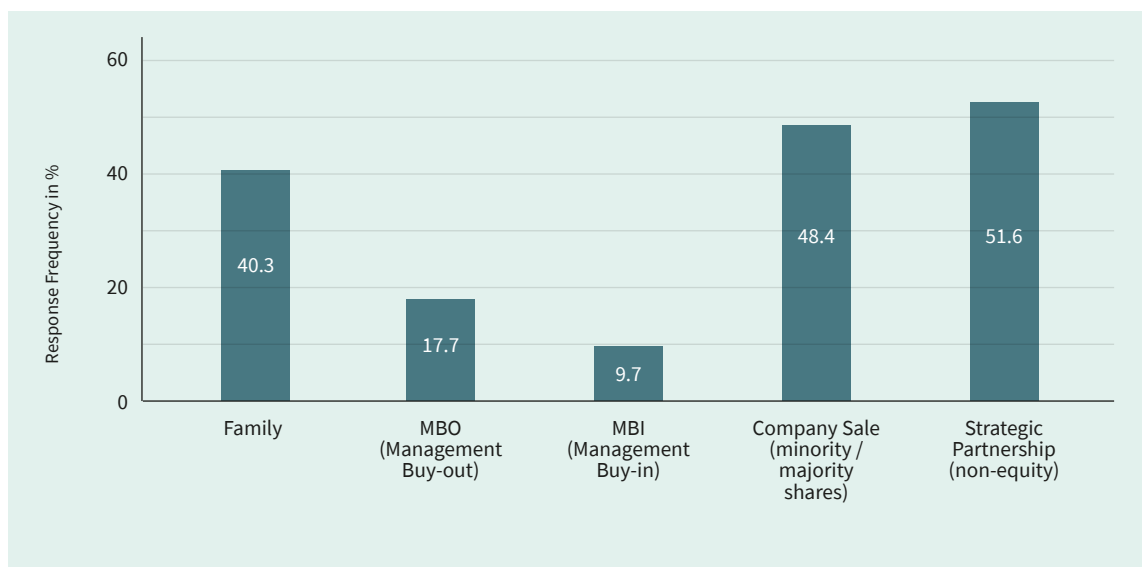
Strategic partnership is considered the most important area of succession: 52% rate it as relevant. This was also the outcome of the questioning in 2022.

This was followed closely by company sale, which was selected by 48%.

While only every fifth respondent considered family succession relevant last year, the number doubled in the current survey: 40% consider it an option.

? What areas of (shareholder) succession do you consider most relevant?

Relevant areas of succession



Future Optimism Scores

The industry’s future sentiment expressed in a score.

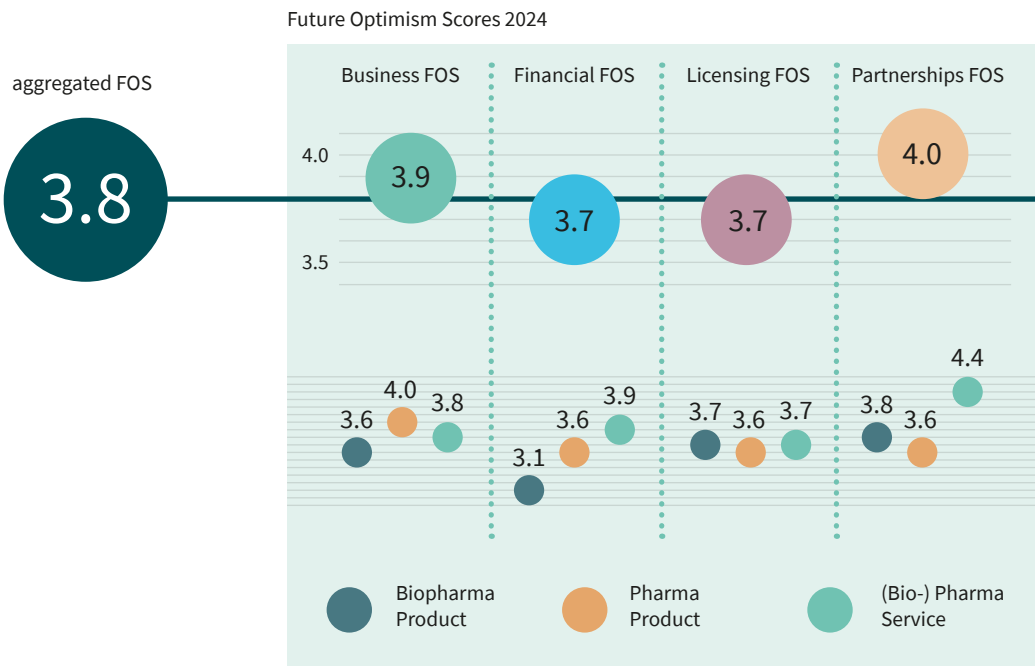
On a scale from 0 = very pessimistic to 6 = very optimistic, the participating (bio-) pharma company leaders evaluated the industry outlook in the areas of Business, Finance, Licensing and Partnerships and rated each with a Future Optimism Score. Additionally, an aggregated overall Future Optimism Score was calculated.

Generally, the pharma industry is quite optimistic. The most positive outlook is seen in the area of partnerships.

Pharma product companies are more optimistic than other business types in general.

A closer look at each area, however, reveals that (bio-) pharma service companies lead the pack in positivity.

Happy together: (Bio-) Pharma service companies reach a score of 4.4 when considering partnerships – the highest score in the entire survey.

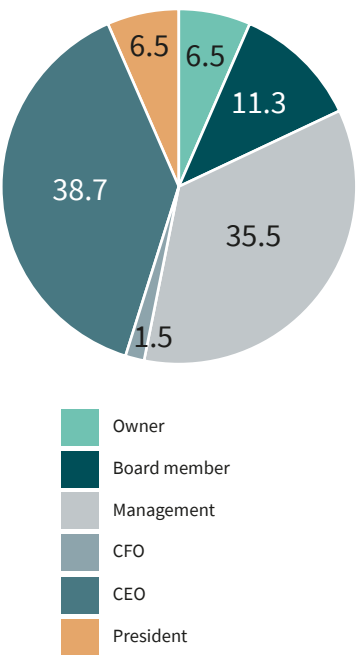


Statistics & Demography

Top-level management with broad industry perspective

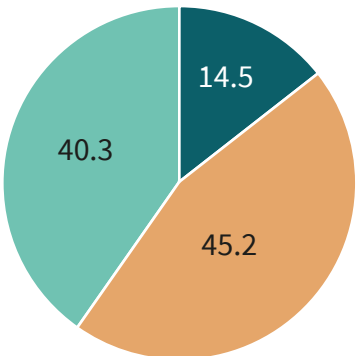
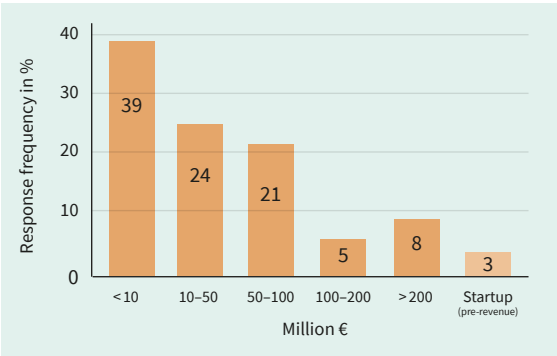
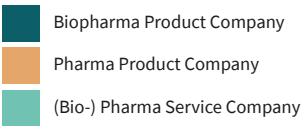
\ Survey statistics

- The VINC European Small- and Mid-Market Bio-Pharma CEO Barometer was carried out as an online survey in May and June 2023.
- Questionnaires were returned by 62 survey recipients, who provided insights into their businesses and the broader industry.
- All participants were top management – CEO, president, owner, or board member – in small or medium-sized European (bio-) pharma companies.

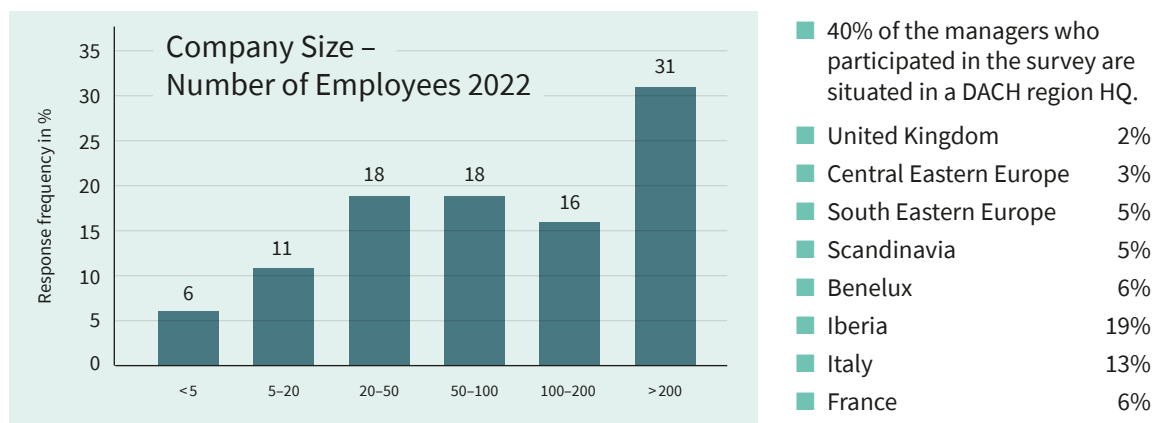
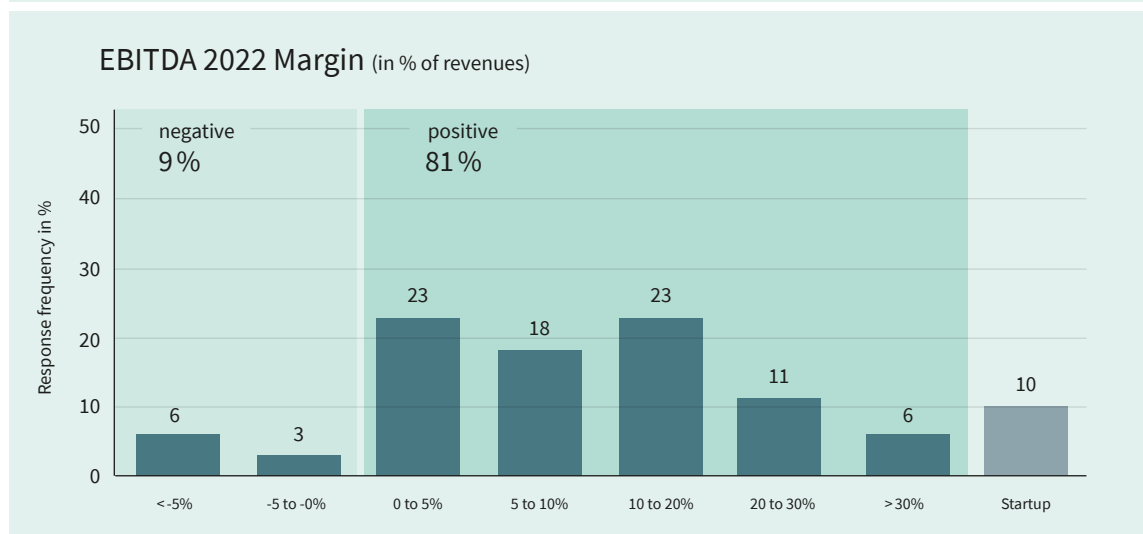
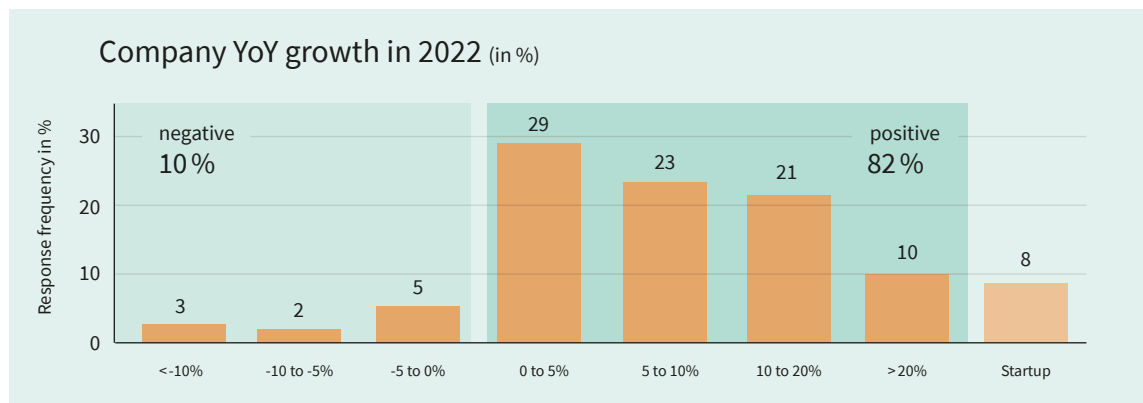


\ Demography

- 75% of the survey respondents are CEOs or members of the management.
- We questioned 60% (bio-) pharma product companies (14.5% biopharma product companies and 45.2% pharma product companies) and 40% (bio-) pharma service companies.
- Almost 40% of the companies stated their annual revenue was below € 10 m. 8% reach a revenue of more that € 200 m.



- 82% of the companies reported that their business was growing in the last year. Only 10% report a declining business.
- 81% reported a positive EBITDA Margin in % of revenues in 2022. 40% of the companies reached a value of more than 10%.
- Around one third of the companies participating in the FOS 2024 survey employ over 200 people.



\ About Europharm SMC

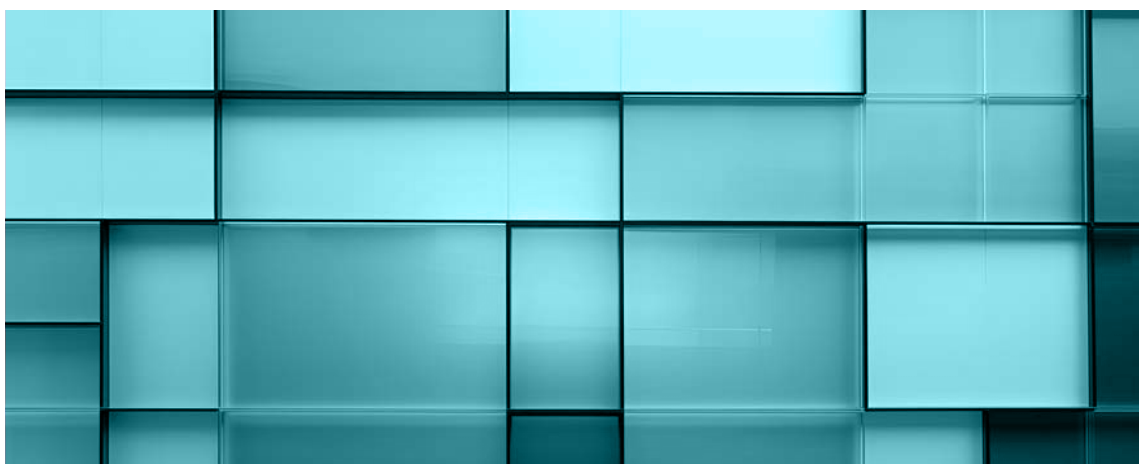
Europharm SMC is the European Association of Small and Medium-sized pharmaceutical companies.

The Association supports and defends the interests of such firms in order to enhance their competitiveness within the global framework of the pharmaceutical industry. Whereas on the one hand, globalization and networking are key words for success, on the other, SMEs need additional factors to meet their challenges, such as swifter information exchange, new partners, logistic support in R&D, product registration, and pharmaceutical manufacture and distribution.

Europharm SMC's Mission:

- To promote and assist companies in developing cooperation and synergies with partners in the EU and the rest of the world.
- To contribute to the achievement of a favourable economic and regulatory framework for the development of medium-sized pharmaceuticals companies in Europe.

For more information, visit: www.europharmsmc.org



\ About the Advisory and Licensing Practices of VINC

Experience backed by technology to support the endeavors of VINC clients

VINC's unparalleled specialization and long-standing expertise lie within businesses specifically along the pharmaceutical development and value chains. In addition, we are focused on the Med-Tech, Diagnostics, and Digital Health spaces. Our team includes strategy consultants and industry veterans with experience from the workbench to top management positions.

We cover the relevant niches and sub-niches of the industry through our specialised and well-selected pool of over 30 VINC experts.

With a 100% life sciences focus and our dedication to solution orientation, we speak the same language as our clients and act not only as service provider—we become a partner.

ADVISORY SERVICES OVERVIEW

Company Sale	EXIT Preparation
CEO Sparring	Turbocharged Investment Assessment
Buyside Actionability	Manufacturing Network Evaluation

LICENSING SERVICES OVERVIEW

IN-LICENSING	OUT-LICENSING
STRATEGIC PORTFOLIO REVIEW	PORTFOLIO DIVESTMENT AND ACQUISITION

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beyondzeitgeist

VINC is the only life sciences society that helps brilliant minds with passionate hearts achieve their higher purpose

Life sciences are our language. We advise, invest, license, and grow companies in our area of expertise.

From our offices in Vienna, Paris, Milan, Dubai, and New York, we support life sciences and digital health companies across our four verticals.

- Advisory: M&A and Corporate Finance, Strategic Consulting
- Growth Ventures: Succeeding in Fundraisings
- Licensing: Licensing Services from MENA to Europe
- Inneq.health Investments: Early-Stage Venture Capital Investments

From AI-based biomarker discovery and software for doctors' centers, to gene testing and reagents, hip implants and operating tables, and Rx products and contract manufacturing services, our team is experienced across the industry.

We are a society. We share the same purpose and work towards it by bringing together smart, entrepreneurial, experienced, and passionate people. From midsize to large corporates, company owners and startups to investors, venture capital, and private equity funds, the "Power of the Platform" is real, and we grow it a little step further every day.



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