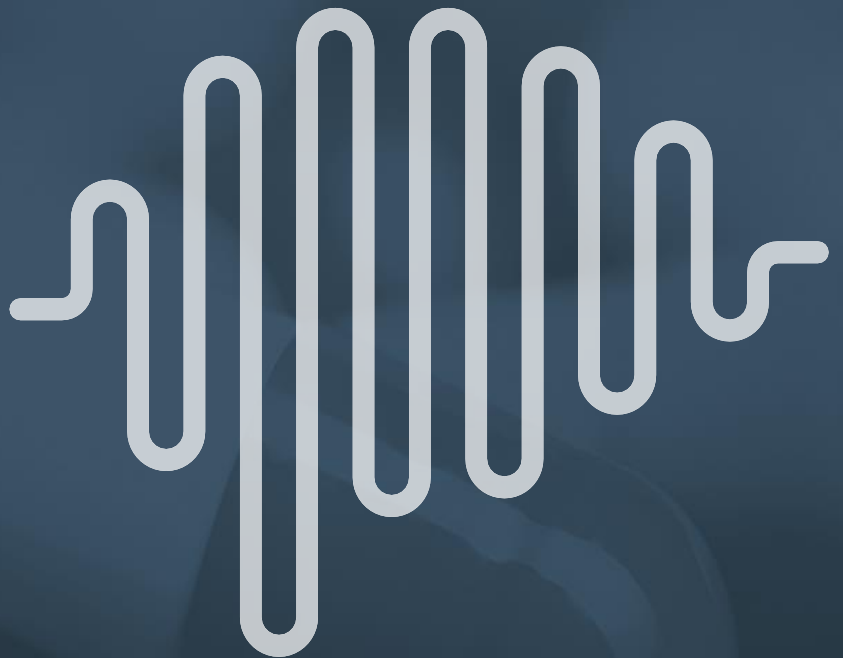


February 2022

Lazard Global Healthcare Leaders Pulse Survey

Executive Summary



LAZARD



Introduction

In the approximately six months following Lazard’s last survey of healthcare industry leaders (the [Lazard Global Healthcare Leaders Study 2021](#)), the global health environment has changed dramatically, with two significant COVID-19 variants (Delta and Omicron) sweeping across populations. Concurrently, economic conditions have changed, capital markets volatility has increased and the geopolitical climate has evolved as well.

With these developments in mind, in January 2022, we conducted a brief “pulse” survey of healthcare leaders to assess their views on the state of the pandemic and topical issues for the healthcare industry.

As with our prior surveys, we surveyed top C-level executives and investors across three sectors: Biopharmaceuticals; Medical Devices and Diagnostics; and Healthcare Services. Our 160 respondents represent many of the largest healthcare entities globally, smaller public and private companies, and prominent investment firms¹.

The results, as always, are intriguing:

| Key Findings: | |
|---------------|--|
| 1 | A large majority of the respondents believe that the COVID-19 pandemic has transitioned from a pandemic to an endemic phase. |
| 2 | Among respondents who don't believe COVID-19 has yet moved to an endemic phase, a majority believe it will do so in 2022. |
| 3 | There is no consensus on what the characteristics of an endemic phase for COVID-19 will be. |
| 4 | The financing environment for healthcare companies is expected to be more challenging across the board, most markedly in the public markets. |
| 5 | Strategic activity among healthcare companies is expected to see an increase in bolt-on acquisitions and strategic alliances. |
| 6 | A large majority of Industry leaders don't expect any major U.S. legislation regarding drug pricing to occur in 2022. |

In past surveys, we have seen a high correlation between healthcare industry leaders’ responses and the subsequent course of events. These data points underscore that healthcare industry leaders have true insight not only into their own industry dynamics, but also into public health-related trends. Their perspectives continue to merit our attention.

¹ C-level executives included CEOs, CFOs, and senior executives involved in strategic decision-making. Approximately 72% of the C-level respondents work at public companies and 28% work at private companies. Approximately 35% of public company respondents said their companies have market capitalizations of over \$5 billion, frequently representing large companies with international or global operations. Healthcare Services respondents, however, were almost all U.S.-based.

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SURVEY
RESPONDENTS

160
Healthcare Industry
Leader Total Responses

138
C-level Executives

22
Investors

C-SUITE
BY SECTOR

117
Biopharmaceuticals

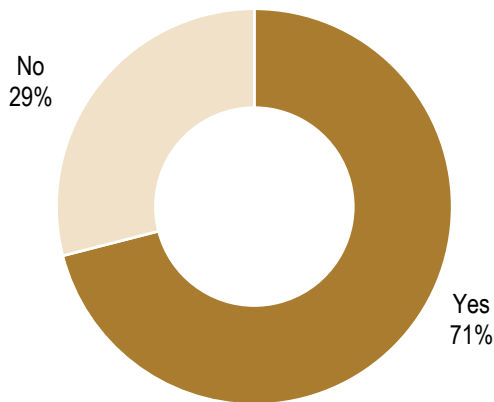
14
Healthcare Services

7
Medical Devices
and Diagnostics



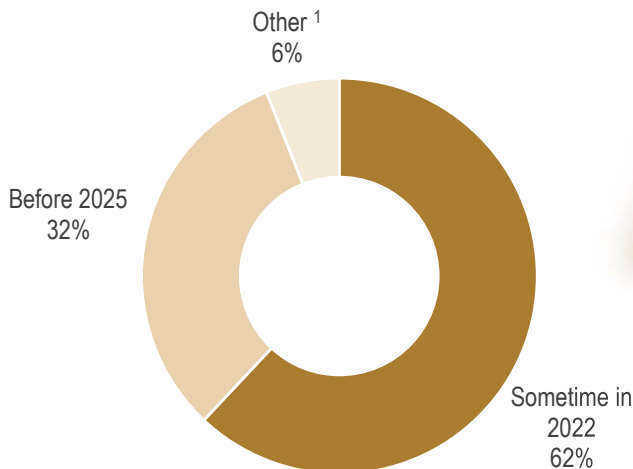
Most healthcare leaders believe COVID-19 has already transitioned from a pandemic to an endemic phase

Even as many observers debate the likelihood of the COVID-19 pandemic transitioning to an endemic phase, the majority of healthcare leaders have already made up their mind: 71% believe the emergence of variants such as Delta and Omicron mean that COVID-19 is already in an endemic phase. (A disease is defined as endemic when it is a constant presence limited to a given geographic area or population, according to the U.S. Centers for Disease Control and Prevention).



Q1: With the emergence of COVID-19 variants (e.g. Delta and Omicron), do you believe that we have transitioned from a pandemic to an endemic phase?

Even among the 29% of respondents who said COVID-19 is not yet endemic, two-thirds expect it to become endemic this year. Most of the remaining respondents expect it to become endemic before 2025.



*Q2: If response to Q1 was "No":
When do you think that we will transition from a pandemic to an endemic phase?*

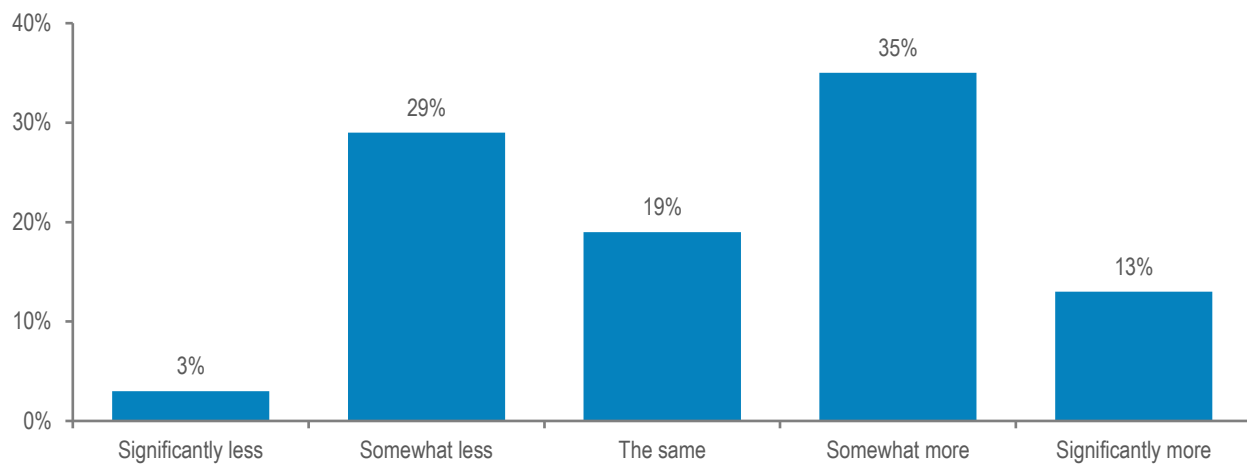
¹ Includes respondents who either believe that we will transition from a pandemic to an endemic phase in 2025 or later (2%); that we will find a cure or effective treatment that eliminates COVID-19 (2%); or that we will never transition from a pandemic into an endemic phase (2%).



Healthcare leaders are divided on how endemic COVID-19 will manifest itself

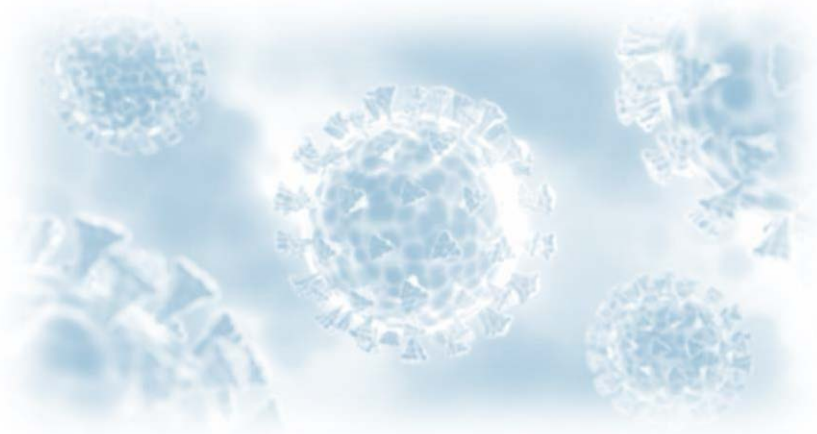
A more complex question is how endemic COVID-19 would manifest itself. For example, will it be a severe but manageable disease like malaria, or a less severe, more manageable disease like seasonal flu? On this issue, healthcare leaders are divided.

Among those who said COVID-19 is currently in an endemic phase, almost half expect that it is more likely to be accepted and managed like the seasonal flu. However, 32% disagree, saying it is less likely to become like the seasonal flu. Approximately 20% of respondents are in the middle.



Q3: *If response to Q1 was "Yes":*

Do you believe that COVID-19 is more or less likely to be accepted and managed analogous to seasonal flu?





Financing activity is likely to become more challenging, especially in public markets

| | | Significantly Lower | Somewhat Lower | Stay Same | Somewhat Higher | Significantly Higher |
|----------------------|--------------|---------------------|----------------|-----------|-----------------|----------------------|
| Private Financings | Current View | 6% | 39% | 43% | 11% | 1% |
| | 2021 Survey | 3% | 12% | 36% | 38% | 12% |
| IPOs | Current View | 44% | 46% | 8% | 2% | – |
| | 2021 Survey | 3% | 31% | 29% | 33% | 5% |
| Follow-on Financings | Current View | 16% | 48% | 24% | 13% | – |
| | 2021 Survey | 1% | 10% | 42% | 37% | 12% |



Q4: In the context of the recent market and macroeconomic environment, what do you expect the availability of capital will be compared to the last two years?

In our last survey (conducted Summer 2021) most healthcare leaders expected private financings, IPOs and equity follow-ons to stay at the same level or increase in 2022. However, market conditions have become significantly more challenging, especially for public markets.

In this pulse survey, 90% of respondents expect the availability of capital through IPOs to be significantly or substantially lower compared to the last two years. Almost none expect it to be higher.

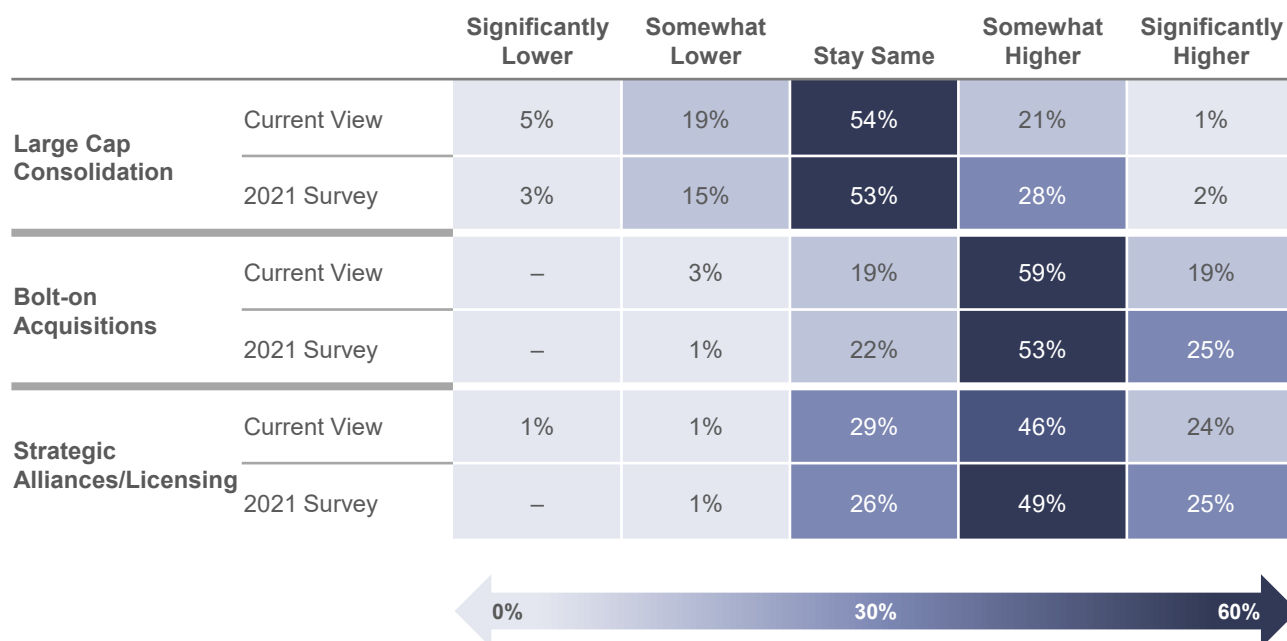
As for follow-on financings, nearly half, or 48%, of respondents expect availability of capital to be somewhat lower going forward, and another 16% expect it to be significantly lower. This sentiment differs substantially from last summer, when nearly half of respondents expected capital from follow-on financings to be higher going forward.

Private market financing conditions have become more challenging, as well. 43% of respondents expect the availability of capital from private financings to stay the same compared to the last two years. However, almost half expect it to become somewhat or significantly lower.

Note: Totals that appear in output may sum greater than 100% due to the rounding of figures to the nearest whole percentage.



Strategic activity will continue to be dominated by bolt-on acquisitions and strategic alliances or licensing deals



Q5: What do you expect the level of corporate development activity will be in 2022 relative to the past two years?

Despite more volatile capital markets, most respondents expect the trends for strategic activity to remain largely the same as last summer. Generally, this means no change in the level of large-cap consolidation, an increased level of bolt-on acquisitions, and an increased level of strategic alliances and licensing agreements.

In regard to large-cap consolidation, respondents’ views were almost unchanged since the summer, with about half saying they expected the current low level of activity to stay the same. 21% said they expect large-cap consolidation to trend somewhat higher, compared to 28% in the summer.

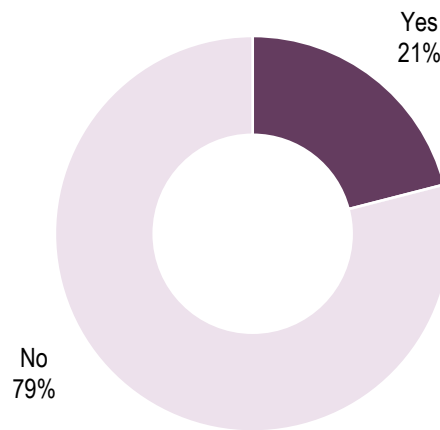
The majority of respondents believe that bolt-on acquisitions will increase. The percentage has not changed since the summer, with 78% currently saying that bolt-on acquisitions will trend either somewhat or significantly higher.

About 70% of respondents currently expect that strategic alliances and licensing deals will trend higher, about the same as the percentage in last summer’s survey.

Note: Totals that appear in output may sum greater than 100% due to the rounding of figures to the nearest whole percentage.



Healthcare industry leaders are not expecting the U.S. to enact new drug pricing legislation in 2022



Q6: While the Build Back Better bill has yet to pass, do you expect there to be new legislation passed in 2022 that significantly impacts drug pricing?

In the United States, President Joseph Biden’s Build Back Better Act includes several provisions that would lower prescription drug costs, which has been a significant area of debate for years. However, the Build Back Better Act has been stalled in Congress and respondents to our survey do not indicate much concern that this, or other major drug-pricing legislation, will be passed in 2022. Only 21% expect new legislation in 2022 that would significantly impact drug pricing.



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