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Stock Watch: COVID-19 Casts Long Shadow Over Pharma Sales

Q4 Sales Expose Vaccine Hesitancy Casualties

by **Andy Smith**

Social media-promoted vaccine hesitancy could have been a factor in the dip in established fourth-quarter vaccine sales with younger age groups targeted rather than seniors. Other drug categories may benefit from lifestyle changes prompted by the pandemic.

The pharmaceutical sector's reputation was enhanced by its efforts in producing diagnostics, therapeutics and vaccines to end the global pandemic. Now, some product sales across the pharmaceutical sector are being affected by lingering post-pandemic effects.

Effective Vaccines Illogically Spawn Vaccine Hesitancy

After presiding over the delivery of the allies' victory in the Second World War, Winston Churchill's caretaker government was roundly defeated as a reward for its efforts after it called a general election for the summer of 1945. In an analogous way, the major non-COVID-19 vaccine franchises of big pharma companies suffered in the fourth quarter of 2023 after helping to deliver us from the pandemic.

GSK plc's* fourth-quarter vaccine sales grew by 20% on the same quarter of 2022 and beat analysts' consensus estimates by 6% to eclipse its specialty and general medicine franchises. However, without its newly launched vaccine to prevent respiratory syncytial virus (RSV) infections – Arexvy – and its blockbuster vaccine to prevent shingles – Shingrix (recombinant zoster vaccine) – the remaining 44% of GSK's fourth-quarter vaccine sales fell by 12% on the same quarter of 2022 and by 32% between the ends of the third and fourth quarters of 2023. GSK's base vaccines business includes its vaccines to prevent influenza, sales of which are seasonal and typically about a fifth lower in the fourth quarter compared with the third. However, GSK's fourth-quarter 2023 influenza vaccine sales fell by 75% between the end of the

third and fourth quarters of 2023 because of “lower market demand primarily in the US.” Shingrix and influenza vaccine sales patterns differ because the prevention of shingles is a year-round priority among seniors – like hip and knee orthopedic replacements (once lockdowns ended and seniors were more comfortable going into hospitals again) – whereas influenza vaccinations are seasonal and indicated across the adult age range. (Also see "[Stock Watch: Johnson & Johnson's Q2 Helps Pharma Sentiment](#)" - Scrip, 1 Aug, 2023.)

Vaccine Deficits In Children

More worrying were the falls by 38% and 11% in sales of GSK's meningitis and established vaccines, respectively, between the ends of the third and fourth quarters of 2023. This might suggest an impact on childhood vaccinations by (parental) hesitancy. Vaccine deficit trends have already resulted in respiratory disease outbreaks in children in Australia and China, and measles outbreaks in 10 countries including the US.

There were similarities between GSK's fourth-quarter vaccine trends and those of other vaccine manufacturers.

Excluding sales of seasonal influenza shots and the recently launched passive vaccine to prevent RSV (Beyfortus (nirsevimab)), partnered with [AstraZeneca PLC](#)), [Sanofi](#)'s fourth-quarter vaccine sales fell by over 8% on the corresponding quarter of 2022 and by 30% between the end of the third and fourth quarters of 2023. The company's meningitis, travel and endemic vaccines, and its vaccines to prevent polio, whooping cough and *Haemophilus influenza* type B infections fell by nearly 41% and 25% between the ends of the third and fourth quarters of 2023, respectively.

Without its recently-launched RSV vaccine – Abrysvo – and its residual COVID-19 vaccine sales, [Pfizer Inc.](#)'s* vaccine franchise sales fell by 15% between the ends of the third and fourth quarters of 2023, having grown by 4% over the same two quarters a year earlier.

Sales of [Merck & Co., Inc.](#)'s six branded vaccine declined by almost 28% between the ends of the third and fourth quarters of 2023. Some of this was due to the seasonality in Gardasil (human papillomavirus 9-valent vaccine) sales – from third-quarter back-to-school campaigns to prevent HPV infections in young females. However, sales of Merck's two pneumococcal vaccines fell by over 26% between the end of the third and fourth quarters of 2023 compared with their growth by 93% over the same two quarters a year earlier. Perhaps governments should be worried about social and other media campaigns promoting vaccine hesitancy that seem to target younger (and more economically active) generations, even if apparently they are not effectively influencing seniors.

The Virus Chips In Indirect Pathogenicity

The COVID-19 virus did not need social media campaigns to help damage human health. We have been perfectly able to do that to ourselves. After the pandemic, changes in working

practices that resulted from lockdowns, shelter-in-place orders and working from home resulted in a lingering effect on working habits that may increase the incidence of diabetes and obesity. (Also see "[Stock Watch: Swelling Obesity Sales Boost Post-Pandemic Diabetes Drug Growth](#)" - Scrip, 6 Dec, 2022.)

[Eli Lilly and Company](#) and [Novo Nordisk A/S](#) have been fortunate to be in the right place at the right time with their GLP-1 agonists for diabetes and obesity. This enabled Lilly and Novo to more than take up any revenue slack caused by the decline in their insulin franchises as a result of the Inflation Reduction Act's out-of-pocket cap on insulin. They may have been doubly fortunate if the already high prevalence of diabetes and obesity in developed markets had increased further as a result of the new post-pandemic working patterns. It is not possible to segregate GLP-1 agonist sales as a result of increased obesity and diabetes arising from the working practices that the pandemic changed but an interesting twist was suggested by a recent [report by the consultancy IOVIA](#). This noted that without the GLP-1 agonist launches in 2022, the average first-year sales of new drug launches would have fallen by 48% compared to before the pandemic whereas the inclusion of the GLP-1 agonist launches elevated this first-year sales increase to 145% on pre-pandemic levels. (Also see "[Many Firsts Among The Drugs That Launched In 2023](#)" - Scrip, 1 Jan, 2024.)

Longer Pandemic Effects Still Emerging

Two of the rare side-effects of COVID-19 vaccines are post-vaccination myocarditis and pericarditis. Once again, antivax social media posts have seized on this as a reason not to vaccinate despite the cardiac effects of a COVID-19 infection being much worse than the vaccination to prevent it. Before COVID-19 vaccines were available, deaths from heart disease in New York had risen by 241% in April 2020 from a year earlier and a [recent BMJ paper](#) covering over 20 million people who had or did not have a COVID-19 vaccine found a significant risk reduction in cardiac and thromboembolic outcomes in those who had received a vaccine and contracted COVID-19 compared with the unvaccinated cohort.

Fourth-quarter sales of [Novartis AG](#)'s drug to treat heart failure, Entresto (sacubitril/valsartan), rose by nearly 27% on the same quarter of 2022 and by 10% between the ends of the third and fourth quarters of 2023. This latter rise was lower than its growth by 14% between the same quarters of 2022. If there are deleterious knock-on effects of the pandemic that result in increased heart disease or obesity, for example, then just as in the pandemic with its vaccines and antivirals, the pharmaceutical sector is in the right place at the right time to address them. Cometh the hour, cometh the pharmaceutical sector.

*Andy's pensions hold GSK and Pfizer

Andy Smith gives an analyst and investor's view on life science companies. He joined the independent research house Equity Development in October 2019 having previously been an analyst at Edison

group and a Senior Principal in ICON PLC's Commercialization, Pricing and Market Access consulting practice. Smith has been the lead fund manager for four life science-specific funds, including 3i Bioscience, International Biotechnology and the AXA Framlington Biotech Fund, and was chief investment officer at Mannbio Invest. He was awarded the techMark Technology Fund Manager of the year for 2007 and was a global product manager at SmithKline Beecham Pharmaceuticals until 2000.