

RUSSIAN FEDERATION PHARMA

MARCH 2020 UPDATE

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MARKET HIGHLIGHTS

- Russia is one of the key emerging pharmaceutical markets.
- It is forecasted to be ranked as #12 in the world by the end of 2020.
- The structure of the market is a combination of the highly regulated Federal State and Regional laws.
- The Russian government plays an important role in the market. Its welfare program covers up to 40% of the reimbursement payment for medicines and in some cases covers 100% of the costs.
- In 2010 the Russian government, under the direction of President Putin, initiated a “localization” directive for key sectors including the pharmaceutical industry.
- The current COVID-19 crisis has heightened the need to localize manufacturing of key medicines in Russia and the President’s office has intervened to ensure that the localization directive was implemented.
- Russia is a complex market in terms of logistics. The semi-oligopoly of the key National Pharmaceutical Distributors and rising power of pharmacy chains drive margin and consumer access pressures on pharmaceutical companies.
- The average registration time for a prescription drug in Russia is now greater than 24 months.
- In addition, the need to perform additional BE studies with Russian patients add significant costs to the registration process.
- If you want to successfully navigate the complexities of the Russian market and take advantage of the opportunities it presents, it is critical to work with an advisor that has a proven track record and the right connections.

KYBORA is an experienced global advisory firm that maintains close direct connections with the top 20 market leaders through regular updates and networking. KYBORA can help companies that want to enter the Russian pharmaceutical market and those that want to grow an already established presence.

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Market Rangings

In March, all top 10 manufacturers showed a noticeable increase in sales compared to February.

Their rankings in terms of commercial sales did not change much, albeit Sanofi dropping to the fourth position from second in February and being replaced by Novartis.

The top three companies were Bayer, Novartis and OTC Pharm (a subsidiary of Pharmstandard).

Bayer remains the leading company in Russia with 4.3% of the market. Its sales grew by 26.1% and ten of its products showed positive growth, the highest increases being recorded by the anti-allergic drug "Aerius" (+76.9%), the Multivitamin complex "Supradin" (+50.3%), and anticoagulant drug of direct action "Xarelto" (+41.0%).

Novartis took the 2nd position with a market share of 4.2%, an increase of 42% versus february, driven mainly by an increase in sales of its Broncho-Munal immunostimulator.

Market Size

Sales in the commercial drug market in March 2020 reached 127.3 billion rubles (in retail prices) or \$1.82bln USD, representing a 26.2% increase compared to February 2020 and a 46.4% increase compared to the same time last year.

For the quarter, sales reached 319.9 billion rubles (\$4.57 bln USD), an increase of 25.3% compared to the first three months of 2019.

For 2020, the market is forecasted to reach ~\$23 bln USD in sales assuming the prices of the oil do not drop below 30 USD per barrel and the exchange rate for the ruble stays around 75 RUR pre 1 USD.

TOP-10 DRUG MANUFACTURERS BY COST OF SALES IN RUSSIA IN MARCH 2020

Rating		Manufacturer name	Volume, mln RUR	SOM%	Growth March 20 / Feb 20
Feb-20	mars-20				
1	1	Bayer	5520.7	4.3%	26.1%
3	2	Novartis	5287.2	4.2%	42.0%
4	3	OTC Pharma (PHST)	5206.9	4.1%	51.4%
2	4	Sanofi	4833.6	3.8%	25.2%
5	5	Teva	4133.6	3.2%	20.6%
6	6	Servier	3954.5	3.1%	30.1%
7	7	GSK	3717.8	2.9%	25.6%
8	8	KRKA	3384.0	2.7%	25.1%
9	9	Berlin-Chemie	3298.6	2.6%	25.6%
10	10	STADA	2983.2	2.3%	17.6%
Total			42300.1	33.2%	

Key sources

1. March 2020 numbers are taken from DSM Group report (<https://dsm.ru/en/>) « Monthly retail audit of the pharmaceutical market of the Russian Federation » DSM Group
2. Pharmvestnik (<https://pharmvestnik.ru>) and MOH (<https://www.rosminzdrav.ru>)

About Anton Leshchenko, Managing Director CEE, Russia/CIS, Africa

Anton is a senior executive with 18+ years of life science and medical disposables experience with turn around and value addition achievements in territory management and BD&L (both in-/ out-license, M&A, partnerships). He benefits from a unique regional and global expertise in emerging markets of Russia/CIS, all Africa, MENA as well as established CEE markets. Anton has held senior positions with Eli Lilly, Aspen Global, AHI, and Sothema. Anton speaks English, Russian, German, and Ukrainian.