

PREVIEW



2015 Edition of the CRO
Market Size Projections:
2012-2019



Report Overview

ISR's report gives quantitative insight into the perpetual question: "What is the size of the CRO market?" The data provide a thorough, rational perspective for clinical development services segmented by phase, geography, and service line.

Methodologies:

ISR utilizes both publicly available information and data obtained through our syndicated primary market research efforts.

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Charts and Graphs

Q1, 2015

Publication Date

25

Pages

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Why ISR?

1. ISR has leveraged data from our primary market research. These data, coupled with the "acts and figures from secondary sources, allow for intelligent projections into the CRO market size.
2. The use of primary research data gives ISR the unique ability to break down the outsourced market further than ever before, by offering geographic, service line, and Phase I-IV assessments.

What you will learn in this report:

- Estimated R&D expenditures through 2019
- Projected spending through 2019 segmented by source (sponsor type) and by:
 - Development
 - Phase I-IV Development
 - Outsourced Phase I-IV Development
- 2015 Geographic Distribution of CRO Market Size
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About Industry Standard Research

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Introduction

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Introduction

The period of time during which Quintiles and PPD were not public companies caused many CRO industry watchers to wonder about the size and growth rate of the industry. And over the past several years we have been fortunate enough to witness more CROs entering the public market, and thus, we get a clearer picture of the industry's financial metrics. 2015 was a great year for CROs. We witnessed INC Research and PRA Health Sciences go public and the announcement of the mega-merger of LabCorp and Covance. (Dear LabCorp, please keep Covance's financials separate from your historic figures so the industry can continue to monitor the CRO industry's financial health) In mid-December 2014, Quintiles' stock price was up 24% for the year, PAREXEL was up 19%, and ICON was up 29%. In fact, since Quintiles re-entered the public market in May of 2013, the major public CROs (Quintiles, PAREXEL, ICON, INC Research, PRA, and Covance) have added ~\$13.8B to the capital markets.

Looking back, ISR's inaugural 2014 CRO Market Size report got some pretty good traction in the industry. The data we presented in the 2014 version was used by the investment banks that developed the SEC filing documents in support of INC Research and PRA Health Sciences going public in 2015. And while that was nice, what was more satisfying was the accuracy of our projections. Comparing the public CRO revenue and backlog growth figures to ISR's projections led us to believe that our model is fairly well constructed and we are confident in our projections moving forward.

With the history behind us, we wanted to add some thoughts around future projections. While the lines continue to blur between chemical and biotech companies, one thing we are fairly certain of is that pharma and biotech R&D spending will remain relatively flat. Sure, there will be ups and downs in VC funding and there is certainly a shift towards more biotech product R&D, but the total line does not look like it will move much over the coming years. In addition, we don't see the split between the R and the D moving much, nor do we see the percent of phase I-IV development spend shifting much. That leaves the outsourcing penetration as the major lever for total CRO revenue growth. For example, a 3 percentage point increase in outsourcing over our base model would translate into the CRO market size moving from \$25.6B to \$27.7B in 2015.

In our view the pace of change in the CRO market will not slow down anytime soon. Look for more mergers as providers continue to scale up global capabilities and fill in their service offerings; look for more sophisticated marketing and branding efforts as the battle for market share increases; and perhaps look for "non-traditional" CRO service providers to enter the market via partnerships or outright acquisitions.

Sample Page

Overall market size and growth

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2015 full model analysis

Below represents the step-down analysis from R&D to outsourced Phase I-IV clinical development spending, summarized for 2015.

2015 Full Model



In 2015, the CRO market is expected to comprise 10.2% of the total worldwide R&D market.

The full report offers geographic, service line, and Phase I-IV breakouts that are not portrayed in this chart. The data are also further segmented by source (sponsor type) and analyzed/ projected from 2012-2019.

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