2.9 Forecast Report

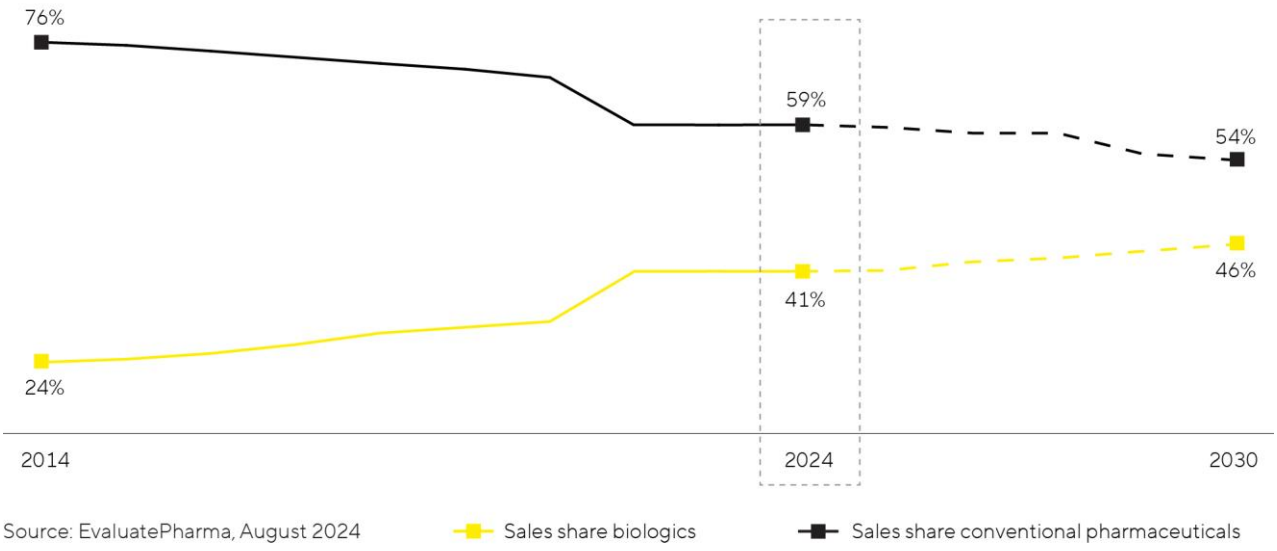
Biopharmaceutical Industry Expected to Further Grow

Strong, long-term trends drive growth in the pharmaceutical industry, which is almost entirely independent of business cycles. IQVIA estimates that the global pharmaceutical market will grow by between 5% and 8% annually in the period up to 2028. Within the pharmaceutical market, the biopharma segment has been enjoying particularly strong performance for years and will continue to outperform the market according to various forecasts. Average annual growth is expected to be around 10% in the coming years. The market is anticipated to have a total value of around $680 billion in 2028, which means that the share of biological medications and vaccines as a percentage of total revenue in the global pharmaceutical market could rise from the current 41% to 45%.

Growth is driven in particular by the increasing demand for medications from the growing and aging global population as well as the significant catch-up potential and improved access to biopharmaceuticals in emerging markets. In addition, the number of approved biopharmaceutical medications is steadily increasing. Of the estimated more than 22,000 medications in R&D pipelines, around 44% are based on biological manufacturing processes. For example, biopharmaceuticals are increasingly being used in yet-to-be fully explored therapeutic areas and in the treatment of rare diseases that have so far been incurable. The pharma industry is increasingly concentrating on advanced therapies such as cell and gene therapeutics or biotechnologically processed tissue products. In 2024, more than 1,800 clinical trials with such treatment approaches were conducted, meaning that this area offers significant growth potential over the medium to long term. Innovative types of therapy for regenerative medicine and new substance classes, such as antibody-drug conjugates (ADCs) or mRNA-based drugs, are increasing the number and range of approved biopharmaceuticals in the long term and necessitating investments in innovative production technologies. As a result, they are key growth drivers.

Biosimilars (i.e, generic versions of reference biologics with comparable or better efficacy or fewer side effects than the original compounds) are also playing an increasingly important role in the growth of the biotechnology market. Current estimates indicate that by 2028, the market could grow by an annual average of around 15% and reach a total value of approximately $67 billion. The significantly lower prices of biosimilars, particularly in emerging and developing countries, are creating new and affordable therapy options and are projected to result in increased demand and rising production volume. The development of national production capacities to meet the growing demand for medications is receiving political support in these countries and is fueling the establishment of local biotech companies. The biosimilars market in industrialized countries is also likely to expand considerably in the coming years due to the expiration of patents for high-selling biopharmaceuticals and an increasing number of approved biosimilars. While such generic medications have been widely used in Europe for many years and have been able to gain significant market share in some areas, progress in the USA has been delayed and is at a slightly slower pace until now due to regulatory, patent, and marketing issues. Due to the increasing number of approved biosimilars and their steadily growing market penetration, the development has recently gained momentum, which market observers expect to continue.

Biopharmaceuticals are Gaining Importance - Growing Share of Sales in the Global Pharmaceutical Market



Source: EvaluatePharma, August 2024 Sales share biologics Sales share conventional pharmaceuticals

The biopharmaceutical industry must meet growing demand for medications while producing an increasing number of approved medications and ensuring new types of therapy. Therefore, industry observers expect that worldwide bioreactor capacities will continue to expand in the years to come. At the same time, the industry faces rising cost pressure. This increases the significance of innovations for boosting flexibility and efficiency in biopharmaceutical research and production. In the future, the biopharmaceutical market will shift away from a low number of especially high-selling medications that account for a majority of total production volume towards an expanding range of products for smaller groups of patients. Technological progress leads to ongoing improvements in the productivity of biopharmaceutical production processes. Therefore, according to the research and consulting institute BioPlan, many manufacturers will likely rely increasingly on flexibly usable single-use technologies for the commercial production of many new medications. Particularly in the case of relatively small batches, single-use technologies already ensure more cost-effective production than conventional stainless-steel units and have a better environmental footprint. To master these challenges, more and more pharmaceutical companies are relying on digitalization and automation as well as innovative software solutions for controlling and optimizing their processes. A further trend is process intensification, in which several process steps, called unit operations, are interconnected, which, among other things, enables greater product quantities to be manufactured faster while achieving higher quality.

Further Growth Expected in the Laboratory Market

Various market observers expect the market for laboratory instruments and consumables to grow by around 5% annually in the next few years and to reach a total value of around $104 billion in 2028.

In terms of end markets, the pharmaceutical and biopharmaceutical industries in particular are likely to remain the main drivers of demand, given the continuous research and approval of new drugs and the high pace of scientific and technological innovation. EvaluatePharma expects sector-specific research spending to increase by 3.3% annually to $348 billion between 2024 and 2028. According to market studies, the product area of bioanalytical instruments should benefit particularly from this development and continue to grow at an above-average rate within the laboratory market.

Budget increases for academic and public research institutions should continue to stimulate growth in some countries, whereas the ongoing weakness of the global economy poses risks for demand from industrial end

markets. Market observers continue to expect China and India to generate the highest growth rates in the medium term. Stricter regulatory requirements in a range of industries are also fueling demand for instruments used in sample analysis and quality control. In addition, investments in laboratory infrastructure are becoming more attractive, especially in China, as a result of government-supported efforts to promote innovativeness in several key industries. In previous years, this had entailed a rise in the share of global R&D spending attributable to China. In 2025, suppliers of laboratory products and consumables expect a positive demand effect from a Chinese government funding program initiated in 2024.

Sources: BioPlan: 21th Annual Report and Survey of Biopharmaceutical Manufacturing Capacity and Production, April 2024; Evaluate Pharma: World Preview 2024, August 2024; Alliance for Regenerative Medicine: Sector Snapshot, August 2024; citeline: Pharma R&D Annual Review 2024, May 2024; Research and Markets: Biosimilars Market, 2024; SDi: Global Assessment Report 2024, April 2024; www.fda.gov

Future Business Development

Deliberately Cautious Outlook for Fiscal 2025: Profitable Growth Targeted

Due to the coronavirus pandemic and its many repercussions in the following years, the dynamics and volatilities in the entire life science industry and thus also for Sartorius Stedim Biotech have increased significantly. This results in greater uncertainty when forecasting business figures. In this report, Group management therefore makes qualitative statements about expectations for fiscal 2025. The company will provide a quantitative forecast after the first quarter of 2025.

For fiscal 2025, Sartorius Stedim Biotech expects continuous demand recovery and growth in the life science market, albeit at a rate still below its long-term average. In this environment, the company intends to grow profitably above market level, and to achieve a moderate increase in sales revenue, which is likely to be driven primarily by recurring business with consumables. Based on the expected volume development, positive product mix effects and supported by the effects of the previous year's efficiency program, the company forecasts that underlying EBITDA should increase over-proportionately compared with sales revenue. In 2025, Sartorius Stedim Biotech will continue its organic debt reduction course with a focus on working capital and managing investments, and expects the ratio of net debt to underlying EBITDA to decrease noticeably. The ratio of capital expenditures (capex) to sales revenue should be roughly the same as in the previous year.