

## **BIOTECNOL LDA PHARMACEUTICAL**

# **TEACHING NOTE**

### **ABSTRACT**

In the next few years a number of patents for branded biopharmaceutical drugs are scheduled to expire. While the generic drug industry is well established for traditional drugs, this creates a new opportunity to produce and market substitutable generic drugs for these recombinant protein drugs. A new entrant in this field is BIOTECNOL LDA, an R&D-focused firm located in Portugal. Their primary strategy is to provide existing pharmaceutical firms, with the production know-how and technology to allow them to diversify into this new generic drug market. BIOTECNOL LDA intends to develop low-cost technical production processes, gain requisite certification, and then license these technologies to existing pharmaceutical firms so that they can produce and market the generic drugs. Issues center on the evaluating the viability and risks of their strategy, analyzing revenue income with regard to differing time-to-market scenarios, and evaluating a proposal to obtain needed new venture capital in exchange for a ownership share of the firm.

### **CASE OBJECTIVES**

Provide students with an opportunity to:

- ◆ Gain an overview of the international biopharmaceutical industry
- ◆ Analyze the strategy of an entrepreneurial R&D startup company
- ◆ Evaluate the merits and risks of being first-to-market/late-to-market
- ◆ Compute expected sales revenues based upon forecasted demands, time-to-market, market share, etc.
- ◆ Make a decision regarding the attractiveness of new venture capital funds in exchange for a percent share of ownership.

### **INTENDED COURSES AND LEVEL**

The case is intended for undergraduate seniors and master level students in Business and Engineering Programs. Types of courses in which this case might be used include Management of Technology, Engineering Management, Innovation Management, International Management, Entrepreneurship, and Policy and Strategy.

## **SUGGESTED ASSIGNMENT QUESTIONS**

1. Characterize the generic biopharmaceutical drug industry.
2. Analyze and discuss the strategic plan for BIOTECNOL.
3. Discuss the advantages and risks associated with being one of the companies who is first-to-market/late-to-market as they apply in this case.
4. Compute the projected revenues and costs for differing scenarios if BIOTECNOL licenses the technology for INF-alpha to a pharmaceutical firm, which introduces it just as the patent for the branded drug expires. Do the same for the case in which the technology and market introduction is one year late.
5. If you were a venture capital firm, would you invest \$4M in BIOTECNOL? Why or why not? What percent ownership would you require? Why?
6. If you were Pedro, would you accept the venture capital proposal?