

COMPANY OVERVIEW



QuintilesIMS is the world's largest provider of biopharmaceutical development and commercial outsourcing services. The organization specializes in Research & Development as well as Commercial Support services.

Translation:

They specialize in operations, trial support, and Q2 Solutions. In other words, they can project manage everything R&D from patient recruitment, and study design/feasibility to regulatory and physiological specific testing to trials and lab work. All the while, they work on commercial aspects such as market testing, branding, and pricing strategies.

QuintilesIMS uses prescriptive and predictive data analytics to streamline the biopharmaceutical process. They use analytics to minimize approval times and make sure that clients are getting the maximum amount of sales and margins in global markets.

COMPANY BACKGROUND



- *February 1982:* Dennis Gillings, professor at the University of North Carolina, signs his first consulting for a pharmaceutical customer. Quintiles is formally incorporated in North Carolina, co-founded by Gillings and Gary Koch.
- *January 1987:* Quintiles begins its global expansion, opening its UK operations to serve customers in Europe.
- *November 1992:* Quintiles Laboratories Ltd. opens in Atlanta, Georgia, growing from one small room offering safety testing to a global network.
- *November 1996:* Quintiles combines with Innovex Ltd to become the world's largest full-service biopharmaceutical services company.
- *May 2016:* The world's largest CRO (Quintiles) and one of the biggest healthcare data and consulting firms (IMS) merged to become one major \$19 billion, 50,000-employee strong company. The name of the new company is QuintilesIMS

GENERAL EXTERNAL ENVIRONMENT



General External Environment		Opportunity or Threat
Economic	<ul style="list-style-type: none">• Exchange rate fluctuations can affect revenues as large minority of business is international• Disruption in credit markets can affect clients ability to pay and QIMS's ability to finance long lead time operations• Extreme poverty is decreasing worldwide and in some areas discretionary spending is increasing	Threat
Political	<ul style="list-style-type: none">• Regulations: HIPAA, FDA, Foreign Corruptions Practices Act, ACA• Protectionism in countries (desire for clinical trials to be completed in country)	Opportunity/Threat
Demographic	<ul style="list-style-type: none">• Aging population equals a rise in healthcare spending• Baby boomers are aging and account for largest consumer spend (US)	Opportunity

GENERAL EXTERNAL ENVIRONMENT



General External Environment	Opportunity or Threat	
Socio-Culture	<ul style="list-style-type: none"> • With the growth of social media, CRO organizations are able to access data points of collective groups of health groups (i.e. Cancer support groups) • Privacy is becoming a mainstream concern • Opioid Epidemic 	Opportunity/Threat
Global	<ul style="list-style-type: none"> • Global spending on healthcare analytics expected to grow at a rapid rate • Political or economic instability • Nation state sanctioned and supported hacking • Political, religious, and societal beliefs differ greatly across countries and regions • Languages and customs vary greatly • Acceptances of scientific and modern healthcare varies greatly by location 	Opportunity/Threat
Technological	<ul style="list-style-type: none"> • Widespread adoption and advent of big data analytics • Mobile, converged devices, big data, IOT, cloud computing, security, encryption 	Threat/Opportunity
Legal	<ul style="list-style-type: none"> • Risk of patent/IP lawsuits and large regulatory fines • Clients committing a slew of crimes • Hacking 	Threat

INDUSTRY ENVIRONMENT



Bargaining Power of Buyers

Lots of competitors but high degree of differentiation

Brand and reputation is extremely important

Moderate

Bargaining Power of Suppliers

Very high number of **clinics and physicians** to administer testing

Most analytics is proprietary and developed in-house

Low

Threat of New Entrants

High capital requirements

High level of expertise of regarding analytics, healthcare, and regulations

High data needs

Low

Threat of Product Substitutes

Data analytics is becoming increasingly accessible

Potentially high rate of innovation

Brand loyalty

Low to Moderate

Interfirm Rivalry

Many competitors with non-similar but innovative offerings

Many established and large competitors

High growth sector

Low to Moderate

Overall the health analytics industry is very attractive

COMPETITOR ENVIRONMENT



COVANCE

- Headquartered in Princeton, NJ.
- Strong portfolio of clinical and post-clinical services.
- 9% Market Share in the CRO industry.
- \$2.4 Billion annual revenues.

PAREXEL

- Headquartered in Waltham, Massachusetts.
- Does not have a strong portfolio of pre-clinical services.
- 7% Market Share in the CRO industry.
- \$2.3 Billion annual revenues.

ICON

- Headquartered in Dublin, Ireland.
- Offers bioanalysis, consulting, and commercialization services.
- 6% Market Share in the CRO industry.
- \$2.16 Billion annual revenues.

Pharmaceutical Product Development, LLC

- Privately owned out of Wilmington, NC.
- Its pre-clinical services offers drug discovery, bioanalysis, and toxicology services.
- 8% Market Share in the CRO industry.
- \$1.39 Billion annual revenues.

INTERNAL ENVIRONMENT (STRENGTHS)



- Data analytics experience and proprietary methods
- Sheer amount of data (largest data collector in health analytics regarding biopharmaceuticals)
- World's largest provider of biopharmaceutical development and commercial outsourcing services
- Economies of scale
- Patents, IP protection, and copyrights
- Diversified portfolio (5,000 clients)
- Brand and reputation
- Huge synergies from merger (\$100 million)

INTERNAL ENVIRONMENT (WEAKNESSES)



- Commercial solutions is dependent on third parties for data and support services (pricing, economic, market, etc)
- Very dependent on IP and patent protections of methodology and analytics
- Our business depends on the continued effectiveness and availability of our information systems, including the information systems we use to provide our services to our clients, and failures of these systems may materially limit our operations
- Contracts have a very long lead time and require QuintilesIMS to provide upfront capital
- Majority of revenues come from the R&D business
 - Although one client is not responsible for $\geq 10\%$ of R&D revenues, loss of one client can lead to decrease in revenues and the loss of QIMS's upfront capital investments

COMPETITIVE ADVANTAGE



Advantage	Valuable	Rare	Inimitable	Non-Substitutable
Geographical Reach				
Proprietary methodologies, analytics, & systems technologies.				
Industry Expertise & Experience				
Breadth of Data				
Product Breadth				

In summary, QuintilesIMS does have a sustainable competitive advantage. Just to name a couple, QuintilesIMS utilizes a combination of proprietary technologies and analytic methods combined with an unrivaled amount of data.

BUSINESS LEVEL STRATEGIES



R&D – Differentiated due to massive amounts of data and faster more efficient clinical trials.

Benefits

- Brand loyalty has insulated QuintilesIMS from a highly competitive industry and has put up barriers to new entrants.
- Uniqueness of their service allows them to maintain a high margin
- QuintilesIMS merger has helped to offset the high costs usually associated with a differentiated offering

Risks

- Differentiation may cease to provide value for which the customer is willing to pay
 - Biopharmaceutical companies decide they do not need to pay the high premium and start doing it themselves
- Price differentiation b/w differentiator and cost leader is too great
 - Differentiator is offering features beyond consumers needs
 - Customers find out they can be just as effective using the low cost provider's services

CORPORATE LEVEL STRATEGIES



- Research & Development Solutions 64.7%
- Commercial Solutions 20.4%
- Integrated Engagement Services 14.9%

In summary, QuintilesIMS' utilizes a "Related Constraint" corporate level strategy as the individual business' dominant business is less than 70% (64.7%), but all three businesses share product, technological and distribution linkages.

Benefits

- Cost savings, cross functional teams and training, cross-selling, and economies of scale
- Realize economies of scope through synergies

Risks

- Brand and reputation challenges could affect other parts of the business
- R&D has a long lead time and large upfront capital requirements which restricts access to capital/financing for other units
- High interdependence between RD and Commercial solutions can reduce flexibility to respond to external environment

COOPERATIVE STRATEGIES



After evaluating the gains and risks of cooperative strategies, Quintiles entered into the following alliances.

- Samsung & Quintiles – In 2011 (**Equity Alliance**)
- Biogen Idec & Quintiles – In 2014 (**Non-Equity Alliance**)
- IMS Health & Quintiles – In 2015 (**Non-Equity Alliance**)

Benefits

- Quintiles gained knowledge of the South Korean market through Samsung while limiting exposure to alliance (10% share in venture).
- Biogen and Quintiles alliance has the potential to reduce competition amongst Quintiles top competitors.
- Reduces common M&A risks such as inability to achieve synergies and difficulties in integration if an alliance develops into a merger (IMS health and Quintiles)

Risks

- IP and tacit knowledge could leak to Biogen Idec in 5 year strategic alliance.
 - Biogen Idec and Quintiles is not exclusive and Biogen still has relationships and projects with Parexel and Covance.
- Value of alliance is not realized: synergies are non existent, local knowledge is not gained, or trust is not established.

MERGERS AND ACQUISITIONS



IMS Health & Quintiles – In 2016

Quintiles, the world's largest provider of biopharmaceutical development and commercial outsourcing services, merged with IMS Health, the world's largest vendor of US physician prescribing data.

Benefits

- Massive increase in data to analyze sales, prescription data, medical claims, electronic medical records, and social media
- Cost synergies equal to \$100million
- Increase in access to markets and customers

Risks

- Debt increased from approximately \$2 billion to \$7billion

INTERNATIONAL STRATEGIES



QuintilesIMS incorporates a [Transnational Strategy](#), which allows the organization to utilize an international strategy through which they seek to achieve both global efficiency and local responsiveness. A piece of QuintilesIMS' competitive advantage is to have international reach and extensive/varied data by country and region. They continue to grow to leverage their current standing in comparison to competition. 100+ countries around the globe. Quintiles IMS offers tailored sub-national (regional) services in more than 60 countries.

Benefits

- Large breadth of data; access to markets; economies of scale; familiarity of different regulations and cultures.

Risks

- Currency fluctuations affect the large amount of transactions QuintilesIMS encounters via 5,100 customers across 100 countries
- Unequal or limited access to credit in developing countries affects QuintilesIMS's clients and exposes QIMS to additional risk

MANAGEMENT CONCERNS

Unlike the Research and Development Solutions and Commercial Solutions, the merger has not helped the new company's contract sales unit, Integrated Engagement Solutions.

- As of June 30, 2017, QuintilesIMS is reportedly looking to sell off its Integrated Engagement Solutions due to poor performance and has sought the help of Goldman Sachs to help with the sale

How do we protect our competitive advantage as big data, IOT, cloud computing, and analytics become easier to obtain?

How do we innovate and continue to gain new data sources to provide unique insights and innovative analytics?

PRIMARY RECOMMENDATION

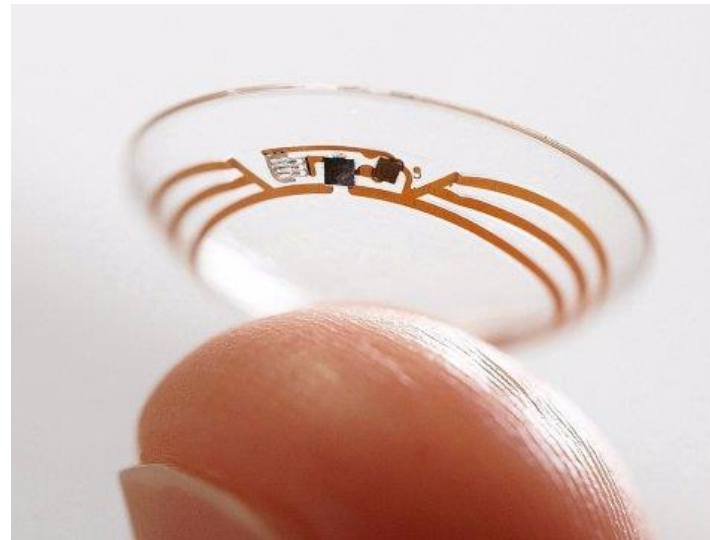


Recommendation: Merger or Acquisition with Verily Life Sciences

“We are builders. We create tools that put health data into action.”

- When?
 - Preferably after the sale of the IES segment for \$1 Billion (USD)
- What?
 - “Verily lives at the intersection of technology, data science, and healthcare. Our mission is to make the world's health data useful so that people enjoy healthier lives.”

Smart Lens



Smart Watch



PRIMARY RECOMMENDATION



Recommendation: Merger or Acquisition with Verily Life Sciences

- The Internet Of Things (IOT)
 - Physical items will collect data and send these data to a location to be analyzed
 - This merger would give QuintilesIMS an alternate form of data collection
 - Current: platforms and social media
- Buying innovation
 - This merger or acquisition would leapfrog QIMS into the development of NextGen wearable technology that would collect real-time information regarding consumer health and behavior
 - More data, better data = more analysis, better results

SECONDARY RECOMMENDATION



Recommendation: Merger or Acquisition with One Medical

“One Medical offers a range of medical and health services, including primary and pediatric care, prenatal and women's health, and integrative medicine.”

What?

- One Medical provides high quality healthcare through the use of one-on-one sessions, mobile technology, and online platforms.

When?

- Now.

Why?

- One Medical’s focus on quality care would allow QuintilesIMS to establish best practices for its suppliers around the globe. It answers the question: how do we get the most accurate and honest data out of our clinics, patients, and physicians?
- One Medical’s focus on technology would allow easy integration of data into QIMS’s systems.