



# Biotechnology companies moving into commercialization

## **A zoom-in on Finance**

Trends, evolutionary stages  
and maturity of Finance  
in biotechnology



# Content

In this leaflet, we take a look at the different aspects to consider when building finance organizations within Biotech companies, taking into account their stage and current trends and practices.

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# Finance in Biotech companies at a glance



## **Customer, organizational and financial trends are disrupting the Biotech sector, thereby shaping new and growing Biotech companies**

Global trends have been identified on customer, organizational and financial levels. These trends require companies and their finance functions to reinvent themselves.



## **Finance is critical to both the Research & Development (R&D) and Commercialization stages of Biotech companies, though with vastly different goals and responsibilities**

Finance cannot deliver on the goals of each of these stages by itself. Nevertheless, it can empower other functions through collaboration, answering their needs with regards to budgeting and reporting, talent development and process and technology integration.



## **A mature finance organization requires attention to finance skill set, data and reporting, processes, and technology**

Key drivers shaping a mature organization include:

- people, their skill sets and capabilities;
- processes, together with optimization and automation;
- data and reporting and related agility;
- technology, its stability and accessibility.

# Key trends in the Life Sciences sector

Key developments in the Life Sciences sector require Biotech organizations to become more innovative and agile across the organization, beyond R&D, in order to future-proof their business.



## Shifts within the R&D Ecosystem

This is driven by eroding margins and the pressure to de-risk R&D, the patent cliff for block-busters, the move towards personalized solutions, the shift from treatment to prevention as well as cure, and the wealth of new scientific and technological innovations.



## Complex supply chain that demands disruption

The future of the supply chain in Life Sciences companies is being disrupted to fit new business models, technology and regulation. Companies will see significant disruptions, as they shift towards customer-centric offerings with demand-driven, automated networks, underpinned by platforms and technologies.



## Focus on personalized, patient-centric solutions and access challenges

The focus on niche patient pools and specialty disease drugs continues to increase, while personalized and precision medicine is a reality. This impacts business models and operations across the value chain. Greater pressures on new outcome-based pricing models, lower prices, and increased transparency in the system are all accelerating model changes.



## Complex regulatory requirements and compliance

The Life Sciences industry faces an ever-changing regulatory environment. Balancing desires to innovate and achieve goals while being compliant and mitigating compliance risk can be challenging.



## Disruptive technological innovations as big technology players enter the Healthcare space

Adoption of disruptive digital technologies to automate and optimize data potential is critical given the pressure to look for performance and cost-reduction opportunities. Meanwhile, technology players are entering the Healthcare space at a growing pace.

# Key trends for building an agile yet future-proof Finance organization

## Life Sciences sector trends ....



### Value-based Care

Pricing is increasingly based on the outcome of the treatment and the value provided to the patient.



### Customer centric offering

The emergence of patient-centric approaches opened the gates to extended personalization in medicines and treatments.



### Centralization of Data

New drivers of data generation are surfacing in personal, production and regulatory spaces. Centralizing data allows for advanced budgeting and planning, R&D follow-up and other (customer) insights.

## ... that impact the Finance Function:

- Finance can be a strong business partner, playing an advisory role in ensuring the best approach to value-based healthcare. Value-based contracts will have a high impact on revenue models and financial planning.
- As a business partner, Finance can support key decision-making teams in their approach to personalization. Personalization might impact the business at different levels, e.g. cost of R&D to drive more personalized clinical trials, margins to personalize product or service-related solutions, and insights on demand and supply.
- A Finance team, with a strong data & analytical skill set, will drive close collaboration and business decision-making. Advanced insights play a role in improving understanding of operational demand and supply, as well as overall financial planning and R&D budgeting.

## Trends in Finance:



### Finance as a Business Partner

With multi-disciplinary teams, technology integration and support for insights, the Finance function is a critical business partner.



### Leveraging Technology

Automating transactional and repetitive activities, as well as data gathering and dashboards, enables Finance employees to focus on analysis and insights.



### Advanced Insights & Analysis

Finance functions are pivoting from backward-looking, history-focused insights, towards forward-looking and predictive analysis.



### Performance Management

Overarching Key Performance Indicators (KPIs) are defined and supported throughout the organization.



### Data & Analytical Skill set

In Finance, data and analytics skills are becoming increasingly important and will drive financial and commercial decision-making.

# Finance enablers change in different stages



## Finance enablers during the Research & Development stage

A stage characterized by R&D activities, capital attraction, little-to-no revenue and aimed at “proving that it works”. This stage includes a thorough focus on science and innovation, as well as capital and commercial potential.

### 1. Basic insights

A structured approach to turn granular market, finance and operations data into backward and forward-looking insights and KPIs, together with dashboards that support product development (R&D and operations insights) and product launch (market and financial insights) decision-making.

### 2. Cross-functional collaboration

Smooth operational and financial planning comes about through close collaboration between commercial, R&D, manufacturing, supply chain and finance teams. This is also a foundation for

information-sharing and key to correctly defining expectations for stakeholders.

### 3. Attract or train talent able to wear different ‘hats’

A biotechnology company in the R&D stage often relies on highly trained scientific profiles. In order to prepare for commercialization, which includes advanced planning and budgeting, Finance should attract additional talent or train the existing workforce to concentrate on more data and analytical focused activities.



## Finance enablers during the Commercialization stage

A stage characterized by additional activities covering commercialization (e.g. pricing and market access, sales and marketing, pharmacovigilance), commercial manufacturing and supply chain. Research and Development activities retain their importance in this stage to enable future growth.

### 1. Advanced Insights and Analysis

A data strategy covering data gathering, handling and governance will further support this stage. Market, finance and operations data, as relied on during the R&D stage, could be enriched with other data (e.g. wearables) to achieve maximum (customer) insights. Advanced analytics that are forward-looking, real-time and easily generated based on gathered data, should be set up with insights communicated proactively.

### 2. Process Standardization

Process flexibility is preferred in biotechnology, so core value-adding processes should remain dynamic and flexible, yet documented with clear roles and responsibilities. Non-value-adding processes should be standardized as much as possible, so that more time can be dedicated to core processes.

### 3. Process Integration and Business Partnership

Finance processes should be integrated with research and commercial processes. Finance is a true business partner, providing insights where required.

### 4. Information Technology

Processes, data, reporting and other daily activities are enabled by a robust and integrated IT infrastructure that leverages emerging technologies (Robotic Process Automation, Cloud, Machine Learning, Artificial Intelligence) across all Finance processes.

### 5. Talent Development

Building on a thorough talent base with established scientific, analytical and data skills, the further definition of clear career paths that focus on the development of advanced Finance and multi-disciplinary skills, will support Business Partnerships and further growth.

### 6. Integrated Business Planning

Advanced budgeting and forecasting exercises that link strategic and operational information with key profitability drivers and cost components will allow for improved product and pricing decision-making, ultimately supporting customer demand and new concepts like value-based pricing.



# A look into a mature Biotech company's Finance organization

The mature operating model for Finance consists of optimized **retained Finance** organizations, supported by a **corporate office** and **centralized Finance services**:

01.

## Corporate Office

– Responsible for setting Finance standards and policies, providing corporate tax and treasury services, and conducting Group consolidation.

02.

## Retained Finance

– Embedded Finance teams providing decision support and analysis for the local business units or divisions.

03.

## Center of Excellence (CoE)

– Delivering higher value services to the business units normally focused on supporting the management information and planning cycles.

04.

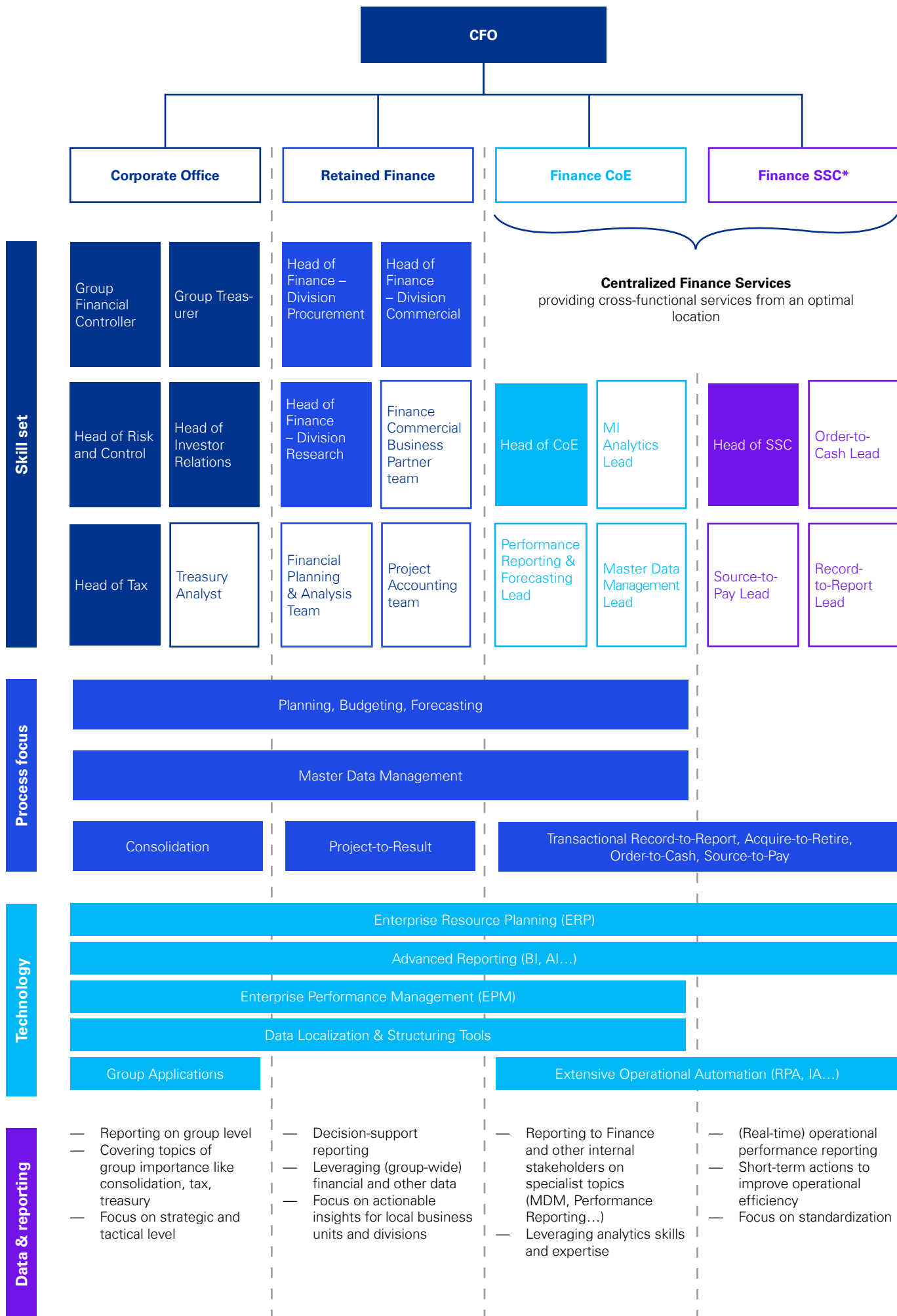
## Shared Services Center (SSC)

– Delivering transactional Finance services to all Business units and divisions from a centralized location. However, some Biotech companies are outsourcing non-core (for example, transactional) finance activities within the SSC.

These divisions typically target varying skill sets, touching upon different processes, making use of a dedicated technology stack and having their own data and reporting needs. The lay-out of these topics has been visualized below and is based on our experience and insights. How your team should

be set up and to what extent will depend on the needs defined by your portfolio, in terms of product type, maturity (life cycle of the product) and size (e.g. 1 product versus multiple, orphan vs. non-orphan) as well as your geographic presence.





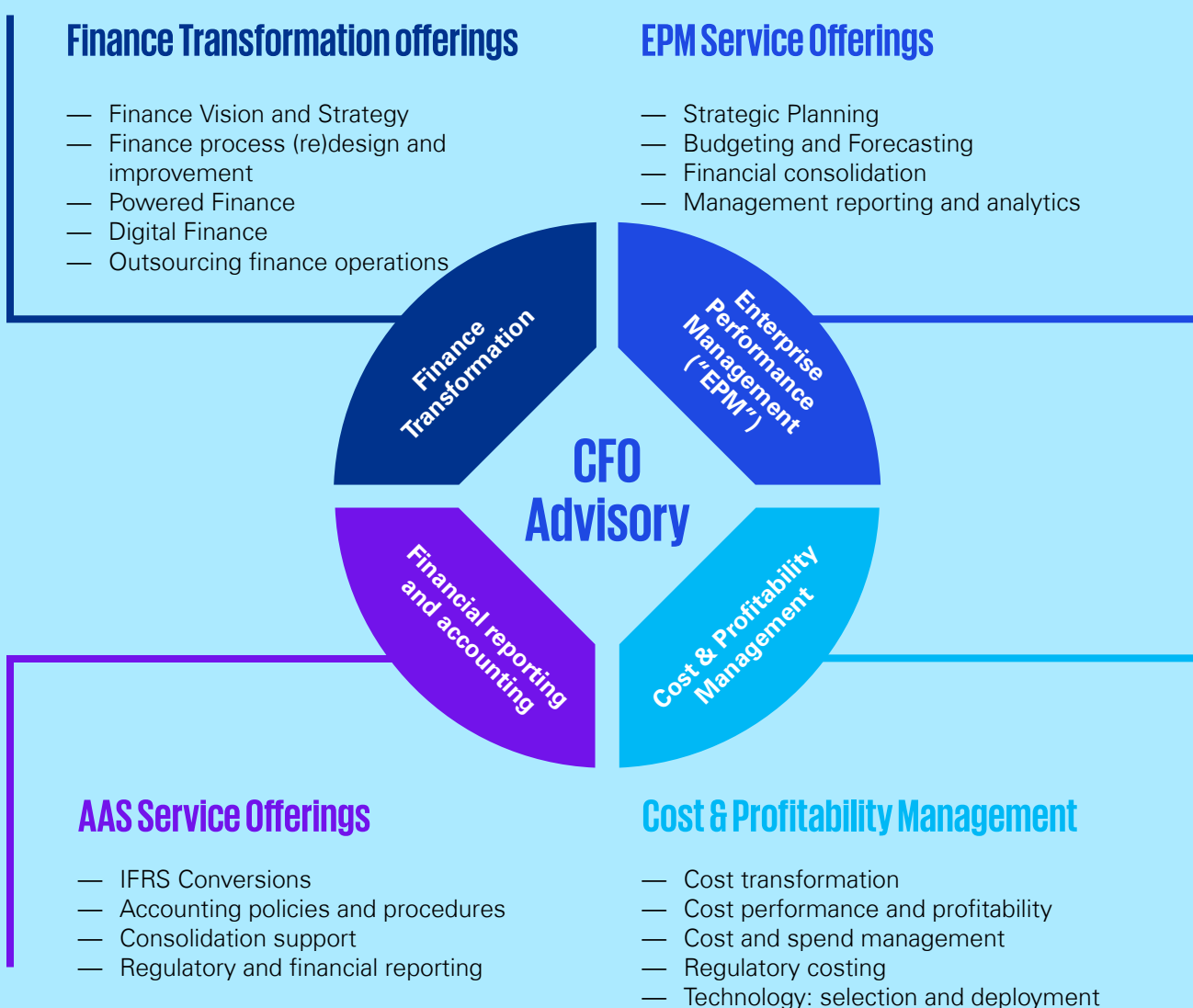
\* or outsourced



# Why KPMG?

We have extensive experience in assisting Life Sciences companies across a variety of business areas, providing innovative thinking by working with cross-functional teams.

Our CFO Advisory service offering is displayed below. References can be provided on request.



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