

Pharmaceutical CMO - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

Market Report | 2024-02-17 | 259 pages | Mordor Intelligence

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Report description:

The Pharmaceutical CMO Market size is estimated at USD 171.18 billion in 2024, and is expected to reach USD 230.38 billion by 2029, growing at a CAGR of 6.12% during the forecast period (2024-2029).

As a result of the rising demand for generic medicines and biologics, the capital-intensive nature of the business, and the complex manufacturing requirements, many pharmaceutical companies have identified the potential profitability in contracting with a CMO (contract manufacturing outsourcing) for both clinical and commercial stage manufacturing.

Key Highlights

- The most significant factor driving the growth of CMOs in the pharmaceutical industry is the growing need for state-of-the-art processes and production technologies, which have proven significantly effective in meeting regulatory requirements.
- CMOs are consolidating as a means of enhancing profitability in the competitive market. The large CMOs could expand their geographical presence and penetrate multiple markets through consolidation. For instance, in January 2020, South Korea's Celltrion, a biosimilar maker, announced plans to invest USD 514 million over five years for its new plant in Wuhan, China's most extensive biologics facility with a capacity of 120,000 liters. The new facility is designed to develop and manufacture its biologics for the local market and perform contract work for Chinese biotech companies' emerging wave.
- Additionally, the pharmaceutical companies have been directing their priorities toward the core areas of competency. Hence, they prefer not to disperse available resources, expertise, and technology in formulating the final dose of medicines. The increased competition and shrinking profit margins compelled the pharmaceutical companies to revisit their production processes and R&D activities instead of manufacturing the formulated drug to stay competitive in the market.
- With the ongoing growth in the pharmaceutical sector, particularly after the Covid-19 pandemic, pharmaceutical innovator companies need to stock their pipelines with new drugs. However, they do not have the resources to discover, develop, and

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manufacture products. Hence, the requirement for CMOs is quite significant.

-Further, the countries such as China, India, and Japan hold a significant share of the pharmaceutical CMO market, owing to low labor costs, low capital and overhead costs (compared to that of the United States and Europe), tax incentives, and undervalued currency combine that provides a significant cost advantage for pharmaceutical companies outsourcing to these countries.

-The most significant factor boosting the growth of CMOs in the pharmaceutical industry in the Asia Pacific region is the growing need for robust processes and production technologies, which have proven highly effective in meeting regulatory requirements.

-The outbreak of COVID-19 positively impacted the market as pharma companies suddenly were faced with the challenge of producing the many millions of vaccine doses that would likely be needed. Many companies such as Pfizer and AstraZeneca transferred non-COVID-19 biologics out of their proprietary manufacturing networks to make room for the new vaccines. Due to compressed timelines and manufacturing scaling challenges for the COVID-19 vaccines and medicines, CMOs signed contract manufacturing service agreements at an unprecedented rate with the onset of the pandemic.

Pharmaceutical CMO Market Trends

Growing Investment in R&D is Expected to Drive the Market

- The United States is one of the largest pharmaceutical markets, accounting for about half of the R&D spending in the pharmaceutical and biotech markets. CMOs play a vital role in this market, investing in new facilities and technology to serve various outsourcing entities. Also, companies are not only reaping the benefits of their Asian footprint through in-house investments but also looking to research-based partnerships to acquire high-end sourcing expertise, build drug discovery, and invest in Asia.

- The Chinese professional manufacturer of drugs for dermatology and anti-tuberculosis, Huapont, is one of the fastest-growing pharmaceutical manufacturers in China, mainly dependent on R&D and market expansion. CMOs can leverage their expertise, owing to their R&D and complex manufacturing capabilities, to fill the needs of large generic pharmaceutical and biotech companies.

- The gradual change in the working principles of the companies in the market led to the shift in pattern from cost-control to re-emphasis on value-added services. They also allowed their integration into the value chain of companies. The highly fragmented nature of the US pharmaceutical contract manufacturing market, with more than 150 CMOs, results in competition (in terms of price) and drives impact on the revenue of CMOs.

- R&D investments and capacity expansions are expected in the injectable and sterile liquid dose formulations segment. Small biotech firms get access to specialized knowledge and resources, which help them expedite their R&D activities. Greater technological complexity in drug development and greater specificity in targets helped in the average R&D costs, as firms identify drugs with molecular characteristics instead of using trial-and-error methods to find compounds that work in the desired way.

- In addition, market vendors are expanding their research services to cater to the dynamic requirements of pharmaceutical companies, leading to a boost in the given market. According to Evaluate Pharma, in 2026, Swiss-based Roche is projected to spend USD 14 billion on pharmaceutical research and development (R&D). Other companies with high projected R&D expenditures are Merck, Pfizer, and Johnson & Johnson.

North America to Hold Significant Market Share

- The United States contract manufacturing organizations (CMOs) have evolved from an initial offering of essential manufacturing services to a wide range of services to meet market and outsourcer demand. Steady growth in the U.S. pharmaceutical industry and increasing outsourcing by major pharmaceutical companies focusing on their core competencies to improve profit margins

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drive the country's market.

- Stricter domestic regulations ensure superior manufacturing quality and final products that CMOs adhere to. For instance, manufacturing an autologous or allogeneic therapy is complex, and the manufacturing facility must obtain its GMP certification.
- The country has emerged as one of the largest drug markets, accounting for almost half of the R&D spending in pharmaceutical and biotechnology markets. Hence, CMOs play a critical role in this market and have invested in new facilities and technologies to cater to various outsourcers. The country is experiencing a shortage in manufacturing capability for specific sectors, like cell, peptide, and gene therapy. The CMOs have increased their manufacturing bases over the past two years.
- Canada's pharmaceutical industry is one of the most innovative in terms of products. Pharmaceuticals, a key sector of the Canadian economy, is supported by the Canadian government, which provides a business-friendly environment for pharmaceutical companies and can leverage assets for short- and long-term business strategies.
- In the wake of the patent cliffs, pharmaceutical companies in the country are reorganizing and looking for new business models built on third-party partnerships and external networks. This business model mainly relies on outsourcing most operations, including manufacturing, providing good growth opportunities for CMOs in this region.

Pharmaceutical CMO Industry Overview

Although the market studied is highly fragmented, major vendors account for most of the market share. The presence of many players in the market studied impacts the pricing of services, making it a direct competing factor, especially for small-scale vendors. The vendors in the market studied are expected to focus on providing one-stop-shop services, providing them with a competitive advantage. These practices would be possible for the CMOs with access to large capital. This factor increases the competition and creates a new players' entry barrier. Some of the major players in the market are Patheon Inc. (Thermo Fisher Scientific Inc.), Lonza Group, Catalant Inc., Pfizer CentreOne (Pfizer Inc.), Boehringer Ingelheim Group, etc.

In June 2023, OneBioSuite, an integrated development, production, and supply solution from Catalent, was developed to include various biologic modalities, including mRNA, cell and gene therapies, antibody and recombinant proteins, and recombinant proteins. The debut of the extended service will take place in conjunction with Catalent's participation in the BIO International Convention (booth 785) in Boston from June 5-8, 2023.

In December 2022, RedHillBiopharma's medication Talicia used to treat H. pylori infection, would continue to manufacture commercially by Recipharm through 2026. RedHill and Recipharm have worked closely since 2015 to develop and manufacture Talicia (delayed-release capsules, omeprazole magnesium, amoxicillin, and rifabutin, 10 mg/250 mg/12.5 mg).

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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