



Big Pharma: Investing Boldly in Advertising and Profits, Not R&D



Drug prices are out of control. But Big Pharma is posting record profits. Where is all that money going? Not research and development. For the top ten U.S. companies, nearly 80% of every Big Pharma dollar goes to something other than R&D.¹



\$ Big Pharma invests more than **2x as much in advertising, profits, and corporate overhead** than in R&D

\$ Average **profit margin was more than 20%** for the biggest 25 drug companies²

\$ **R&D makes up just 22%** of Big Pharma's spending

\$ Prices for brand name drugs have **more than doubled since 2012**³

¹Sources and methods: Representative estimates for the industry reflect 2017 revenue-weighted averages of the ten largest U.S.-based pharmaceutical/ biotech companies for which prescription drug sales represented at least half of revenue (Abbvie, Amgen, Biogen, Bristol-Myers Squibb, Celgene, Eli Lilly, Gilead, Merck, Pfizer, and Regeneron). Publicly disclosed financial statements for 2017, the most recent calendar year for which reporting is complete, represent the principal data sources. Data inputs are as reported and may reflect one-time events. Production Costs represent the Cost of Goods Sold (COGS). Profits represent Net Income. GlobalData estimated Marketing, Advertising, and Promotions expenditures, which are not reported publicly. The residual portion of Selling, General, and Administrative Expenses (SG&A) is termed Administration and combined with Corporate Overhead, which includes: amortization; interest expense (net of portion capitalized); restructuring and acquisition costs; net foreign exchange loss; asset impairment, restructuring, and other special charges; net earnings from discontinued operations; collaboration profit/loss sharing; gain/ loss on fair value remeasurement; litigation; and other net income/expenses. GlobalData employed the utility of its in-house proprietary data platform(s), secondary and primary market research services* to help CSRxP understand the relative S&M spend for top companies within the Pharma & Biotech industry. *Does not account for over/under estimates.

²U.S. Government Accountability Office. (2018) Drug Industry Profits, Research and Development Spending and Merger and Acquisition Deals (Report GAO-18-40). Retrieved from <https://www.gao.gov/assets/690/689292.pdf>.

³Health Care Cost Institute, "2016 Health Care Cost and Utilization Report," June 2018