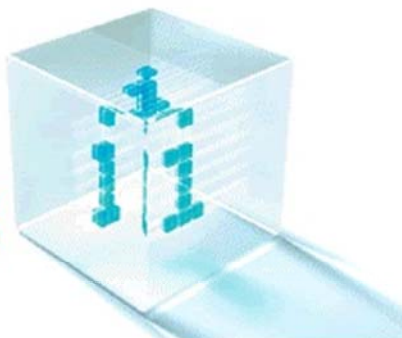


# A Economic View of Bio-IT

understanding  
information



Bernard P. Wess, Jr.  
President

# Managing Information in the Global Enterprise

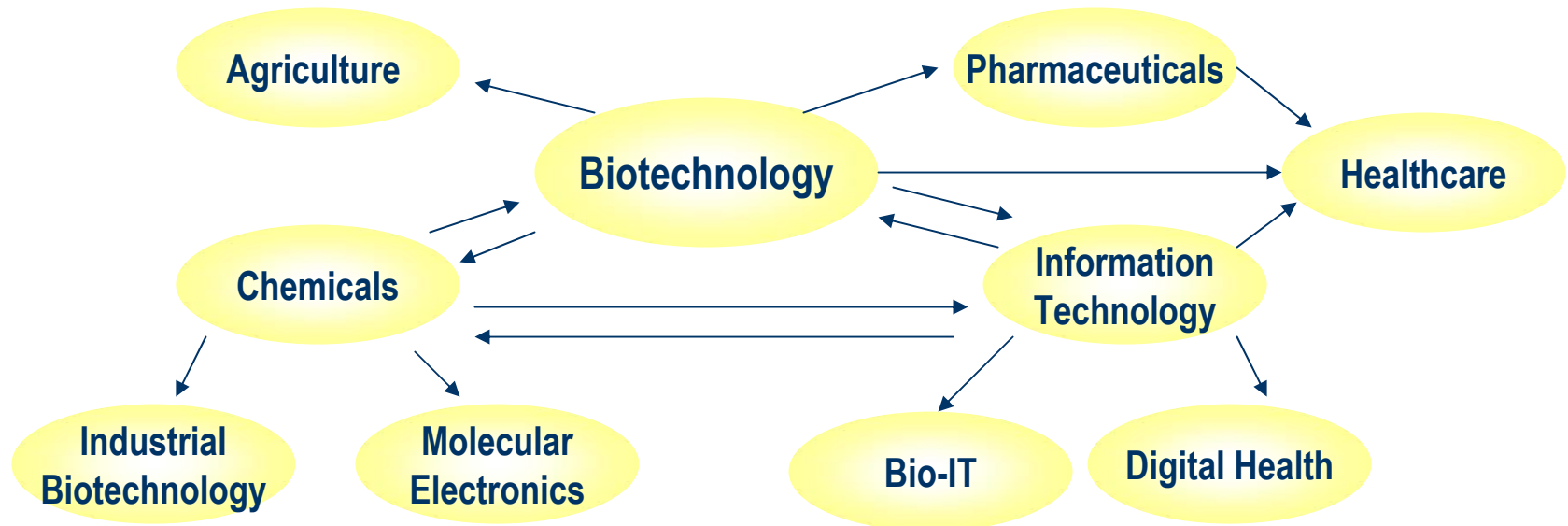


The Enterprises That Lead Tomorrow Will Be  
Those That Best Manage Information Today



# Biotech: Convergence of an Industry

- “The **biotech industry** has become the **intersection for convergence in the healthcare marketplace**, helping to fuel our economy and accelerate the drug discovery process. A number of forces are converging to make biotechnology the century’s most dynamic industry – one positioned to reshape virtually every industry it intersects.”



# Defining the Industry

- **Life Sciences** = “companies that derive at least 50% of their assets, revenues or profits from the pharmaceutical, healthcare services, applied research and development, and medical equipment and supplies. . .” - *Putnam Health Sciences Trust*
  - **Biotechnology**
  - **Pharmaceutical**
  - **Medical Devices**
- **Healthcare** = “companies principally engaged in the discovery, development, provision, production or distribution of products and services that relate to the *diagnosis, treatment and prevention of diseases* and other medical disorders.” - *Alliance Health Care Fund*
- The industry includes healthcare providers such as physician groups, hospitals, surgery centers, and associated allied-health providers and diagnostic companies; it also includes the healthcare payers, such as HMO’s, Medicare, and other third-party insurance entities.
  - **Providers**
  - **Payers**



# Economic Forces

- **Wellpoint's Petition to Convert CLARITIN, ALLEGRA AND ZYRTEC to OTC status**
- **Direct Marketing to Consumers**
- **Clinical Trials Costs**
- **Failures of new drug entities**



# Shareholder Value of Information

- \$800 Million for a new pharmaceutical (Tufts University)
- 10 Years of Development (120 Months or \$6.67M/Mo)
- Hypothetical New Drug A = \$50M/Mo Sales (\$600M)
- Merck Example (01/06/2002)
  - P/E Ratio 19.13
  - Net Income 15%
- Shareholder Value of One Month Sales
  - \$50M Sales \* 15% Net Profit \* 19 P/E = \$142M/Mo
  - Stock Market Values Each New Month Sales @ \$142 M of Value
- Moderate Large-scale Repository Costs Est. @ \$30M
  - Shareholder Value Assessment = ROI of < 1 month of new sales
  - Each extra month of sales is worth \$142M to Shareholders
  - Each month of R&D saved is worth an additional \$6.67M to Net

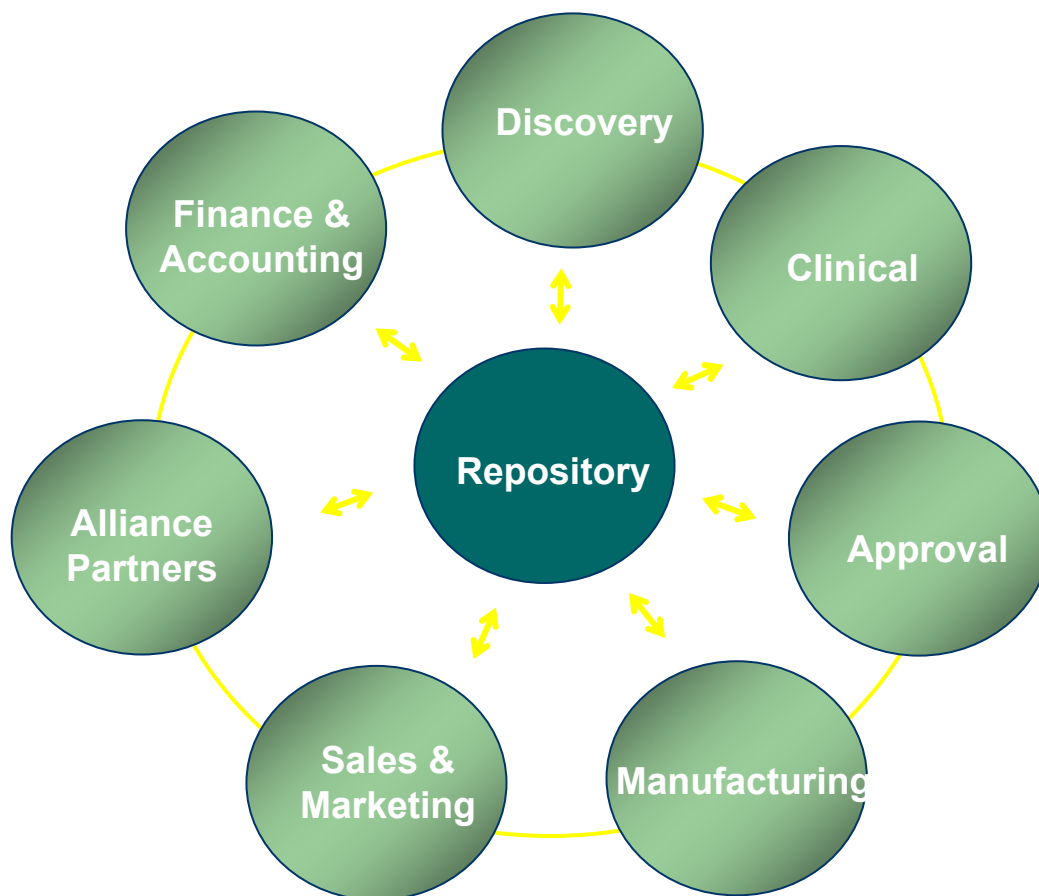


# Operational Value of Data Integration

- Integration of R&D, Marketing, Sales & Clinical
- Better compliance and faster approval
- Flexible and adaptive decision making
- Allows predictive modeling for sales and R&D
- Monitor markets, threats & competition
- Better allocation of resources and partners
- Enables electronic eCRM for patients
- Real-time management review and iteration



# Integration Means Shared Knowledge



# Contact

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