Another report in the BioPlan Associates, Inc.'s biopharmaceutical series:

- www.top1000bio.com Global analysis and ranking of the top 1000 global biomanufacturing facilities' capacity, employment and pipelines
- Biopharmaceutical Expression Systems and Genetic Engineering Technologies
- Advances in Biopharmaceutical Manufacturing and Scale-up Production, 2nd Ed, American Society for Microbiology
- Biopharmaceutical Products in the U.S. and European Markets, 6th Ed
- Advances in Biopharmaceutical Technology in China
- Advances in Biopharmaceutical Technology in India
- Top 60 Biopharmaceutical Organizations in China
- Top 60 Biopharmaceutical Organizations in India
- Quick Guide to Clinical Trials
- Quick Guide to Biotechnology in the Middle East
- Quick Guide to Biofuels

The 11th Annual Report and Survey of Biopharmaceutical Manufacturing Capacity and Production is the most recent study of biotherapeutic developers and contract manufacturing organizations' current and projected future capacity and production. The survey includes responses from 238 responsible individuals at biopharmaceutical manufacturers and contract manufacturing organizations from 30 countries. The survey methodology includes input from an additional 158 direct suppliers of raw materials, services, and equipment to this industry. In addition to current capacity issues, this study covers downstream processing problems, new technologies, expression systems, quality initiatives, human resources and training needs of biopharmaceutical manufacturers, growth rates of suppliers to this industry, and many other areas.

April 2014
ACKNOWLEDGMENT

We wish to recognize our sponsoring institutions, and our media sponsors. Their efforts in assuring the cooperation and participation in the survey of their respective memberships helped guarantee the large group of survey participants to ensure data accuracy.

Our Institution Partners, all of whom contributed their time and effort to ensure the broad, international coverage of this project, include:

- AusBiotech (Malvern, Victoria, Australia)
- ABO China (Beijing, China)
- BayBIO (San Francisco, CA)
- Beijing Pharma and Biotech Center (Beijing, China)
- BIO (Biotechnology Industry Organization, Washington, D.C.)
- BioForward (Madison, WI)
- BiolIndustry Association (BIA) (London, UK)
- BioMaryland (Rockville, MD)
- BioProcessUK (London, UK)
- Colorado BioScience Association (Denver, CO)
- D2L Pharma (Bangalore, India)
- EuropaBio (Brussels, Belgium)
- Massachusetts Biotechnology Council (Cambridge, MA)
- Massachusetts LifeSciences Center (Waltham, MA)
- MichBio (Ann Arbor, MI)
- NC BioSciences (Research Triangle Park, NC)

To ensure global coverage for this project, this year we invited major Media Partners to support our outreach to biopharmaceutical decision-makers. This year, our media sponsors helped ensure broad and representative coverage of industry participation:

- Biopharm International (Iselin, NJ)
- BioProcess International, (Westborough, MA)
- BioProcessing Journal (Walthrop, MA)
- Chimica OGGI/Chemistry Today (Milan, Italy)
- Contract Pharma, (Ramsey, NJ)
- Genetic Engineering and Biotechnology News (New Rochelle, NY)
- Life Science Leader (Sewickley, PA)
- Pharmaceutical Outsourcing (Fishers, IN)
- Pharmaceutical Processing (Rockaway, NJ)
- Pharmaceutical Technology (Iselin, NJ)
- Pharmaceutical Technology Europe (Iselin, NJ)

The early participation of our authors and sponsors in evaluating the areas and trends to be surveyed this year ensured the project was designed to cover the most relevant issues in biopharmaceutical manufacturing today. Their support was, again this year, critical to the success of the project.

Eric S. Langer
Editor
ABOUT BIOPLAN ASSOCIATES, INC.

BioPlan Associates, Inc. is a biotechnology and life sciences market analysis, research, and publishing organization. We have managed biotechnology, biopharmaceutical, diagnostic, and life sciences research projects for companies of all sizes since 1989. Our extensive market analysis, research and management project experience covers biotechnology and biopharmaceutical manufacturing, vaccine and therapeutic development, contract research services, diagnostics, devices, biotechnology supply, physician office labs and hospital laboratory environments.

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CONTENTS

Methodology .................................................................................................................. xxiii

CHAPTER 0: Demographics ............................................................................................. 1
  Respondents’ Area of Involvement ........................................................................ 1
  Respondents’ Titles ................................................................................................. 3
  Respondents’ Facility Locations ............................................................................ 4
  Respondents’ Areas of Biopharmaceutical Manufacturing Operations .......... 6
  Respondents’ Production Operations, Phase of Development .................... 7
  Employees at Facility ............................................................................................. 10
  Batches Run at Facility per Year .......................................................................... 11

CHAPTER 1: Introduction and Discussion .................................................................. 13
  1-1 INTRODUCTION: THE BIOPHARMACEUTICAL INDUSTRY ......................... 13
  1-2 CURRENT Biopharmaceutical Market Trends ............................................. 15
  1-3 Market Potential .............................................................................................. 17
  1-4 Biopharmaceutical R&D Pipelines ............................................................... 18
  1-5 Biosimilars Are a Large Part of the Pipeline ............................................. 22
  1-6 U.S. AND WORLD BIOPHARMACEUTICAL AND RECOMBINANT
      PROTEIN/mAb MARKETS ................................................................. 23
      Overall Health of the Biopharmaceutical Sector ........................................ 24
      U.S. Industry Leadership Continues .......................................................... 26
      Biopharmaceuticals in the Rest-of-the-World ......................................... 27
  1-7 Biopharmaceutical Markets by Product Class .......................................... 30
      mAbs are the Leading Product Classes ................................................... 31
  1-8 Biopharmaceutical Blockbusters ............................................................... 33
1-9 Commercial Product Expression Systems ............................................................. 34
1-10 Animal Derived Products and Biopharmaceuticals ............................................. 35
1-11 Biopharmaceutical Approval Trends (U.S.) ......................................................... 36
  Market Impact: Blockbusters, Orphan and Biodefense Products ......................... 39
  Agent/Product Novelty and Innovation ................................................................. 40
  Company Type, Size and Country of Origin ........................................................ 41
  Conclusions Regarding 2013 FDA Biopharmaceutical Approvals ....................... 42
1-12 Cost-containment and Price Controls .............................................................. 43
1-13 Future Trends in the Biopharmaceutical Industry .............................................. 43
  Trend Analytics ..................................................................................................... 44
  Micro-Trends: Biosimilars ...................................................................................... 45
  Micro-Trends: Analytical Methods; Assays ............................................................ 45
  Micro-Trends: Biomanufacturing Process Improvements ....................................... 45
  Micro-Trends: Biomanufacturing Downstream Process Improvements .................. 45
  Micro-Trends: Single-use Biomanufacturing .......................................................... 45
  Micro-Trends: Regulatory compliance ................................................................... 45
  Micro-Trends: Supply Chain, Raw Materials; Control and Sourcing ....................... 45
  Overview of Biopharmaceutical Market Trends .................................................... 46

CHAPTER 2: Overview of Critical Issues in Bioprocessing ....................................... 49

2-1 Downstream Processing: Protein A Resins and Their Use ................................ 50
  Introduction ......................................................................................................... 50
  Protein A’s Role in mAb Manufacturing ................................................................ 50
  Protein A Resin Markets ....................................................................................... 51
  Resin Cost of Use and Recycling ......................................................................... 52
  Protein A Resins as Platform Technologies .......................................................... 54
  Newer Protein A Variant Resins ............................................................................ 55
  Protein A Market Resists Change ....................................................................... 56
  Alternative Resins and Technologies .................................................................... 56
  Alternatives: Few Options Available ................................................................... 57
  Prepacked Columns Offer New Options .............................................................. 58
  Conclusion .......................................................................................................... 60

2-2 CMO’s Contribution to Bioprocessing .............................................................. 61
  Introduction ......................................................................................................... 61
  CMO’s Role in Bringing New Biopharmaceuticals to the Clinic ......................... 61
  Platform vs. De Novo Processes ......................................................................... 62
  CMO’s Variety and Breadth of Experience ........................................................... 63
  CMO’s and Bioprocessing Innovation .................................................................. 63

2-3 BIOSIMILARS (AND BIOBETTERS): IMPACT ON BIOPHARMACEUTICAL
  MANUFACTURING AND CMOs ............................................................. 66
  Introduction ......................................................................................................... 66
  Biosimilars Will Involve Much Competition ....................................................... 68
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Countries Will Continue to Prefer Cheaper Biogenerics ......................... 69</td>
</tr>
<tr>
<td>Biosimilar Candidates in the Pipeline ........................................................................ 70</td>
</tr>
<tr>
<td>Biosimilar Development by Country/Region ................................................................ 70</td>
</tr>
<tr>
<td>Biosimilars Impact on Biopharmaceutical Markets and the Industry .............................. 77</td>
</tr>
<tr>
<td>Marketing Biosimilars Will Be a Challenge ................................................................... 78</td>
</tr>
<tr>
<td>Biosimilars Manufacture Will Mostly Be State-of-the-Art ............................................ 78</td>
</tr>
<tr>
<td>Biosimilars Will Increase Demand for Product Quality and Information ........................ 79</td>
</tr>
<tr>
<td>CMOs Benefit From Biosimilars ................................................................................... 79</td>
</tr>
<tr>
<td>2-4 Hurdles and Recommendations for Assay Development for Biologics:</td>
</tr>
<tr>
<td><em>Impact of inconsistency in assay performance on productivity; Strategic recommendations for improved assay development</em> .......................................................... 81</td>
</tr>
<tr>
<td>Introduction ................................................................................................................. 81</td>
</tr>
<tr>
<td>Hurdles in Assay Development for Biologics .................................................................. 81</td>
</tr>
<tr>
<td>Impact of Assay Inconsistency on Productivity ............................................................ 82</td>
</tr>
<tr>
<td>Recommendations to Help Traverse the Hurdles .......................................................... 83</td>
</tr>
<tr>
<td>2-5 Defending Against Facilities Contamination: Will Culture Media Sterilization be Required? ................................................................. 85</td>
</tr>
<tr>
<td>Introduction ................................................................................................................. 85</td>
</tr>
<tr>
<td>Large Facilities May be “Sitting Ducks”. ...................................................................... 86</td>
</tr>
<tr>
<td>Is Defense Against Facility Contamination Needed? ..................................................... 86</td>
</tr>
<tr>
<td>Genzyme Sets the Tone, Inspires Fear .......................................................................... 87</td>
</tr>
<tr>
<td>Culture Media Is Not Sterile (Enough) ....................................................................... 88</td>
</tr>
<tr>
<td>Defending Facilities against Contamination ................................................................. 89</td>
</tr>
<tr>
<td>Culture Media Sterilization Technologies .................................................................... 92</td>
</tr>
<tr>
<td>Conclusion: The Future ............................................................................................... 94</td>
</tr>
<tr>
<td>2-6 Downstream Processing: Is the Death of Protein A Chromatography Imminent? ........ 95</td>
</tr>
<tr>
<td>Introduction ................................................................................................................. 95</td>
</tr>
<tr>
<td>Discussion of Alternatives to Protein A Based Platforms ............................................ 96</td>
</tr>
<tr>
<td>What is the likely future for Protein A? ....................................................................... 97</td>
</tr>
<tr>
<td>2-7 Novel Downstream Technologies: Membrane Adsorbers’ Rapid Uptake, Still a Small Market ................................................................. 99</td>
</tr>
<tr>
<td>Introduction ................................................................................................................. 99</td>
</tr>
<tr>
<td>Current and Future Markets ....................................................................................... 100</td>
</tr>
<tr>
<td>2-8 Continuous Bioprocessing and Perfusion: Increased Adoption Expected ................. 103</td>
</tr>
<tr>
<td>Introduction ................................................................................................................. 103</td>
</tr>
<tr>
<td>Batch Bioprocessing Currently Dominates ................................................................... 103</td>
</tr>
<tr>
<td>Continuous Bioprocessing Provides Alternatives to Batch Processing ....................... 104</td>
</tr>
<tr>
<td>Cost-Benefits ............................................................................................................. 106</td>
</tr>
<tr>
<td>Further Benefits from Continuous Bioprocessing ....................................................... 107</td>
</tr>
<tr>
<td>Continuous Bioprocessing and Perfusion: Trends ....................................................... 111</td>
</tr>
</tbody>
</table>
Industry Adoption of Perfusion ................................................................. 112
Industry Views and Perceptions ................................................................. 115
Mixed Industry Views on Adoption of Perfusion ...................................... 115
Problems with Perfusion ......................................................................... 116
Conclusions ............................................................................................... 116

2-9 Mergers and Acquisitions: Bioprocessing Suppliers Compared to
(Bio)Pharmaceutical Companies ................................................................. 119
Introduction ............................................................................................... 119
Larger (Bio)Pharma Company Mergers: Outcomes Are Often Poor .......... 121
Bioprocessing Supplier M&As: Outcomes Are Generally Positive .......... 123
Positive Impact on Consumers ................................................................. 123
Negative Impact on Consumers ............................................................... 125
References: ............................................................................................... 125

2-10 Biopharmaceutical Supply Chains: From Raw Materials through
Bioprocessing to Pharmacies ................................................................. 126
Introduction ............................................................................................... 126
Bioprocessing Supply Chains Need Proactive Management .................. 127
Industry Adoption of Supply Chain Management .................................. 130
Bioprocessing Supply Chain Trends ....................................................... 131
Risks from Bioprocessing Supply Chain Problems ............................... 132
Bioprocessing Supply Chains are Becoming More Complex ................. 133
Supply Chain Management is Good Business ....................................... 134
The Rest of the Supply Chain: From Finished Products to Patients ......... 138
Conclusions ............................................................................................... 140

CHAPTER 3: Emerging Issues in Biopharmaceutical Manufacturing .............. 141

3-1 Industry Trends in 2014 ................................................................. 141
Productivity and Innovation ................................................................... 141

3-2 Budget Issues in 2014 ................................................................. 143
Budget Change Comparisons .................................................................. 146
Factors in Biomanufacturing Creating Improvements ......................... 149

3-4 New Bioprocessing Products Development Opportunities in 2014 .... 150
Innovations in Single-use/Disposable Equipment .................................. 152
Discussion of Needed Single-use Innovations ....................................... 152
Other Areas for Innovation ..................................................................... 154
New Product Development Focus, From 2010 to 2014 ....................... 154
New Product Development Areas: Biotherapeutic Developers vs. CMO’s 156
New Product Development Areas: U.S. vs. Western Europe and ROW .... 158

3-5 Factors in Biomanufacturing Creating Improvements .......................... 160
Factors Improving Biomanufacturing Performance, 2010 - 2014 ........... 162
Factors Improving Biomanufacturing Performance, Biotherapeutic
Developers vs. CMOs ........................................................................... 164
Factors Improving Biomanufacturing Performance, U.S. vs. Western
TABLE OF CONTENTS

Europe vs. ROW ................................................................. 166
Cost-Cutting Changes: Specific to Outsourcing................................. 170
3-7 Assay Development ........................................................................... 171
3-8 Perfusion Operations Issues ................................................................. 173
Discussion ......................................................................................... 177
Selecting Bioreactors in New Facilities ......................................................... 177
3-9 Discussion: Perfusion Operations and Continuous Bioprocessing Trends ... 181
Continuous Bioprocessing: Trends and Opportunities ................................. 181
3-10 Discussion: Industry Trends and Issues ................................................. 183
Budget Shifts ....................................................................................... 183
Industry Growth and Adaptation .............................................................. 183
Cost Cutting Trends ............................................................................. 184
Trends in Assay Development ................................................................. 184
Trends in Speeding Development and Approval Timelines ......................... 184
Trends in Bioprocessing Industry Desires for Improved Products and Services ............................................................................... 185

CHAPTER 4: Capacity Utilization .............................................................. 187

4-1 Capacity Utilization Trends ................................................................. 187
Capacity Utilization Definitions ..................................................................... 187
Relevance of Capacity Utilization .............................................................. 188
Capacity Utilization in 2014 ..................................................................... 189
Capacity Utilization Changes Since 2004 .................................................... 190
Average Growth Rate in Capacity Utilization, 2006-2014 ............................ 193
4-2 Capacity Utilization: CMOs vs. Biotherapeutic Developers ......................... 194
4-3 Capacity Utilization: U.S. vs. Western European Manufacturers .................. 197
4-4 Respondents’ Current Total Production Capacity ...................................... 198
Mammalian Cell Culture ............................................................................. 198
Estimated Bioreactor Capacity Distribution, Biotherapeutic Developers and CMOs .............................................................................. 201
Biopharmaceutical Developers/Manufacturers as CMOs ................................ 205
Contract Manufacturing ........................................................................... 205
Microbial Fermentation Capacity ............................................................... 208
Yeast Production Capacity ....................................................................... 209
Insect Cells Production Capacity ................................................................ 210
4-5 Discussion: Current State of Capacity Utilization ..................................... 211
Future Capacity Issues .............................................................................. 212
4-6 Range of Titers for MAb Production ......................................................... 213
Annual Mab Titer Change, 2008-2014 ...................................................... 215
4-7 Discussion: Capacity and Industry Trends ................................................ 216
Capacity Utilization ................................................................................. 216
CHAPTER 5: Current and Future Capacity Constraints ............................................. 221

5-1 Current Capacity Constraints ........................................................................... 221
Respondents Experiencing No Capacity Constraints ........................................... 223
Respondents’ Perception of Capacity Constraints, 2004-2014 ............................... 223
Perception of Capacity Constraints: Biotherapeutic Developers vs. CMOs .......... 225
Capacity Constraints: U.S. vs. Western European Biotherapeutic Developers & CMOs .............................................................. 227

5-2 Expected Capacity Constraints .......................................................................... 229
Respondents’ Expectations of Capacity Constraints in the Next Five Years ......... 229
Expected Capacity Constraints by 2019: CMOs vs. Biotherapeutic Developers .............................................................. 234
Expected Capacity Constraints by 2019: U.S. vs. Western Europe ............... 235

5-3 Factors Impacting Future Production Capacity ................................................. 236
Factors Creating Future Capacity Constraints .................................................... 236
Factors Creating Future Capacity Constraints, 2008 vs. 2014 ......................... 238
Factors Creating Future Capacity Constraints: Biotherapeutic Developers vs. CMOs .............................................................. 240
CMO’s Capacity Bottleneck Projections, in Retrospect .................................. 242
Biotherapeutic Capacity Bottleneck Projections, in Retrospect ....................... 243
Factors Creating Capacity Constraints: U.S. vs. Western European Respondents .............................................................. 244

5-4 Key Areas to Address to Avoid Future Capacity Constraints ....................... 246
Analysis of Areas to Avoid Capacity Constraints: Changing Perspectives, 2006-2014 .............................................................. 248
Key areas to Address to Avoid Capacity Constraints; Biomanufacturers vs. CMOs: 2014 vs. Recent Years ................................. 250
Key Areas to Address to Avoid Capacity Constraints: U.S. vs. Western Europe .............................................................. 253

5-5 Discussion ........................................................................................................... 255
Overall Capacity Constraints ................................................................................ 256

CHAPTER 6: Future Capacity Expansions ................................................................. 261

6-1 Planned Future Capacity Expansions ............................................................... 261
Planned Future Capacity Expansions, 2009-2019................................................ 262
Planned Future Capacity Expansions by 2019; CMOs vs. Biotherapeutic Developers .............................................................................................. 264
Planned Five-Year Capacity Expansions; U.S. vs. Western European Manufacturers .............................................................. 266
Planned Future Capacity Expansions of >100% .................................................. 268
## CHAPTER 7: Outsourcing Trends in Biopharmaceutical Manufacturing 269

### Why Outsource? 269

#### Critical Outsourcing Operations 269

#### Relating Outsourcing to Workforce Reduction 270

#### Strategic Manufacturing Planning 270

#### Future Projections 271

### 7-1 Current Outsourcing by Production System 272

#### Summary of Findings: 273

Facilities Currently Outsourcing No Production (All Production “In-house”), 2006-2014 274

### 7-2 Future Outsourcing 276

Biotherapeutic Developers’ Outsourcing, 2019 Projections, by System 276

Biotherapeutic Developers Outsourcing Some Production in 2019 278

### 7-3 Outsourced Activities in Biopharmaceutical Manufacturing 280

#### Comparison of Biomanufacturers’ Outsourcing, (2010-2014) 282

#### Increased Outsourced Activities, 24-month Projections 284

#### Outsourcing Activities Projected at ‘Significantly Higher Levels’, Comparison of 2010-2014 Trends 286

#### Average Percentage of Activities Outsourced Today 288

#### Comparison of Outsourcing Activities, 2010-2014 290

#### Change in Spending on Outsourcing Activities 292

### 7-4 Critical Outsourcing Issues 293

#### Selecting a CMO: 2014 293

#### Selecting a CMO, 2006-2014 295

#### Summary of Trends: 295

#### Changes in Critical Issues when Considering a CMO, 2008-2014 297

#### CMOs’ Problems with Clients 299

#### CMOs’ Problems with Clients, Trends 299

### 7-5 Country Selections for International Outsourcing (Off-shoring) of Biomanufacturing 301

#### U.S. vs. Western European Respondents’ Outsourcing Destinations 303

#### Western European Respondents’ Outsourcing Destinations 307

#### 5-Year Projection for Biomanufacturing International Offshoring Trends 311

#### 5-Year Projection for Percentages of Biomanufacturing International Off-shoring 312

#### Some respondent comments: 313

### 7-6 Discussion: 313

#### Selecting a CMO 316
### CHAPTER 8: Disposables and Single-Use Systems in Biopharmaceutical Manufacturing

- **8-1 Use of Disposables and Single-Use Systems**
  - Disposables Applications in Biopharmaceutical Manufacturing
  - Annual Growth Rate for Disposables Market Penetration / Usage
  - 8-year Growth in Disposables Applications, Percentage-point Gains
  - Disposable Use by Stage of Production/Application
  - Leachables and Extractables
  - Paying for L&E Testing
  - Use of Disposables: CMOs vs. Biotherapeutic Developers

- **8-2 Reasons for Increasing Use of Disposables & Single-Use Systems**
  - Reasons for Increased Use of Disposables, 2006 through 2014
  - Reasons for Increased Use of Disposables: Biotherapeutic Developers vs. CMOs
  - Single Most Critical Reason for Increasing the Use of Disposables

- **8-3 Factors That May Restrict Use of Disposables**
  - Factors That May Restrict Use of Disposables: Trends 2006-2014
  - Factors that May Restrict Use of Disposables: CMO’s vs. Biotherapeutic Developers
  - Most Critical Reasons for Restricting Use of Disposables
  - Most Important Reasons for Restricting Use of Disposables: Biotherapeutic Developer vs. CMO
  - Most Important Reasons for Not Increasing Use of Disposables, 2008-2014
  - Top Reasons for Not Increasing the Use of Disposables: U.S. vs. European Respondents

- **8-4 Standards Setting for Disposable, Single-use Systems**
  - Standardizing Single Use Designs
  - Standardization Factors, 2013 vs 2014

- **8-5 Budgets for Disposable Systems**
  - Annual Growth Rate in Budgets for Single-use Components
  - Data Findings, CAGR

- **8-6 Disposable Adoption Issues, Need for Single-use Sensors, and Bioreactor Attributes**
  - Single-Use Adoption Issues

- **8-7 Recycling and Disposal of Single Use Plastics**
  - Waste Disposal of Single-use Devices
  - Meeting Respondents’ Demands for Recycling

- **8-8 Satisfaction with Vendors of Disposables for Biopharmaceutical Manufacturing**
  - Single-Use Attribute Importance Analysis
TABLE OF CONTENTS / FIGURES AND TABLES

Percentage of Unit Operations that are Single-Use ................................................. 367
Distribution of Responses ......................................................................................... 368
8-9 Discussion .............................................................................................................369
Single-use Advantages ............................................................................................ 369
Growth in the Use of Single-use Systems ............................................................... 370
Downstream Single Use Systems Use ................................................................. 371
CMOs’ Use of Single-use Equipment .................................................................... 371
Downstream Bottlenecks Persist ............................................................................. 372
Modular: The Next Trend After Single-Use? ........................................................... 372
Single-use Equipment Sourcing, Quality Issues, and L&E Testing .................... 373
Photo Gallery.................................................................................................................375

CHAPTER 9: Downstream Purification ....................................................................... 381

9-1 Impact of Downstream Processing on Capacity .................................................381
Impact of Downstream Processing on Capacity, Biopharmaceutical Developers vs. CMOs ................................................................. 384
Impact of Downstream Processing on Capacity, U.S. vs. Western European Biomassurers ......................................................................................... 386
9-2 Specific Purification Step Constraints ................................................................388
Changes in Impact on Capacity of Purification Steps, 2008-2014 ................. 390
Specific Purification Step Constraints, U.S. vs. Western European Biomassurers ................................................................. 391
9-3 Downstream Purification Issues Facing the Industry Today ............................. 392
Protein A and Alternatives ...................................................................................... 392
Changes in Perception of Protein A and Alternatives ........................................... 393
Protein A Downstream Purification Issues, U.S. vs. Western Europe .................. 394
9-4 mAb Purification Capacity Estimates; Current Upstream Production Titer vs. Max Capacity ......................................................................................... 395
9-5 New Downstream Processing Technologies ..................................................... 397
New Downstream Processing Solutions; 2010 – 2014 ..................................... 399
New Downstream Processing Technologies; Biotherapeutic Developers vs. CMOs ................................................................. 401
New Downstream Processing Technologies; U.S. vs. Western Europe .......... 403
9-6 Improvements to Downstream Operations ....................................................... 405
Comparison of New Downstream Technology Implementation; Biomassurers vs. CMOs ................................................................. 407
Comparison of New Downstream Technology Investigations; U.S. vs. W. Europe vs. ROW ................................................................. 409
9-7 Discussion .............................................................................................................411
Upstream Expression Titer Trends ......................................................................... 411
Downstream Processing Solutions ......................................................................... 411
### CHAPTER 10: Quality Issues, Batch Failures, and PAT in Biopharmaceutical Manufacturing

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>413</td>
</tr>
<tr>
<td>10-1 Hurdles to Implementing Process Analytical Technology, 2008-2014</td>
<td>414</td>
</tr>
<tr>
<td>10-2 Batch Failure Frequency in Biopharmaceutical Manufacturing</td>
<td>417</td>
</tr>
<tr>
<td>10-3 Primary Cause of Batch Failures and Percentages of Failures</td>
<td>419</td>
</tr>
<tr>
<td>10-4 Quality Problems in Biopharmaceutical Manufacturing Attributed to Vendors</td>
<td>423</td>
</tr>
<tr>
<td>10-5 Automation Implementation</td>
<td>425</td>
</tr>
<tr>
<td>10-6 Quality Initiative Implementation</td>
<td>426</td>
</tr>
<tr>
<td>10-7 Global Quality Supply Management</td>
<td>429</td>
</tr>
<tr>
<td>10-8 Discussion</td>
<td>430</td>
</tr>
</tbody>
</table>

### CHAPTER 11: Hiring, Employment Growth, and Training in Biopharmaceutical Manufacturing

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>435</td>
</tr>
<tr>
<td>11-1 Hiring in 2014</td>
<td>436</td>
</tr>
<tr>
<td>11-2 Hiring in 2019: 5-year Trends</td>
<td>437</td>
</tr>
<tr>
<td>11-3 Hiring Challenges Today</td>
<td>438</td>
</tr>
<tr>
<td>11-4 Training in Biopharmaceutical Manufacturing</td>
<td>444</td>
</tr>
<tr>
<td>11-5 Discussion</td>
<td>447</td>
</tr>
</tbody>
</table>

**Quality Problems Traced to Vendors**

- Process Information Needs and Value Drive Automation
- Quality Initiatives Are Becoming Commonplace and the New Industry Norm
- Challenges to Implementing PAT, QbD and other Quality Initiatives
CHAPTER 12: Suppliers to Biopharmaceutical Manufacturing and Life Sciences

Introduction ................................................................................................................... 451

12-1 Demographics ...................................................................................................... 451
  Areas of Involvement ............................................................................................... 451
  Location of Vendor Sales ......................................................................................... 453
  Respondents’ Primary Job ....................................................................................... 456

12-2 Growth Rate of Sales by Suppliers .................................................................... 457
  Average Industry Growth Rate, By Segment .......................................................... 458
  Vendor Sales Growth Rates, by Industry Segment, 2007 to 2014 ......................... 459
  Overall Supplier Sales Growth, 2007-2014 ......................................................... 460
  Supplier Annual Sales, Distribution ....................................................................... 461

12-3 Discussion .......................................................................................................... 462

12-4 Budget Issues and Problems Faced by Industry Supplier ................................. 463
  Budget Challenges in 2014 ................................................................................... 463
  Vendor Average Budget Changes for 2009 -2014 ................................................. 464
  Vendor Pricing Changes ......................................................................................... 466
  Future Price Changes ............................................................................................ 467

12-5 Cost Cutting Actions by Vendors ....................................................................... 468
  Cost Cutting Actions, By Segment ....................................................................... 470

12-6 Problems Clients Have With Their Vendors ...................................................... 472
  Vendor Expansion Plans ....................................................................................... 473
  Biopharma Vendor Business Trends, 2010 vs 2014 ............................................... 474
  Top New Technology Areas in Development by Vendors ...................................... 476
  2014 Other NPD activities: .................................................................................... 478
  2013 Other NPD activities: .................................................................................... 478
  2012 Other NPD activities noted by respondents: ................................................. 478
  2011 Other NPD activities: .................................................................................... 479

12-7 Discussion: Supplier Budget Issues ................................................................. 479

12-8 Sales Staff Training............................................................................................. 480
  Days of Training Provided ..................................................................................... 480
  Areas Where Training May Help Sales Staff Perform, Trends 2010 - 2014 .......... 481
  Clients’ Demands on Vendors ............................................................................... 483
  Biopharma Vendors’ Outlook for 2014 ................................................................. 485

12-8 Discussion ............................................................................................................. 486
  Bioprocessing Vendors Will See Continued Market Growth .................................. 486
  Single-use Systems Are Increasingly Driving Sales ............................................. 486
  Trends Favor Increased Vendor Sales .................................................................. 487
  Vendors are Offering More Services, Going for Larger Sales ............................... 488
FIGURES AND TABLES:

Fig 0.1: Area of Primary Involvement in Biopharmaceutical Manufacturing, 2010 to 2014......2
Fig 0.2: Respondents’ Job Responsibilities, 2011 - 2014..........................................................3
Fig 0.3: Facility Location ...............................................................................................................4
Fig 0.4: Facility Location, by Region ........................................................................................5
Fig 0.5: Biopharmaceutical Manufacturing Systems, (2007-2014) Trends ....................................6
Fig 0.6: Phase of Development of Surveyed Respondents ............................................................8
Fig 0.7: Phase of Development of Surveyed Respondents, 2014 (U.S. vs. Western Europe) ..9
Fig 0.8: Distribution of Employees at Facility, and Organization .............................................10
Fig 0.9: Distribution of Total Batches Run at Facility Last Year, by Scale of Production .......12
Fig 1.1: Investigational Drugs: Large Molecule (Protein Therapeutics), Worldwide, 2010 - 2014 ..........................................................................................................................19
Fig 1.2: Current Worldwide Pipeline & Launched Product-Related Milestones, Large Molecules, January 2014 ..................................................................................................................21
Fig 1.3: Current Worldwide Pipeline & Launched Products, Large Molecules, January 2014 .................................................................................................................................21
Fig 1.4: FDA Approvals of New Biopharmaceutical Products 1982-2013 ..................................36
Fig 2.1: U.S. Biosimilars Launchable Dates (by number of reference products; n = 133) ....67
Fig 2.2: Biosimilars Launchable Dates by Sum of Current Reference Products Sales ($millions) .................................................................................................................................67
Fig 2.3: Pipelines By Phase of Development ..............................................................................67
Fig 2.4: Number of Companies in Involved in Biosimilars by Size .........................................70
Fig 2.5: HTST System Skid .......................................................................................................92
Fig 2.6: Average Annual Growth Rate, Disposables, 2006-2014 ............................................100
Fig 2.7: Perfusion vs. Fed-batch Product Expression [7] .........................................................105
Fig 2.8: Selected Perfusion Operations Issues: (For full data see Chapter 3) ....................116
Fig 3.1: SINGLE most important biomanufacturing trend or operational area ....................142
Fig 3.2: Biomanufacturers’ Budget Shifts in 2014.................................................................144
Fig 3.3: Approximate Average Change in Biomanufacturers’ Budgets for 2014 .................145
Fig 3.4: Average Biomanufacturers’ Budget Change, 2009-2014 .........................................148
Fig 3.5: New Product Development Focus Areas ...................................................................151
Fig 3.6: New Product Development Areas of Interest: 2010 - 2014 ....................................155
Fig 3.7: New Product Development Areas of Interest: Biotherapeutic Developers vs. CMO’s ....157
Fig 3.8: New Product Development Areas of Interest: US vs. Western Europe and ROW ........159
Fig 3.9: Factors in Biomanufacturing Performance Creating “Significant” or “Some” Improvements ..........................................................................................................................161
Fig 3.10: Factors in Biomanufacturing Performance Creating “Significant” or “Some” Improvements: 2010 - 2014 .............................................................163
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fig 3.11</td>
<td>Factors in Biomanufacturing Performance Creating “Significant” or “Some” Improvements: Biomanufacturers vs. CMOs</td>
</tr>
<tr>
<td>Fig 3.12</td>
<td>Factors in Biomanufacturing Performance Creating “Significant” or “Some” Improvements: US vs. Western Europe vs. Rest of World</td>
</tr>
<tr>
<td>Fig 3.13</td>
<td>Cost-Cutting Changes: Actions Undertaken During “Past 12 Months” Comparing 2011 - 2014</td>
</tr>
<tr>
<td>Fig 3.14</td>
<td>Cost-Cutting Changes, Outsourced Jobs, by Segment, and Geography</td>
</tr>
<tr>
<td>Fig 3.15</td>
<td>Biomanufacturing Assay ‘Areas’ Urgently Requiring New, Improved Testing Methods, 2011 -2013 (Last year’s data)</td>
</tr>
<tr>
<td>Fig 3.16</td>
<td>Perfusion Operations Issues: Perfusion vs. Batch-Fed Processes</td>
</tr>
<tr>
<td>Fig 3.17</td>
<td>Perfusion Operations Issues: Comparison 2010 - 2014</td>
</tr>
<tr>
<td>Fig 3.18</td>
<td>Likelihood of Implementing Bioreactor, by Type</td>
</tr>
<tr>
<td>Fig 3.19</td>
<td>Likelihood of Implementing Single-use Bioreactors, Clinical Scale, 2012-2014</td>
</tr>
<tr>
<td>Fig 4.1</td>
<td>Capacity Utilization, By System</td>
</tr>
<tr>
<td>Fig 4.2</td>
<td>Capacity Utilization, By System, 2004-2014</td>
</tr>
<tr>
<td>Fig 4.3</td>
<td>Change in Capacity Utilization, CAGR, 2006-2014</td>
</tr>
<tr>
<td>Fig 4.4</td>
<td>Capacity Utilization, By System, Biotherapeutic Developer vs. CMOs</td>
</tr>
<tr>
<td>Fig 4.5</td>
<td>Capacity Utilization, By System, U.S. vs. Western Europe; 2014</td>
</tr>
<tr>
<td>Fig 4.6</td>
<td>Current Production Capacity Distribution, Mammalian Cell Culture</td>
</tr>
<tr>
<td>Fig 4.7</td>
<td>Production Capacity Distribution, Mammalian Cell Culture, 2011-2014</td>
</tr>
<tr>
<td>Fig 4.8</td>
<td>Estimated Bioreactor Capacity Distribution, by Biotherapeutic Developer, (2006 vs. 2010 vs. 2013)</td>
</tr>
<tr>
<td>Fig 4.9</td>
<td>Estimated Bioreactor Capacity Distribution, by Contract Manufacturing Organizations (CMO), 2006 vs. 2010 vs. 2013</td>
</tr>
<tr>
<td>Fig 4.10</td>
<td>Current Production Capacity Distribution, Microbial Fermentation</td>
</tr>
<tr>
<td>Fig 4.11</td>
<td>Current Production Capacity Distribution, Yeast</td>
</tr>
<tr>
<td>Fig 4.12</td>
<td>Current Production Capacity Distribution, Insect Cells</td>
</tr>
<tr>
<td>Fig 4.13</td>
<td>Mammalian Cell Culture Capacity Estimates 2003-2013</td>
</tr>
<tr>
<td>Fig 4.14</td>
<td>Microbial Fermentation Capacity Estimates 2003-2013</td>
</tr>
<tr>
<td>Fig 4.15</td>
<td>Range of Titres for Mabs Obtained at Various Production Scales, Distribution</td>
</tr>
<tr>
<td>Fig 4.16</td>
<td>Average Mab Titre Trend 2008-2014</td>
</tr>
<tr>
<td>Fig 5.1</td>
<td>Capacity Constraints, by Stage of Production</td>
</tr>
<tr>
<td>Fig 5.2</td>
<td>Capacity Constraints, 2004 through 2014</td>
</tr>
<tr>
<td>Fig 5.3</td>
<td>Capacity Constraints Trends, 2004-2014</td>
</tr>
<tr>
<td>Fig 5.4</td>
<td>Capacity Constraints, Biotherapeutic Developers vs. CMOs</td>
</tr>
<tr>
<td>Fig 5.5</td>
<td>Capacity Constraints, US vs. Western Europe</td>
</tr>
<tr>
<td>Fig 5.6</td>
<td>Expectations of Capacity Constraints; by Stage of Production, Five-year Projections</td>
</tr>
<tr>
<td>Fig 5.7</td>
<td>Expectations of Capacity Constraints: Five-year Projections Made in 2004-2014 (Trend Line)</td>
</tr>
<tr>
<td>Fig 5.8</td>
<td>Expectations of Capacity Constraints: Five-year Projections Made in 2004 thru 2014 (Trend Line)</td>
</tr>
</tbody>
</table>
Fig 5.9: Five-year Projections for Capacity Constraints: Biotherapeutic Developers vs. CMOs ................................................................. 234
Fig 5.10: Five-year Projections for Capacity Constraints: US vs. Western Europe ................................................................. 235
Fig 5.11: Factors Creating Future Capacity Constraints ........................................................................................................ 237
Fig 5.12: Factors Creating Future Capacity Constraints, 2008-2014 .............................................................................................. 239
Fig 5.13: Factors Creating Future Capacity Constraints: Biotherapeutic Developers vs. CMOs ................................................................. 241
Fig 5.14: Factors Creating Future Capacity Constraints, U.S. vs. Western European Biomanufacturers ................................................................................................................................. 245
Fig 5.15: Key Areas to Address to Avoid Capacity Constraints ........................................................................................................ 247
Fig 5.16: Key areas to Address to Avoid Capacity Constraints; 2006-2014 .............................................................................................. 249
Fig 5.17: Key Areas to Address to Avoid Capacity Constraints; Biomanufacturers vs. CMOs ................................................................................................................................. 252
Fig 5.18: Key areas to Address to Avoid Capacity Constraints; U.S. vs. Western Europe ................................................................................................................................. 254

Fig 6.1: Industry Average Planned Production Increase by 2019 ........................................................................................................ 261
Fig 6.2: Planned Future Capacity Expansion: 5-year Estimates, 2009 through 2019 .............................................................................................. 263
Fig 6.3: Planned Future Capacity Expansion: 5-year Estimates; Biotherapeutic Developers vs. CMOs ................................................................................................................................. 265
Fig 6.4: Planned Future Capacity Expansion: 5-year Estimates; U.S. vs. Western Europe ................................................................................................................................. 267
Fig 6.5: Percent of Respondents Projecting Production Increases of over 100% by 2019; 5-year Trend ................................................................................................................................. 268

Fig 7.1: Current Percent Production Outsourced; by System, 2014 ........................................................................................................ 274
Fig 7.2: Biopharmaceutical Manufacturing Facilities Outsourcing NO Production, 2006-2014 ................................................................................................................................. 275
Fig 7.3: Future Outsourcing: Percent Production Outsourced; by System, 2006-2014 ................................................................................................................................. 277
Fig 7.4: Five-year Projections: % Biotherapeutic Developers Planning to Outsource at Least Some Production; Projections made 2007-2014................................................................................................................................. 279
Fig 7.5: Percent of Biomanufacturers Outsourcing at Least Some Activity Today ................................................................................................................................. 281
Fig 7.6: Percent of Biomanufacturers Outsourcing at Least Some Activity Today 2010 - 2014 ................................................................................................................................. 283
Fig 7.7: Outsourcing Activities Projected to be Done at ‘Significantly Higher Levels’ in 2 Years ................................................................................................................................. 285
Fig 7.8: Outsourcing Activities Projected to be Done at ‘Significantly Higher Levels’ in 2 Years, 2010 - 2014 Trends ................................................................................................................................. 287
Fig 7.9: Current Outsourcing: Average Percentage of Activity Outsourced Today ................................................................................................................................. 289
Fig 7.10: Estimated Average Percent of Activity Outsourced by Facilities, 2010 thru 2014 ................................................................................................................................. 291
Fig 7.11: Change in Spending on Outsourcing for R&D or Manufacturing, 2012 - 2014 ................................................................................................................................. 292
Fig 7.12: Outsourcing Issues: BioManufacturing by Contract Manufacturing Organizations ................................................................................................................................. 294
| Fig 7.14: | Important Outsourcing Issues: Response Shifts Over Time 2006-2014, Percentage Point Differences | 298 |
| Fig 7.15: | Most Common Mistakes Biopharmaceutical Sponsors Make with their CMOs, 2010-2013 | 300 |
| Fig 7.16: | Country Selections as Destination for International Outsourcing of BioManufacturing (All Respondents) | 302 |
| Fig 7.17: | Percent U.S. Respondents Considering Country as ‘Possible’ Outsourcing Destination | 304 |
| Fig 7.18: | Percent U.S. Respondents Considering Country as “Strong Likelihood” or “Likelihood” as Outsourced Capacity Destination | 305 |
| Fig 7.19: | Percent Western European Respondents Considering Country as ‘Possible’ Outsourcing Destination | 308 |
| Fig 7.20: | Percent European Respondents Considering Country as “Strong Likelihood” or “Likelihood” as Outsourced Capacity Destination | 309 |
| Fig 7.21: | Percent of BioManufacturing Operations Off-shored (International Outsourcing) within 5 Years | 310 |
| Fig 7.22: | Percent Biomanufacturers Performing at Least “Some” of the following as International Outsourcing/Off-shoring during Next 5 Years | 311 |
| Fig 7.23: | Estimated % Operations Done as International Outsourcing/Off-shoring during Next 5 Years | 312 |

| Fig 8.1: | Usage of Disposables in Biopharmaceutical Manufacturing, any Stage of R&D or Manufacture | 321 |
| Fig 8.2: | Usage of Disposables in Biopharmaceutical Manufacturing, any Stage of R&D or Manufacture; 2006-2014 | 323 |
| Fig 8.3: | Average Annual Growth Rate, Disposables, 2006-2014 | 325 |
| Fig 8.4: | 8-Year Percentage-Point Change in First-Usage of Disposables, 2006-2014 | 326 |
| Fig 8.5: | Usage of Disposables in Biopharmaceutical manufacturing, by Stage of Manufacture (R&D through Commercial Manufacture) | 328 |
| Fig 8.6: | Current Issues: Leachables and Extractables in Disposable Devices, 2008 – 2013 (data from 2013 and earlier only) | 330 |
| Fig 8.7: | Usage of Disposables in Biopharmaceutical Manufacturing; Biotherapeutic Developer vs. CMO | 332 |
| Fig 8.8: | Reasons for Increasing Use of Disposable System Components in 2014 | 334 |
| Fig 8.9: | Reasons for Increasing Use of Disposable System Components, 2006-2014 | 336 |
| Fig 8.10: | Reasons for Increasing Use of Disposable System Components, Biotherapeutic Developers vs. CMOs | 338 |
| Fig 8.11: | Single Most Critical Reason for Increasing Use of Disposables, 2009 - 2014 | 340 |
| Fig 8.12: | Reasons for Restricting Use of Disposables | 342 |
| Fig 8.13: | Factors Restricting Use of Disposables, 2006-2014 | 344 |
| Fig 8.14: | Factors Restricting Use of Disposables, Biotherapeutic Developer vs. CMOs | 346 |
| Fig 8.15: | Top Reasons for Not Increasing Use of Disposables, 2014 | 347 |
| Fig 8.16: | Top Reasons for Not Increasing Use of Disposables, 2008-2014 | 349 |
Fig 8.17: Top Reasons for Not Increasing Use of Disposables, Biotherapeutic Developer vs. CMO ............................................................... 351
Fig 8.18: Top Reasons for Not Increasing Use of Disposables, U.S. vs. Western Europe .......................................................... 353
Fig 8.19: Single-use/Disposables Standardization Factors ........................................................................................................ 355
Fig 8.20: Single-use/Disposables Standardization Factors, 2013 vs 2014 ........................................................................ 356
Fig 8.21: Single-use / Disposable Device Adoption Factors (2013 data) ............................................................................. 358
Fig 8.22: Need for Improved Single-Use Sensors .............................................................................................................. 360
Fig 8.23: Single-use Product Vendor Satisfaction Factors, 2008 – 2014 ......................................................................... 363
Fig 8.24: Importance of Single-use Product Attributes vs. Level of Vendor Satisfaction ........................................ 365
Fig 8.25: Percentage Point Gap between Importance of SUS Product Attributes and Level of Satisfaction ............................................. 366
Fig 8.26: Estimated Percentage of Facilities’ Unit Operations that are “Single-use” ............................................. 367
Fig 8.27: Distribution of Responses, % Single-use Devices in Biomanufacturing .............................................................. 368

Fig 9.1: Impact of Downstream Processing on Overall Capacity, 2008-2014 ................................................................. 383
Fig 9.2: Impact of Downstream Processing on Overall Capacity; Biotherapeutic Developers vs. CMOs ................................................ 385
Fig 9.3: Impact of Downstream Processing on Overall Capacity; U.S. vs. Western Europe .................................................. 387
Fig 9.4: Impact on Capacity of Depth, Chromatography and UF Purification Steps ................................................. 389
Fig 9.5: Impact on Capacity of Purification Steps: Experiencing at “Significant” or “Severe” Constraints, 2008 - 2014 .......................................................... 390
Fig 9.6: Impact on Capacity of Purification Steps, U.S. vs. Western Europe ........................................................................ 391
Fig 9.7: Issues Regarding Protein A Usage ............................................................................................................................. 392
Fig 9.8: Issues Regarding Protein A Usage, 2009 - 2014 ....................................................................... 393
Fig 9.9: Issues Regarding Protein A Usage; U.S. Vs. Western Europe .............................................................................. 394
Fig 9.10: mAb Operations: Current Upstream Production Titer (Distribution of Responses) ................................................. 395
Fig 9.11: Bioreactor Yield at which DOWNSTREAM Purification Train Becomes Bottlenecked ............................................................... 396
Fig 9.12: New Downstream Processing Solutions in 2014 ......................................................................................... 398
Fig 9.13: New Downstream Processing Solutions Comparison 2010-2014 ............................................................................ 400
Fig 9.14: New Downstream Processing Solutions; Biotherapeutic Dev. vs. CMO ................................................................. 402
Fig 9.15: New Downstream Processing Solutions; U.S. vs. Western Europe ........................................................................ 404
Fig 9.16: Improving Downstream Operations, 2011 - 2014 .............................................................................................. 406
Fig 9.17: Improving Downstream Operations; Biomanufacturers vs. CMOs ................................................................. 408
Fig 9.18: Improving Downstream Operations (U.S. vs. Western Europe vs. ROW) ............................................................... 410

Fig 10.1: Hurdles Hindering Implementation of PAT (2008 - 2014) ..................................................................................... 415
Fig 10.2: Batch Failure Frequency Distribution, 2009 – 2014 .................................................................................. 418
Fig 10.3: Average Rates of Failure, by Primary Cause, and Phase of Manufacture, 2014 ................................................................. 420
Fig 10.4: Average Rates of Failure, by Primary Cause, and Phase of Manufacturing 2009 - 2014 (Commercial Manufacture) ........................................................................ 421
Fig 10.5: Average Rates Failure, by Primary Cause, and Phase of Manufacturing 2009 - 2014 (“Clinical” Scale) .......................................................... 422
Fig 10.6: Quality Problems Traced to Vendors; 2009 - 2014 ................................................. 424
Fig 10.7: Quality Initiative Implemented Currently, or within Next 12 Months .................... 426
Fig 10.8: Quality Initiative to be Implemented in “Next 12 Months”, Comparing 2009 - 2014 .......................................................... 428

Fig 11.1: New Hires in Biopharmaceutical Manufacturing (2014) ........................................ 436
Fig 11.2: New Hires in Biopharmaceutical Manufacturing (2019) ........................................ 437
Fig 11.3: Areas Where Hiring Difficulties Exist in Biopharmaceutical Operations ............... 439
Fig 11.4: Areas Where Hiring Difficulties Exist in Biopharmaceutical Operations, 2010 – 2014 .......................................................... 441
Fig 11.5: Areas Where Hiring Difficulties Exist in Biopharmaceutical Operations, U.S. vs. Western Europe .......................................................... 443
Fig 11.6: Training for New Operations/Manufacturing Employees .................................... 445
Fig 11.7: Changes in Training for New Operations/Manufacturing Employees, 2009 – 2014 .......................................................... 446

Fig 12.1: Area of Biopharmaceutical Involvement, Vendor .................................................. 452
Fig 12.2: Area of Biopharmaceutical Involvement, Vendor Comparison 2010 to 2014 .......... 452
Fig 12.3: Geographic Locations in which Vendors Currently Actively Sell Products or Services, 2008 - 2014 .................................................. 454
Fig 12.4: Respondents’ Primary Job Function .......................................................... 456
Fig 12.5: Biopharmaceutical Supply Market Segment Sales Growth Distribution ...................... 457
Fig 12.6: Average Annual Vendor Segment Sales Growth Rates, 2014 ................................. 458
Fig 12.7: Average Annual Vendor Sales Growth Rate, 2007 - 2014, by Segment ..................... 459
Fig 12.8: Average Annual Vendor Sales Growth Rate, 2007 - 2014 ..................................... 460
Fig 12.9: Vendors’ Approx Annual Sales to Biopharmaceutical Segment % .......................... 461
Fig 12.10: Vendors’ Average Budget Change for 2014 .................................................. 464
Fig 12.11: Vendors’ Average Budget Change for 2009 - 2014, Summary .......................... 465
Fig 12.12: Vendors’ Average Pricing Changes (2014 responses) ........................................ 466
Fig 12.13: Vendors’ Average Pricing Changes, 2009-2013 Actual and 2014 projected .......... 467
Fig 12.14: Actions undertaken to reduce overall costs, prior 12 months, 2011 – 2014 ............. 469
Fig 12.15: Actions undertaken to reduce overall costs in past 12 months, By Segment ........... 471
Fig 12.16: (See Fig 10.6; recap): Quality Problems Traced to Vendors ..................................... 472
Fig 12.17: Biopharma Business and Marketing Plans, 2014 .................................................. 473
Fig 12.18: Biopharma Business and Marketing Plans, 2010-2014 ......................................... 475
Fig 12.19: Top New Technologies or New Product Development Areas .............................. 477
Fig 12.20: Areas Where Training May Help Sales Staff Perform Better; 2010 – 2014 ............ 482
Fig 12.21: Client Demands of Vendors, Service and Support, 2012 vs 2014 ......................... 484
Fig 12.22: Vendors’ Optimism; Financial Performance 2011-2013, and Projected Performance in 2014 .......................................................... 485
TABLES

Table 1.1  Biologics (Large Molecule), Worldwide, through January 2014 ......................20
Table 1.2  Worldwide Pipeline, Large Molecules, 2008-2014 ..................................22
Table 1.3  Number of Products in U.S. and European Markets* .......................................23
Table 1.4  Summary of Worldwide Biopharmaceutical Revenue Growth by Product Class, 2007 and 2013 .................................................................30
Table 1.5  Product Classes with Numbers of Approved Products and Annual Revenue ........31
Table 1.6  Blockbuster Biopharmaceutical Products* .........................................................33
Table 1.7  Expression Systems/Host Cells for U.S./EU-Markedeted Cultured Biopharmaceuticals .................................................................35
Table 1.8  FDA Full Biopharmaceutical Product Approvals in 2013 ...................................38
Table 1.9  Biopharmaceutical Approvals with Country of Origin/Ownership .....................42
Table 2.1  Some Leading Reference Products; Number of Biosimilars Targeting These Products .......................................................................................................70
Table 2.2: Companies, Their Location and Number of Biosimilars ....................................71
Table 2.3  Commercial Biopharmaceuticals Manufactured Using Perfusion* .....................114
Table 2.4  Some Recent Bioprocessing Sector M&As .........................................................124
Table 3.1  Some Areas of Significant Projected Budget Percentage Increases for Biomanufacturing, Past Six Years: .................................................................147
Table 4.1  Distribution of Mammalian Cell Culture Capacity in 2013, Product Manufacturers .......................................................................................................203
Table 4.2  Distribution of Mammalian Cell Culture Capacity Among Contract Manufacturing Organizations (CMOs), 2013 estimates ........................................206
Table 4.3  Compound Annual Change in Mab Titre, 2008-2014 .........................................215
Table 6.1  Western European Biomanufacturers’ 5-year projected increases ......................266
Table 6.2  U.S. Biomanufacturers’ 5-year projected increases ...........................................266
Table 7.1  Percent of U.S.-based Respondents Indicating Country as a “Strong Likelihood” or “Likelihood” as Outsourcing Destination, 2009-2014 .................306
Table 7.2  Percent of European-based Respondents Indicating Country as a “Strong Likelihood” or “Likelihood” as Outsourcing Destination, 2011-2014 ................309
Table 9.1  Percent experiencing “Serious” or “Some” capacity problems due to downstream processing 2008-2014 .................................................................384
Table 9.2  Percent U.S. vs. Western Europe facilities experiencing “Serious” capacity problems due to downstream processing, 2009-2014 .........................386
Table 9.3  Percent U.S. vs. Western Europe facilities not expecting to see bottlenecks due to downstream processing, 2008-2014 .....................................386
Table 10-1  Batch Failures, Average Weeks per Failure, per Facility, 2008-2014 ..................417
Table 11.1  Percentage New Hires, by Area; 2008 – 2014 .................................................437
Table 12-1 Average Industry Growth Rate, 2007 -2014 ....................................................457
Table 12-2 Selected “Other” Responses, New Technology Areas in Development .................478
Table 12-3 Average Vendor Sales and Technical Training Days, 2010 - 2013 .....................480
METHODOLOGY

This report is the eleventh in our annual evaluations of the state of the biopharmaceutical manufacturing industry. The strength of this study’s methodology remains in its breadth of coverage, which yields a composite view from the respondents closest to the industry. This year, BioPlan Associates, Inc. surveyed 238 qualified and responsible individuals at biopharmaceutical manufacturers and contract manufacturing organizations in 31 countries; plus 178 industry vendors and direct suppliers of materials, services and equipment to this industry segment. Using a web-based survey tool, we obtained and evaluated information regarding respondents’ current capacity, production, novel technology adoption, human resources, quality, and outsourcing issues. We assessed respondents’ projected reasons for bottlenecks, and their perception of how these bottlenecks might be resolved.

This year, we provide additional in-depth analysis of specific issues affecting the industry. These Monographs cover the events shaping the past year, and evaluate how they will affect, or create trends that will shape biopharmaceutical manufacturing over the next five years.

To ensure comprehensive global coverage, we partnered with world-wide organizations to ensure the most accurate overview of the worldwide biopharmaceutical industry. Our industry partners are included in our acknowledgment section. In addition, to support this coverage, we also include acknowledgment of our media partners, whose assistance enabled us to reach the high quality of respondents required in this quantitative analysis.

Further information on methodology, breakouts on specific segments, and data from earlier surveys may be obtained by contacting us at the address below.

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CHAPTER 0: DEMOGRAPHICS

Survey respondents include a diverse group of biopharmaceutical senior managers and executives covering a spectrum of global biopharmaceutical and CMO firms. In addition, in Chapter 12, we include responses from global suppliers and vendors to this industry. As in previous years, we included firms of all sizes, and while we specifically sought input from larger manufacturers with substantial current capacity, we also obtained data from mid-tier and smaller companies with clinical scale production, and also from companies using CMOs for product manufacture and from CMOs. Respondents had a broad range of responsibilities, though all were directly involved with manufacturing in some way. Most were senior staff within their organizations.

This was an international effort, and we received responses from organizations around the world, including input from facilities in 31 countries.

The diversity of respondents provides a comprehensive view of the industry from those closest to the present state of their organizations; those with a good understanding of the current and future business drivers, and manufacturing plans and needs. This offers a means for understanding the industry and its future course. The breakdown of organizations into CMO’s and biotherapeutic manufacturers provides insights into two major segments of the industry. These two types of organizations have different business drivers, risk profiles, and costs of capital.

Respondents’ Area of Involvement

Of the 238 biopharmaceutical manufacturers and contract manufacturing organizations (CMOs) staff responding to this year’s survey, 27.7% were primarily involved in large-scale cell culture production for therapeutics, up from 25.6% last year; 22.3% were involved primarily in process development for biopharmaceutical manufacturing, down from 26.1% last year; and 16.8% were involved in scale-up (or clinical-scale) production for biopharmaceuticals only, a significant increase from 8.0% last year and other prior years. Those involved with large-scale microbial fermentation for therapeutics accounted for 5.0%, and 5.9% of respondents indicated they were primarily involved in vaccine production, with both of these showing significant decreases from recent years. Other large-scale biopharmaceutical manufacturing accounted for 10.1%. ‘Other’ contract manufacturing (CMOs) for biopharmaceuticals accounted for 2.1% of respondents, down from 5.5% last year; and 10.1% were employed in large-scale contract manufacturing (CMOs) for biopharmaceuticals. Overall, the makeup of respondents continues to be consistent with prior year’s studies.
Fig 0.1: Area of Primary Involvement in Biopharmaceutical Manufacturing, 2010 to 2014

"In which area of biopharmaceutical manufacturing is your organization currently involved?"

Comparison 2010 to 2014

0% 5% 10% 15% 20% 25% 30%

- Large-scale cell culture production for therapeutics
  - Year 2014: 27.7%
  - Year 2013: 25.6%
  - Year 2012: 28.5%
  - Year 2011: 26.3%
  - Year 2010: 25.0%

- Process Development for biopharmaceutical manufacturing
  - Year 2014: 22.3%
  - Year 2013: 26.1%
  - Year 2012: 21.5%
  - Year 2011: 23.9%
  - Year 2010: 19.0%

- Scale-up (or clinical-scale) production for biopharmaceuticals only
  - Year 2014: 16.8%
  - Year 2013: 14.4%
  - Year 2012: 12.5%
  - Year 2011: 11.3%
  - Year 2010: 8.0%

- Other large-scale biopharmaceutical manufacturing
  - Year 2014: 10.1%
  - Year 2013: 7.0%
  - Year 2012: 7.3%
  - Year 2011: 6.7%
  - Year 2010: 10.1%

- Large-scale contract manufacturing (CMO) for biopharmaceuticals
  - Year 2014: 10.1%
  - Year 2013: 9.2%
  - Year 2012: 8.0%
  - Year 2011: 6.6%
  - Year 2010: 5.9%

- Vaccine production
  - Year 2014: 13.4%
  - Year 2013: 11.1%
  - Year 2012: 8.0%
  - Year 2011: 9.9%
  - Year 2010: 5.9%

- Large-scale microbial fermentation for therapeutics
  - Year 2014: 10.1%
  - Year 2013: 7.7%
  - Year 2012: 7.9%
  - Year 2011: 8.8%
  - Year 2010: 5.0%

- Other contract manufacturing (CMO) for biopharmaceuticals
  - Year 2014: 6.4%
  - Year 2013: 7.0%
  - Year 2012: 5.5%
  - Year 2011: 2.1%
  - Year 2010: 4.8%
Respondents’ Titles

Respondents were asked about their areas of responsibility, as indicated by job titles. Almost 88% had titles of VP, Director or President/CEO. VP’s or directors of manufacturing, production, and operations, Directors and managers primarily involved in process development comprised 35.9% of respondents. Combining VPs with manufacturing and process development managers, the percentage comes to 54.9%. Biopharmaceutical scientists or engineers lacking VP/Director/Manager responsibilities in process development, R&D or production made up 12.1%, down from 15.0% last year. This year, 10.4% of respondents indicated they were VP’s or directors of QA, QC, and validation. Presidents/CEO’s represented 7.4% of respondents. VPs or Directors of R&D accounted for 7.4% of respondents. The largest percentage increase this year was in those reporting “VP, Director, Mgr.: Process Development” responsibilities.

Fig 0.2 Respondents’ Job Responsibilities, 2011 - 2014

Which best describes your primary job responsibilities? (n=238)

- VP, Director, Mgr: Process Development
  - 2014: 28.2%
  - 2013: 24.1%
  - 2012: 19.0%
  - 2011: 16.3%

- VP, Director, Mgr: Manufacturing, Production
  - 2014: 16.3%
  - 2013: 20.9%
  - 2012: 18.8%
  - 2011: 15.0%

- Engineer or Scientist: PD, R&D, Production
  - 2014: 12.5%
  - 2013: 12.1%
  - 2012: 15.0%
  - 2011: 16.9%

- VP or Director, Manager: QA, QC, Validation, RA
  - 2014: 11.4%
  - 2013: 11.9%
  - 2012: 13.9%
  - 2011: 16.9%

- President / CEO
  - 2014: 7.7%
  - 2013: 9.6%
  - 2012: 11.5%
  - 2011: 7.7%

- VP or Director: Operations
  - 2014: 6.3%
  - 2013: 8.4%
  - 2012: 9.3%
  - 2011: 7.8%

- VP or Director: R&D
  - 2014: 5.0%
  - 2013: 5.3%
  - 2012: 6.3%
  - 2011: 7.4%
Respondents’ Facility Locations

This year we surveyed respondents in 31 countries. Over 64% of the respondents were from the United States, with the Northeastern U.S. representing 30.7%. Respondents from Western Europe made up over 20% of the total. Other countries in the survey (“Rest of World”) made up almost 16% of the respondents, down from 22% last year.

Further information about biopharmaceutical manufacturing facilities worldwide is available at the Top 1000 Global Biopharmaceutical Facilities Index Web site from BioPlan Associates (www.Top1000Bio.com.)

Fig 0.3: Facility Location

Where is your facility located?

- US-Northeast: 30.7%
- US-Northwest: 10.7%
- US-Central: 8.9%
- US-Southwest: 8.4%
- US-Southeast: 5.8%
- United Kingdom: 5.3%
- Germany: 4.9%
- Belgium: 2.7%
- India: 2.2%
- China: 2.2%
- Switzerland: 1.8%
- Canada: 1.8%
- Denmark: 1.8%
- France: 1.3%
- Israel: 0.9%
- Australia: 0.9%
- Italy: 0.9%
- Sweden: 0.9%
- Puerto Rico: 0.9%

Other Countries include: Austria, Brazil, Chile, Holland, Indonesia, Iran, Ireland, Japan, Korea, Netherlands, Norway, Pakistan, Poland, Singapore, Spain, Taiwan
We note that U.S. respondents rose to 65.8% this year, significantly up from 55.0% in 2013, 60.9% in 2012 and 61.7% in 2011. Western European responses have been relatively constant at 22.2% for this year, 22.9% in 2012 and 20.2% in 2011.

This year ROW responses declined significantly to 12.0%, from 22.0% last year. This decline may be the result of difficulties in communicating with ROW bioprocessing professionals and/or developed country-based, particularly U.S., bioprocessing professionals being more motivated to participate in this and other industry surveys.

**Fig 0.4: Facility Location, by Region**

*Respondents’ Facility Location by Region (Biotherapeutic Developers and CMOs)*

![Pie chart showing facility location by region]

**Respondent countries in Western Europe include:** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

**Respondent countries in “Rest of World” include:** Canada, Australia, India, China, India, Singapore, Egypt, Japan, Russia, Estonia, Israel, Argentina, Brazil, Bulgaria, Cuba, Korea, Lithuania, New Zealand, Poland, Slovenia, South Africa, and Taiwan.
Respondents’ Areas of Biopharmaceutical Manufacturing Operations

This year, almost 90% of respondents indicated that they were involved in mammalian cell culture (85.9%). This is up from last year’s study in which 75.5% of respondents were involved in mammalian cell culture. For microbial fermentation, 42.9% of respondents noted involvement in this area, down from the previous year (46.9%). For this year, 18.7% said that their facility had production operations in yeast, down from 20.8% last year. The percentage of those involved with microbial, including yeast, manufacture is tending to slowly decrease, with mammalian cell culture generally dominating product development and manufacture.

Since 2009 the overall percentage of respondents in each system has declined, except for mammalian cell culture. Almost every system reported showed a slight drop in participation from 2013 to 2014, expect for mammalian cell culture and plant cells. The increasing use of mammalian systems is likely associated with increased adoption of mammalian systems as standardized broad platform technologies within facilities, preferably using the same mammalian systems for manufacture of as many products at possible. With increases in mammalian system yields, even products that could be manufactured in microbial systems are now often manufactured in mammalian systems, if these will get the job done, such as to produce pre-clinical or early clinical supplies.

Fig 0.5: Biopharmaceutical Manufacturing Systems, (2007-2014) Trends

*In which of the following does your facility currently have production operations for biopharmaceutical products? 2007-2014 (Trends)*
Respondents’ Production Operations, Phase of Development

We identified the phases of clinical development in which respondents’ organizations (companies) had products. In 2014, almost 60% (57.5%) of respondent companies had R&D biopharmaceutical operations, and 63.8% had preclinical operations. Respondent organizations involved with R&D were 73.3% in 2006, down in 2007 and continuing downward in 2008, then leveling off at 50.7% in 2011. This has continued to climb each year to 50.9% in 2012 and 53.4% in 2013. Preclinical started at 75.4% in 2006, down to 69.0% in 2007, and continuing downward to 57.9% in 2008. It spiked to 63.3% in 2010, with downward years in 2011 and 2012, at 59.1% and 58.0%, respectively, and has risen back past 2010 levels.

The percentage of respondents whose companies have biopharmaceutical products on the market has risen since 2006, from 42.8% in that year, to 55.6% this year (a slight decline from 56.3% last year.) This continues to show industry maturation, with most respondents now employed by companies with revenue streams from marketed biologics. In fact, 2009 has been widely noted as the year the biopharmaceutical industry finally, as a whole, turned a profit. Of interest may be the slight increases in the percentages of manufacturers that also have products in the R&D pipeline. This may represent consolidation within the industry as smaller R&D based companies are absorbed by larger companies, or the industry may simply be devoting more resources to R&D, including having recovered from recent prior year’s economic difficulties.
In which phases of development does your organization currently have biopharmaceutical products?
2006-2014
The U.S. has higher responses indicating involvement with commercial products, 56.5% for the U.S. and 51.0% for Europe. Western Europe, compared to the U.S., has significantly higher percentages of respondent companies involved in early R&D and slightly higher percentages in preclinical development, and has slightly higher percentages involved with Phase III clinical trials than the U.S. However, the U.S. has significantly higher percentages in Phase I and Phase II clinical trials this year vs. Western Europe, an increase from previous years. Overall, the phases of development of bioprocessing organizations are rather well spread over the full spectrum from product R&D through commercial products manufacture, confirming that this is a vital and growing industry.

**Fig 0.7: Phase of Development of Surveyed Respondents, 2014 (U.S. vs. Western Europe)**

*In which phases of development does your organization currently have biopharmaceutical products?*

*US vs Western Europe*

<table>
<thead>
<tr>
<th>Phase</th>
<th>U.S.</th>
<th>Western Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>52.9%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Preclinical</td>
<td>61.6%</td>
<td>63.3%</td>
</tr>
<tr>
<td>Phase I</td>
<td>68.8%</td>
<td>65.3%</td>
</tr>
<tr>
<td>Phase II</td>
<td>67.4%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Phase III</td>
<td>58.7%</td>
<td>59.2%</td>
</tr>
<tr>
<td>Marketed iopharmaceuticals</td>
<td>56.5%</td>
<td>51.0%</td>
</tr>
</tbody>
</table>
**Employees at Facility**

To evaluate issues such as capacity, disposables usage and other factors, we asked the number of staff within their own facility, and within their total organization. Within the survey group, the largest percentages of respondents were at facilities with 100-499 employees, continuing the trend from previous years. However, the largest numbers of respondents, nearly 50%, were from organizations with greater than 5,000 employees. This distribution reflects the distribution of bioprocessing and other professionals employment in the (bio)pharmaceutical industry, and larger company dominance of R&D and products marketing.

**Fig 0.8: Distribution of Employees at Facility, and Organization**

*About how many employees currently work at your facility & organization? (n=213)*
Batches Run at Facility per Year

To ensure we were capturing large organizations involved in significant manufacturing processes and to evaluate issues such as batch failure rates, we evaluated the number of batches or production runs the facility ran over the prior 12 months. For clinical scale manufacturing, the largest number of facilities reported producing between 1 and 20 batches per year (63%). At the commercial scale, 7% were producing over 150 batches per year, but most reported running between 1-50 batches per year (83%), which is a significant increase from 2013 (46.3%), and an even larger increase from 2012 (36%).

To compare consistency of respondents' operations, year-by-year, we evaluated the number of batches run. This year (asking about 2014) we found between “0-10” batches were run by 43% at clinical scale, and 45% at commercial scale. Last year, in 2013 the data were 49% at clinical scale and 46% at commercial scale. This is consistent with prior years: In 2012, “0-10” batches were run by 45% (clinical scale) and 46% (commercial scale) In the 2011 study, the numbers were 44% clinical, and 47% commercial scale. In 2010, 40% and 43% ran “0-10” batches at clinical vs commercial scale, respectively.
Fig 0.9: Distribution of Total Batches Run at Facility Last Year, by Scale of Production

How many total batches did your facility run during the past 12 months?
(Commercial vs Clinical Scale)

- Distribution of Batches Run, Clinical Scale
- Distribution of Batches Run, Commercial Scale
CHAPTER 1: INTRODUCTION AND DISCUSSION

1-1 INTRODUCTION: THE BIOPHARMACEUTICAL INDUSTRY

The pharmaceutical and biopharmaceutical industries remain active, profitable and growing segments, despite having recently recovering from worldwide economic problems. There are estimated to be over well over 10,000 therapeutics in R&D, both drugs (chemical substance pharmaceuticals) and biopharmaceuticals (biotechnology-derived pharmaceuticals), with nearly 40,000 ongoing (or recently reported) clinical trials. Among these, an estimated 40% or likely over 4,000-5,000 candidate products in R&D are biopharmaceuticals. A significant portion, about 900 products in the development pipeline, is follow-on biopharmaceuticals, mostly biosimilars but also a large number of biobetters. This industry activity represents a considerable increase from as short as five years ago and reflects a basic shift in the pharmaceutical industry from small molecule drugs to biopharmaceuticals for new, innovative and profitable products. And the large number of biosimilars and biobetters in development indicate the maturation of the biopharmaceutical industry, as its major products start to go off-patent.

However, as companies of all sizes continue to cut back on expenses as much as possible and consolidate R&D, they may be concentrating more on fewer products, so the overall pipeline may well be shrinking somewhat. This may be showing up more in clinical trials rather than preclinical phases. But in terms of biopharmaceuticals, any such decrease in R&D may well currently be counter-balanced by established, including Big Pharma companies, companies increasingly moving into biopharmaceuticals. But even if the pipeline is shrinking (which will only be evident in hindsight), this is not necessarily an indicator of problems. Any pipeline shrinkage may simply reflect the industry doing a good or better job in eliminating less promising candidates before they enter and in early-stage clinical trials. This ‘failing faster,’ i.e., earlier in development, is much less costly and disruptive than products failing later in development. If industry is doing a better job of weeding out poor candidate products earlier, industry may actually be on track for increased future success, with fewer costly late-stage failures and a higher percentage of pipeline products making it to the market.

The pharmaceutical R&D pipeline and industry are becoming increasingly dependent on biopharmaceuticals. These products are being developed by an ever-increasing cross-section of the pharmaceutical industry, including Big Pharma and even generic drug companies, with many of these also active in developing biosimilars. These sources, along with smaller biopharmaceutical developers, which have been the traditional source for most innovative biopharmaceuticals, are continuing to expand the global biologics pipeline. And new entrants based in China, India and other developing countries are increasingly entering biopharmaceutical R&D. Thus, an increasing number and percentage of new pharmaceuticals
entering the market will be biopharmaceuticals vs. small molecule drugs. Combine this with biopharmaceuticals generally costing much more and providing higher profit margins, and the pharmaceutical industry will increasingly be dependent on biopharmaceuticals for profits, innovation and its basic survival.

As biopharmaceuticals become an even more important part of the pharmaceutical industry, many new players are entering the field and most current manufacturers are expanding their bioprocessing capacity. Not only must bioprocessing output (if not liter capacity) expand to handle manufacture of an increasing number of approved products and higher volumes as markets for many products further expand, e.g., with approvals for new indications, the industry must also be capable of handling a large number of pipeline products. Most recent capacity expansion generally has involved building large fixed stainless steel bioreactor-based bioprocessing systems for commercial product manufacture, while production of supplies for R&D and clinical testing are now essentially dominated by use of single-use/disposable bioreactor-based systems, with this requiring much less facilities and infrastructure investment and construction. The strategic importance of biopharmaceutical manufacturing and manufacturing capacity are increasing, and understanding the markets for bioprocessing equipment, technologies and services is becoming ever more important to those in the biopharmaceutical industry.

Planning and decision-making concerning the manufacture of biopharmaceuticals are becoming more complex as companies continue to implement cost-saving efforts, including cutting back on the number of products in their development pipelines, and outsourcing even more support and even critical tasks. In addition, manufacturers must choose from an ever-increasing number and diversity of bioprocessing options. This includes new and improved cell lines and genetic engineering/expression systems technologies; bioprocessing equipment, including new and improved single-use equipment; and outsourcing manufacturing to CMOs which are expanding their capacity, technologies, and service offerings. Increasingly, companies must make difficult and costly strategic decisions about commercial manufacture earlier in product development.

A number of questions need to be answered by biopharmaceutical developer even before a product is shown effective in clinical trials. These include aspects such as:

- Should we use an older, off-patent expression system or a new, much higher yield, but royalty-bearing system?
- Should we use single-use/disposable or fixed stainless steel bioprocessing equipment for clinical supplies manufacture?
- If we use single-use bioprocessing systems to support development, do we want to be among the first pioneers to use single-use equipment for commercial manufacture or should we stick with familiar, trusted, but more expensive and labor-intensive, fixed stainless steel equipment for manufacture?

Effective planning within the biopharmaceutical and bioprocessing markets is required to avoid problems later on. This demands a high level of partnership, information sharing and communication between manufacturers, CMOs and bioprocessing technology and equipment suppliers to develop new manufacturing technologies, devices and capacity to keep pace with industry needs. Strategic production decisions must be based on solid bioprocess data, combined with a broad understanding of trends tracking and effective benchmarking of capacity and production issues.

This study provides an on-going evaluation of the vital manufacturing trends shaping this industry, and is designed to help keep those in the industry aware of all the external trends and issues affecting biopharmaceutical manufacture decision-making.
1-2 CURRENT BIOPHARMACEUTICAL MARKET TRENDS

The biopharmaceutical industry survived recent years’ worldwide economic downturn. In fact, the industry has done rather well for itself during this period – not contracting or losing much at all in recent years – and is now showing clear signs of full recovery and renewed growth. As much of the world economy still slowly improves, the biopharmaceutical industry continues to remain dynamic and growing. This year, as in 2013 and prior years, survey results show that companies are spending and investing more in their R&D, new technologies, bioprocessing capacity, staff and other infrastructure. In fact, survey data now show companies increasing investments in all 12 categories surveyed! Companies, particularly larger and more established ones, are continuing to aggressively look for opportunities to cut costs and increase efficiency, with this continuing to benefit contract manufacturing and research organizations (CMOs and CROs.) Prior rather common severe cuts in staff and divestment of facilities have largely ended, but this may simply reflect reaching the limits of eliminating in-house expertise and facilities. Some specific trends are discussed below.

**The industry is healthy and its status is improving:** The world market for biopharmaceuticals is now about ≥$190 billion; growing at ~15% annually, definitely a very healthy rate. New products and new markets, particularly internationally, continue to support market growth. The world market for recombinant protein therapeutics is now ~$115 billion. The continued high growth rate in biopharmaceutical markets (revenue) will continue to drive investment in the industry, including at the expense of traditional small molecule drug development. Biopharmaceuticals vs. drugs have simply proven themselves to be profitable investments, e.g., with much higher profits per sale and likelihood of attaining success, including capturing market share, with this often simpler or more straightforward with innovative biopharmaceuticals. A large portion of biopharmaceuticals coming to market still involve treatment of ignored or currently untreatable indications, making them particularly welcome or needed. Many newentrant companies of all sizes and types, including generic drug and foreign companies, are developing biosimilars and plan to use these to establish them in the industry. This is resulting in a significant increase in the number of players in the biopharmaceutical industry.

Overall, 2014, like 2013, is fully expected to be a good year for the biotechnology and biopharmaceutical industries, with these remaining viable, relatively insulated from the worst of the world's economic problems, growing and well-positioned for solid future growth.

**Cost-containment and Controls:** The past year was another rather quiet year in the U.S. and most other major markets in terms of new calls for and implementation of cost-containment measures or cost controls for pharmaceuticals, including biopharmaceuticals. But in some other countries, cost containment and government-directed cost controls continue to adversely affect biopharmaceuticals. This includes the U.K. National Institute for Health and Clinical Excellence (NICE) issuing more product reviews rejecting some biopharmaceuticals as too expensive and not cost-effective for use by the country’s National Health Service (NHS), effectively making these products non-marketable in the U.K. In the U.S., insurance providers continue to take control of prescription writing and use away from physicians and consumers, forcing use of products for which they have secured preferential prices and often simply just refusing to pay for expensive biopharmaceuticals that they (not the prescribing physician and his patient) do not consider the most appropriate. As biosimilars become available, much as with generic drugs, U.S. insurers will surely force physicians, pharmacists and consumers to use these rather than more expensive innovator products.
• **Manufacture in Developing Countries is Increasing:** Biopharmaceutical manufacture outside of the usual major market countries is increasing, as indicated by BioPlan’s Top 1000 Global Biopharmaceutical Facilities Index (www.top1000bio.com), which ranks facilities worldwide in terms of known or estimated capacity, employment, and production. Much new and increased capacity is being added internationally, with biopharmaceutical markets in many developing countries rapidly growing and domestic/regional companies increasingly serving these markets, often with biogeneric or outright copies of innovator products that are simply marketed as substitutable for the innovator product (without much real testing.) Innovator companies seeking to expand internationals markets will increasingly have to deal with such local/regional competition. Another factor that will result in increasing manufacture in lesser-developed countries is that these countries’ governments are increasingly seeking to assure domestic manufacture of biopharmaceuticals being sold in their markets. Already, many countries are starting to tell vaccine manufacturers that they want products for their markets manufactured in-country, preferably or requiring this be done by locally-owned or joint venture companies. And as single-use equipment and manufacturing technologies continue to improve and, particularly, as modular bioprocessing facilities enter the market, foreign countries (or their proxy/subsidized companies) will increasingly undertake manufacture of needed products, such as commonly-used vaccines, with or without the assistance and participation of original product developers and current manufacturers.

• **Worldwide Standardization of Manufacturing:** Particularly with larger companies, as more biopharmaceutical manufacturing is performed worldwide, companies are working to standardize their products and manufacturing processes on a worldwide basis. For many, this includes having 2nd- or even 3rd-source facilities either actively manufacturing or serving as backups, having received approvals for manufacture for the U.S. and other major markets. Adoption of single-use and modular bioprocessing systems for commercial manufacturing will accelerate this trend.
1-3 MARKET POTENTIAL

The biopharmaceutical market will continue to expand. There are currently 1,000s of therapeutics in R&D, including 40% or more now being biopharmaceuticals. This shift towards biopharmaceuticals reflects a fundamental shift within the pharmaceutical industry, with the largest traditionally small molecule drug-oriented Big Pharma companies moving heavily and rapidly into biopharmaceuticals. These companies are increasingly developing their own, licensing in or otherwise acquiring more biopharmaceutical products. For these companies and others, biopharmaceuticals provide higher revenue (cost more) and profits per sale, and with biopharmaceuticals often requiring more complex detailing and other sales support, increasingly fit well with the resources and marketing-intensive business models of large international pharmaceutical companies. Overall, there is a major shift towards biopharmaceutical R&D, manufacturing and marketing, often at the expense of traditional small molecule drug candidates.

However, due to economic concerns, all pharmaceuticals, particularly biopharmaceuticals which tend to be the most expensive, face increasing cost containment and control efforts worldwide. The U.S. remains the world’s main pharmaceutical market, including in terms of sales and profits. Government-based cost-containment and control efforts remain limited in the U.S. Despite political demands for lowering pharmaceutical expenses by government programs, such as Medicare for older patients, the major U.S. health care overhaul legislation enacted in late 2010 is expected to have minimal impact on biopharmaceutical usage. If anything, this health care overhaul will actually provide continued long-term support for use of innovative (bio) pharmaceuticals, particularly if the alternative treatments or no treatment (none being available) are overall less cost-effective options. Cost-containment and control efforts can be expected to increase in most other countries, particularly, those already having implemented cost controls, with expensive biopharmaceuticals being an easy target for elimination or reduction. India has substantially boosted its price controls and generics-favoring policies, including not allowing pharmaceuticals to be marketed by trade name (only by generic name.)

However, since most biopharmaceuticals are used for indications for which there are few, if any, alternatives; the overall market is rather protected from widespread cost-containment and controls. Those countries that have imposed cost controls, so far, generally represent small markets. Improved manufacturing methods and cost management for biopharmaceutical production will continue to slowly advance, which will tend to reduce the cost of goods. With continued reductions in manufacturing costs, including better process monitoring, higher-yield expression systems and increased use of more cost-effective single-use/disposable bioprocessing systems, biopharmaceuticals appear to be positioned to further increase their role in world pharmaceutical markets.

The world biopharmaceutical market is currently about $190 billion/year. This continues to grow worldwide at about 15%/year, making biopharmaceuticals a fairly recession-proof, growing and profitable industry. The market for recombinant proteins now is about $115 billion. Much of this growth in biopharmaceutical revenue is due to an increasing number and sales of recombinant monoclonal antibodies, now a >$45 billion market, approaching 50% of the recombinant protein and 33% of the overall biopharmaceutical market. These products have been shown to be rather reliable in terms of development and reaching the market, with antibodies generally being very specific, targeted, not causing severe adverse effects and well-received in the marketplace. Recombinant monoclonal antibody sales will further rapidly increase in coming years as new products enter the market and approved indications are expanded for existing products.
But despite the industry being healthy and growing, broader economic issues will continue to force biopharmaceutical companies of all size to cut costs wherever possible. This is shown in this year's survey data showing that the industry continues to recognize the need for continual improvements in performance and optimization of R&D, manufacturing and marketing. Financing, particularly for smaller companies, has gotten tighter and will remain restricted in 2014. Many companies of all sizes are having to seek alternative funding methods, increase their collaborations and licensing (vs. conducting in-house R&D), decrease the number of candidates in development, and are otherwise taking steps to make themselves more efficient and productive.

The use of contract manufacturing organizations and the use of single-use bioprocessing equipment are making product manufacture, particularly for R&D and clinical trials, more efficient and in some cases less costly. Especially for smaller and under-funded companies, going with CMOs for production or using single-use equipment for in-house candidate product manufacture is the only financially viable options. These approaches reduce capital and financing needs, because companies can avoid $50-$150 million facilities costs for construction of fixed, dedicated stainless steel bioreactor-based bioprocessing systems, while a typical fully single-use facility for commercial manufacture can still easily cost $25-$40 million.

Despite the biopharma industry’s bright future, successful companies in this complex worldwide industry will continue to require complete and accurate knowledge of the market and competing technologies, along with adequate lead-times, large capital expenditures, and careful planning. Biopharmaceutical development and manufacture is very costly, and no company can afford to make tactical or strategic mistakes. This makes accurate market and manufacturing planning all the more essential. The industry needs to keep on top of the current situation and future trends.

This report summarizes survey data and information obtained from biopharmaceutical manufacturers worldwide in late 2013 and early 2014. Its intent is to provide a quantitative-based overview and assessment of industry capacity, production trends, and benchmarks, along with presenting industry views on these and other subjects. As an on-going benchmarking effort, this study offers a view into current and future potential global industry problems and opportunities.

1-4 BIOPHARMACEUTICAL R&D PIPELINES

Table 1.1 provides an overview of worldwide biopharmaceutical product R&D and marketing situation by indication. As can be readily seen, cancer and infectious diseases clearly dominate the biopharmaceutical development pipeline. Cancer treatment is by far the most active, with over 4,000 products now in development. Note this and other data provided by Biopharma Insight do not count products in development, the usual pipeline evaluation parameter; rather they cumulate significant milestones, such as approvals, trials, etc., for multiple indications, countries, etc. These data are still rather useful for spotting trends.
Fig 1.1: Investigational Drugs: Large Molecule (Protein Therapeutics), Worldwide, 2010 - 2014


Note: “Biopharm Insight includes multiple counts for the same drug, when in multiple phases and locations of clinical trials. Therefore the total counts will be higher than the actual number of drugs”
FULL REPORT AVAILABLE AT

www.bioplanassociates.com

+1 301 921 5979
The 11th Annual Report and Survey of Biopharmaceutical Manufacturing Capacity and Production is the most recent study of biotherapeutic developers and contract manufacturing organizations' current and projected future capacity and production. The survey includes responses from 238 responsible individuals at biopharmaceutical manufacturers and contract manufacturing organizations from 30 countries. The survey methodology includes input from an additional 158 direct suppliers of raw materials, services, and equipment to this industry. In addition to current capacity issues, this study covers downstream processing problems, new technologies, expression systems, quality initiatives, human resources and training needs of biopharmaceutical manufacturers, growth rates of suppliers to this industry, and many other areas.

April 2014

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