

INVESTING

Goldman Sachs asks in biotech research report: 'Is curing patients a sustainable business model?'

PUBLISHED WED, APR 11 2018 3:15 PM EDT UPDATED WED, APR 11 2018 7:20 PM EDT



Tae Kim
@FIRSTADOPTER

SHARE



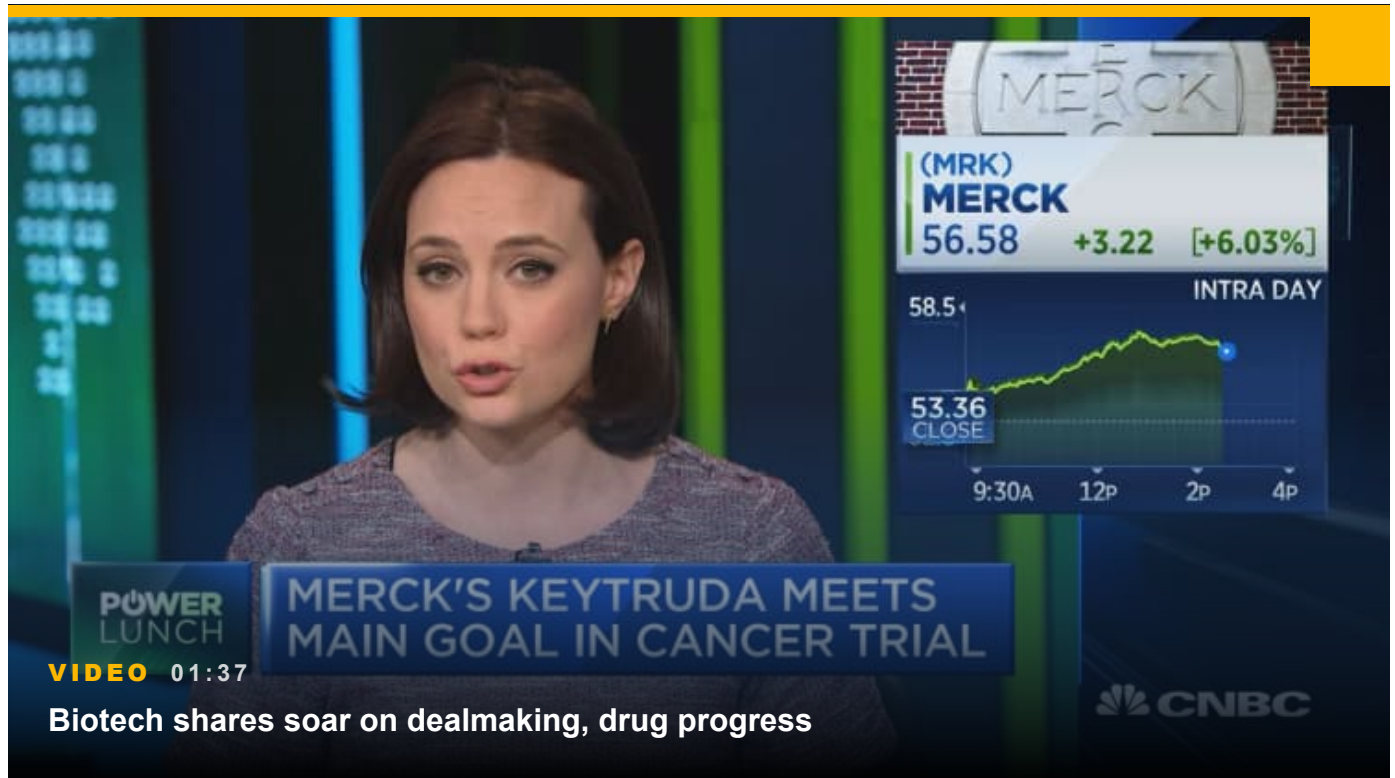
Yuri Arcurs | Getty Images

Goldman Sachs analysts attempted to address a touchy subject for biotech companies, especially those involved in the pioneering “gene therapy” treatment: cures could be bad for business in the long run.

“Is curing patients a sustainable business model?” analysts ask in an April 10 report entitled “The Genome Revolution.”

“The potential to deliver ‘one shot cures’ is one of the most attractive aspects of gene therapy, genetically-engineered cell therapy and gene editing. However, such

treatments offer a very different outlook with regard to recurring revenue versus chronic therapies,” analyst Salveen Richter wrote in the note to clients Tuesday. “While this proposition carries tremendous value for patients and society, it could represent a challenge for genome medicine developers looking for sustained cash flow.”



Richter cited [Gilead Sciences'](#) treatments for hepatitis C, which achieved cure rates of more than 90 percent. The company's U.S. sales for these hepatitis C treatments peaked at \$12.5 billion in 2015, but have been falling ever since. Goldman estimates the U.S. sales for these treatments will be less than \$4 billion this year, according to a table in the report.

“GILD is a case in point, where the success of its hepatitis C franchise has gradually exhausted the available pool of treatable patients,” the analyst wrote. “In the case of infectious diseases such as hepatitis C, curing existing patients also decreases the number of carriers able to transmit the virus to new patients, thus the incident pool also declines ... Where an incident pool remains stable (eg, in cancer) the potential for a cure poses less risk to the sustainability of a franchise.”

The analyst didn't immediately respond to a request for comment.

The report suggested three potential solutions for biotech firms:

“Solution 1: Address large markets: Hemophilia is a \$9-10bn WW market (hemophilia A, B), growing at ~6-7% annually.”

“Solution 2: Address disorders with high incidence: Spinal muscular atrophy (SMA) affects the cells (neurons) in the spinal cord, impacting the ability to walk, eat, or breathe.”

“Solution 3: Constant innovation and portfolio expansion: There are hundreds of inherited retinal diseases (genetics forms of blindness) ... Pace of innovation will also play a role as future programs can offset the declining revenue trajectory of prior assets.”

[WATCH IN THE APP](#)

[UP NEXT | 11:00 AM ET](#)