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Titans Of Pharma: J&J Back On Top For CEO Remuneration

Lilly And Novo Nordisk Highlight US/Europe Divergence

by Eleanor Malone

J&J topped the league table for CEO pay in 2023, a position it has held for three of the four past years. Meanwhile, the two companies that arguably generated the most buzz in 2023 neatly depict the stark contrast between the US and Europe when it comes to executive remuneration.

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Johnson & Johnson's Joaquin Duato became the best-paid CEO among the 12 biggest pharma companies in his second year on the job. With total compensation of \$28.4m in 2023, more than double the \$13.1m he received in 2022, he was back in the range of compensation enjoyed by his predecessor Alex Gorsky, who received \$26.7m in 2021 and \$29.6m in 2020. J&J has now been the big pharma company with the highest-remunerated CEO for four of the past three years.

Duato, who took the helm at J&J in January 2022, oversaw the divestment of the company's Kenvue Inc. consumer health business in 2023, and from 2025 will have to contend with the impact of US biosimilar competition to its top-selling drug of 2023, Stelara (ustekinumab). (Also see "J&J Has An Appetite For Pharma M&A, But Knows

Key Takeaways

- Average CEO compensation among the top 12 pharma companies rose by 9.2% to \$18.7m in 2023.

What It Likes" - Scrip, 23 Jan, 2024.)

Under his steerage, J&J achieved the highest net income according to general accepted accounting principles (GAAP) among its peer set in 2023. However, shareholders may find his compensation sticks in the craw: the company's total shareholder return (TSR; represented by the change in share price and dividend payouts) from the end of 2022 to the end of 2023 was a disappointing -9%.

- J&J's Joaquin Duato was the best-remunerated big pharma CEO with \$28.4m, while Lars Fruergaard Jørgensen at Novo Nordisk received \$10.1m.
- CEOs in Europe received notably less than their US counterparts.

Although J&J's TSR was better over the longer term, amounting to 37% since 2018, most big pharma companies grew more than that over the period: the average among the top 12 firms was 89%. Furthermore, analysts see J&J's future growth as uninspiring, at least when it comes to its pharmaceutical business, which accounts for around two-thirds of its revenues. According to consensus forecasts from sell-side analysts gathered by Evaluate Pharma, the total five-year growth in its drug sales from 2023 is predicted to be just 4%, compared with an average of 21% for the top 12 pharma companies.

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Lilly And Novo Nordisk: A Tale Of Two Continents

Eli Lilly and Company's David Ricks was the next-best remunerated big pharma CEO in 2023, and his total compensation package of \$26.6m was perhaps more immediately understandable than that of Duato given the firm's recent performance and rosy outlook.

Lilly sits at the bottom of the league table of 12 ranked by total drug sales in 2023, just below *Novo Nordisk A/S*. Nevertheless, these two companies hold the pre-eminent positions in the GLP-

1 receptor agonist market, giving them highly attractive future prospects in the eyes of investors, who foresee huge growth opportunities in obesity and other mass-market therapy areas in the cardiometabolic space.

Indeed, Lilly and Novo Nordisk are predicted to have the highest growth among their peer set in sales five years on from 2023, according to the consensus data gathered by Evaluate Pharma. Furthermore, the two companies have provided the best total shareholder returns in their peer set over one, three and five years to the end of 2023.

However, Novo Nordisk's Lars Fruergaard Jørgensen banked the lowest compensation in his big pharma peer group, with \$10.1m, less than two-fifths the amount that Ricks received in 2023.

The main reason for the contrast in executive compensation between Ricks and Jørgensen is unlikely to have anything to do with current or future performance, though. It simply reflects the reality that industry leaders generally get more in the US.

Europe's Bosses Give More Bang For Buck

In 2023, all of the six US firms among the top 12 big pharma companies paid their leaders better than the six European firms. The mean compensation across the US companies was \$23.68m, compared with \$13.67m across the European companies.

As can be seen in the charts mapping CEO compensation against net income and predicted drug sales in 2028, the strongest predictor of CEO compensation package size is not current or expected future performance, but geographical location. US companies (in purple) group to the higher end of compensation compared with European companies (in green), even though all but one of the US companies fell below the mean net income for the peer set in 2023, while European companies straddled the mean line evenly and all six European companies had greater net income than four of the six US ones.

As for predicted sales growth over the next five years, European companies slightly outperform their US counterparts but vastly under-perform them in terms of CEO compensation.

One-year total shareholder returns were much stronger across the European companies. While the average TSR between the end of 2022 and the end of 2023 among the US firms was a decline in value of 2.33%, the European firms offered an average growth of 12.5%.

Nevertheless, the US peer set performed better over the longer term. Among the US companies, the average three-year TSR since the end of 2020 was 57.83%, while in Europe it was 33.33%. Over five years, US companies offered an average TSR of 105% since 2018, compared with 72.5% on average from the European companies.

Europe's best-paid CEO in the group of 12 was AstraZeneca's Pascal Soriot, who has argued that higher compensation was needed to enable European companies to compete for leadership talent. Earlier this year Soriot defended plans to increase his package for 2024 by 11%, claiming "it's really not about me." He said the package would make the company attractive for a future successor in a sector "where a lot of the talent is based in the US."

It is not easy to correlate annual compensation numbers with company performance. Over the group of 12, mean executive compensation rose 9.2% on 2022, while total shareholder return over the period was on average 5% and average net income fell by 22.9%. The company that is expected to grow the most over the next five years (Novo Nordisk) had the most modestly rewarded CEO in the peer set.

One final thought for those who think they can only dream about multi-million dollar pay packages: J&J's Duato failed to make it to the second round after interviewing for J&J when he finished graduate school. His advice: "If you don't get hired after an interview, be resilient." It certainly paid off for him. (Also see "[J&J CEO On Stereotypes, Innovation Secret Sauce And Kenvue](#)" - Scrip, 8 May, 2023.)

Editor's notes: CEO compensation covers all elements as reported to the SEC, including but not limited to base salary, bonus, pension plan and short and long-term incentives (including equity awards). All currencies have been converted to US dollars using rates from 31 December 2023 to enable comparison between companies.

'It's Not About Me' – AstraZeneca's Soriot Says His Pay Rise Will Help European Pharma

By [Andrew McConaghie](#)

25 Apr 2024

AstraZeneca's CEO says his potential 11% pay rise is needed to help the European industry remain competitive with its higher paying US counterparts.

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