RNA is hot, mergers are not: Summing up a health summit

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JPMorgan Chase & Co.'s annual healthcare conference in San Francisco, which will wrap up on Thursday, has long been considered the industry's flagship event. Executives flock to outline priorities for the year ahead, or set plans in motion behind closed doors. It's a stage on which to announce deals or a setting for clinching them.

However, after the omicron variant caused a surge in coronavirus cases, the event, now in its 40th year, was forced to go virtual for the second January in a row. While that meant less mingling over cocktails and more squinting at laptops, there's still plenty to be divined from the health sector's favorite crystal ball.

Here are five takeaways:

Rna is having a moment

Those at the upper echelons of the drug industry constantly ask themselves: "How do you not miss the next big thing?" At this year's conference, executives set their sights on the messenger RNA technology behind Pfizer Inc. and Moderna Inc.'s Covid-19 vaccines.

Pfizer announced a trio of small deals on Monday to bolster its development of mRNA products. The technology is likely to have uses in infectious disease, rare diseases and cancer, Chief Executive Officer Albert Bourla said in an interview. Other large pharmaceutical companies also signaled interest in drug candidates based on the information-carrying part of cells. Amgen Inc. could potentially pay billions to Arrakis Therapeutics Inc. through a new RNA collaboration, while Eli Lilly & Co. and Johnson & Johnson have said they're monitoring the emerging field for assets.

Partnerships replace megamergers

For yet another year, megadeals were absent from the conference. Instead, drug giants including Pfizer, Amgen and Bayer AG turned to partnerships. Such pacts give big companies a way to dabble in exciting but unproven technology without making a huge bet. "Partnerships will give us exactly what we want without dedicating the amount of capital that would be needed if we wanted to acquire the companies," Bourla said, noting Pfizer's success with vaccine partner BioNTech SE. While research, development and commercialization collaborations give small drugmakers needed cash, they might not provide immediate gratification to investors who want to see buzzy names scooped up at a premium.

The pandemic remains the story

As the conference kicked off Monday, the U.S. reported more than 1.4 million new virus infections—the highest daily count recorded by any country in the world. Hospitalizations and deaths are also rising.

The jarring resurgence of Covid has left health-care companies scrambling to develop new tools. This week, Pfizer's Bourla described headway on a "hybrid" Covid vaccine that will target both omicron and the original virus, while Moderna said its clinched $18.5 billion in vaccine orders for this year. Later-to-market Novavax Inc. said it had shipped the first doses of its Covid-19 vaccine to Europe, where it was cleared last month.

On the treatment front, Regeneron Inc. said it would move an omicron-fighting antibody treatment into trials this quarter, and Gilead Sciences Inc. said U.S. regulators may soon approve a shorter course of its Covid drug remdesivir for use among patients outside the hospital. Novartis AG is looking to bring forth its own treatment, and partners Vir Biotechnology Inc. and GlaxoSmithKline Plc on Wednesday said the U.S. government agreed to buy another 600,000 doses of its Covid treatment sotrovimab.

For these drugmakers, business is not proceeding as usual. But investors continue to see opportunity in next-generation products to tackle omicron and future variants of concern.

The patent cliff persists

Merck & Co.'s cancer drug Keytruda, which brought in $14.4 billion in sales in 2020, is set to face cheaper competition starting in 2028. For Bristol Myers Squibb Co., multiple myeloma medication Revlimid and Abraxane, another profitable cancer drug, face new threats starting in 2022. Revlimid, which Bristol acquired when it bought drugmaker Celgene in 2019, became the company's top-selling drug the following year, bringing in $12 billion in sales.

Termed "LOEs" in industry parlance, short for loss of exclusivity, these developments were a focus of both companies' presentations this week. Executives spoke about their plans to replace lost revenue with new medications in areas like cancer in the years ahead, and through business development.

Merck "will continue to be science-led, unbounded by therapeutic area, but mindful of the need for a more balanced portfolio over time. All of this is with an eye to ensuring we can successfully navigate through the period of likely biosimilar competition to Keytruda late this decade," Chief Executive Rob Davis said in his opening remarks on Monday.

Conferences have changed (maybe for good)

Without the buzz in the halls of the Westin St. Francis and around San Francisco's Union Square, the JPMorgan Healthcare Conference feels like any other investor meeting these days. The pandemic has proven that deals can be done from anywhere, at any time. Investors can tune into presentations from home. When Covid relents, will people still be willing to shell out for a costly annual pilgrimage?

Philip Gotwals, the global head of business development and licensing at the Novartis Institutes for BioMedical Research, thinks enthusiam for the conference—and others like it—has waned. "The genie's out of the bottle now and it's going to be very hard to put back," he said in an interview. "People are going to change their approach."

Perhaps the excitement of convening in person once again may energize the conference, whenever, and if ever, it returns.