

Generics

Longer Term Investments (LTI)

Generic drug demand is supported by the intersection of demographic trends and healthcare budget constraints. Aging and population growth drive greater healthcare utilization. Meanwhile, healthcare spending as a share of GDP is rising consistently in both developed and developing economies.



Projections and opportunities

Demand

Healthcare costs are rising. The US spent over USD 3trn on healthcare in 2016, or 17% of GDP. The share is forecast to exceed 20% by 2026. The resulting focus on value for money will support generics demand.

US healthcare expenses



Source: CMS, World Bank, UBS

US healthcare saving costs

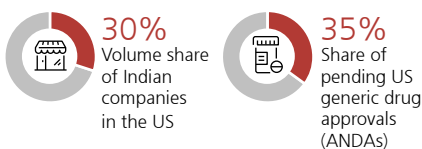
The use of generics saved the US healthcare system USD 265bn in 2017 and a cumulative USD 1.79trn over the last decade.



Source: Association for Accessible Medicines (AAM)

Global supplies

Volume share of Indian companies has now reached 30% in the US, and their 35% of pending ANDAs suggests further market share gains.



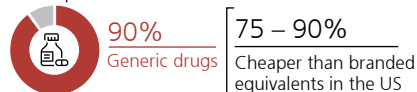
Source: FDA, UBS. As of July 2018.

Note: ANDA = Abbreviated New Drug Application

US generic drugs

In the US, generic drugs account for 90% of prescriptions dispensed. They can cost 75–90% less than their branded equivalents.

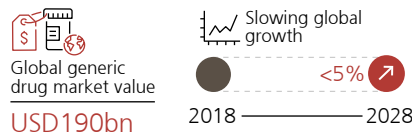
Prescriptions in the US



Source: IQVIA, UBS as of 2018.

Global generic drug market value

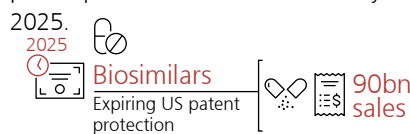
The global generic drug market is currently worth an estimated USD 190bn. Growth is slowing, but a low to mid single-digit rate globally is sustainable well into the next decade.



Source: UBS as of Aug 2018

Biosimilars

Biosimilars are a nascent market but likely to grow rapidly. Biologics with sales of USD 90bn will be expiring or likely to lose patent protection in the US alone by



Source: UBS as of Aug 2018



Generics investment properties

Population growth

Aging

Society

Technology

○ Influencer

⊗ Key drivers



Near-term drivers

- Improving US generic pricing
- More supportive regulatory environment for biosimilars



Sustainable investing impact

- Generics manufacturers



Impact investing (UN SDGs)

- SDG 3: Good health and well-being

