



JONES LANG  
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*Real value in a changing world*

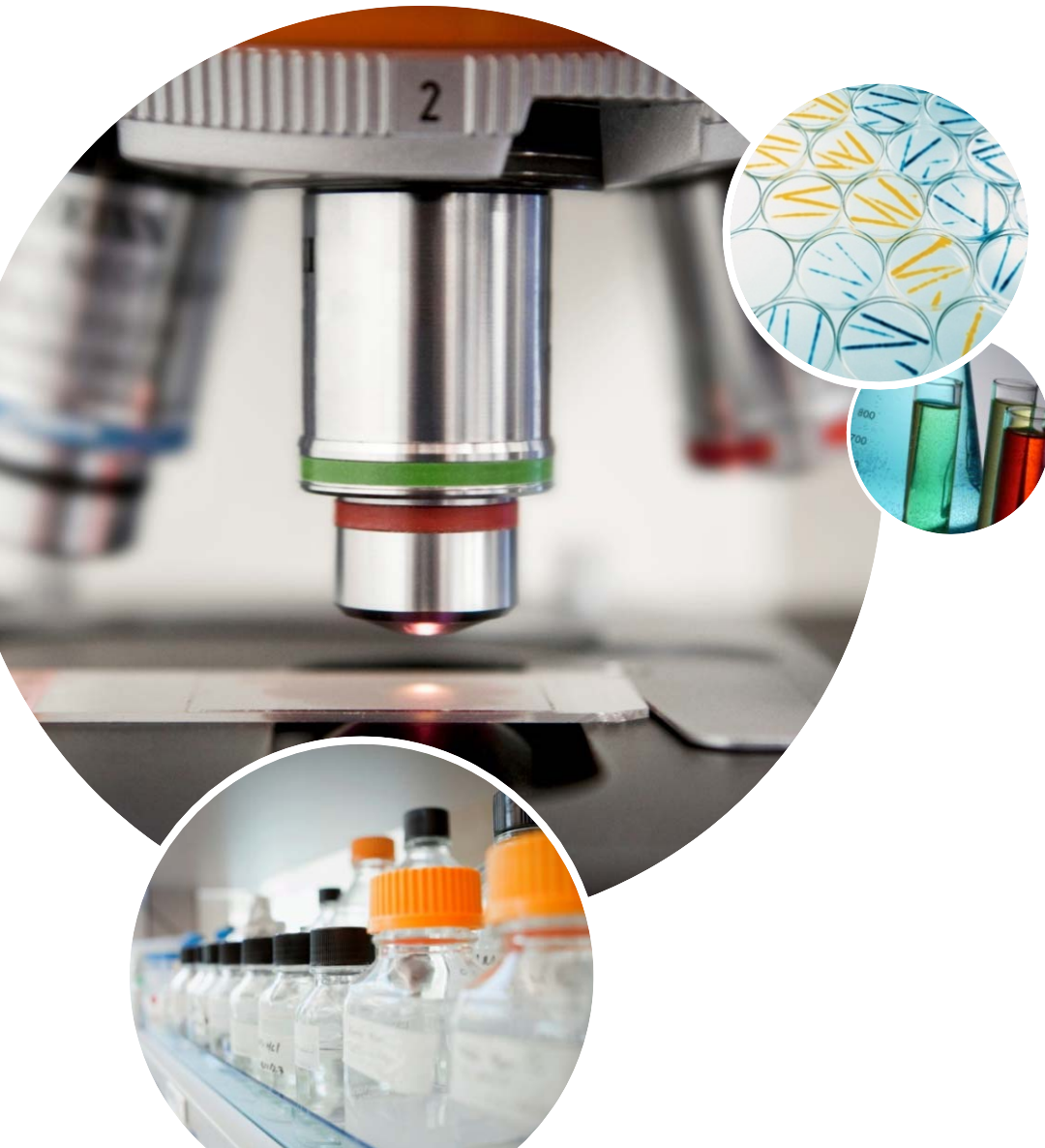
# Life Sciences Outlook

## Brazil . 2012

### Driving scientific innovation

#### *Brazil*

A emerging global economy with sights set on bolstering its innovation capabilities





*While still in its budding stages, Brazil's life sciences economy is well diversified, with ample focus on human health, animal health and agricultural biotechnology.*

## Global trends

The aftereffects of the recession, coupled with the European sovereign debt crisis, continue to plague business operations in the mature market clusters of North America and Western Europe, including those of life sciences companies of all sizes and maturity levels. Although most life sciences companies continue to enjoy higher profit margins than those of other industry segments, it has become markedly clear that the product development formula of the past no longer applies. As a result, greater emphasis is being placed on the next wave of drugs and treatments – those stemming from biological organisms. Additionally, companies are increasingly diversifying their portfolios to mitigate risk and help fund the lofty costs of innovation, adding generic brands, crop and animal science and even consumer products through mergers and acquisitions.

New product developments have become ever more costly and difficult to achieve. Drug makers are attempting to achieve greater breakthroughs with less funds than in years past. The need to increase a company's likelihood of developing a new treatment continues to steer conversations around location strategy. Although many companies maintain R&D in mature markets rich with people capital and renowned research universities, others are turning to emerging global clusters due to dedicated private and public funding.

## Brazil market overview

Brazil has enjoyed one of the fastest growing economies over the past few decades and continues its upward momentum as a leading South American economy. Advancements to its national healthcare system and growth in generic pharmaceutical manufacturing, agribusiness and biofuel research lay the ground work for Brazil's rapidly growing life sciences industry. International companies make up a majority of the country's players, particularly through acquisitions of local firms and products. Pfizer, Amgen and Sanofi have all recently made headlines for their investments in Brazilian companies.

According to a recent report from Burrill & Company, Brazil's pharmaceutical industry was valued at BRL 46.3 billion (\$22.9 billion) in 2010. It is now the seventh largest in the world and is expected to grow at a rate of 12.0 percent per year. A rise in the country's middle class has led to increased spending on healthcare and a shift in the types of diseases and maladies plaguing the local population. Chronic diseases more common in affluent nations are beginning to affect Brazilians, and thus creating a demand for more specialized and costly drugs. The government hopes to reduce its dependence on drug imports and is improving the funding and intellectual property (IP) protection landscape to encourage domestic achievements in innovation.

<sup>1</sup> Six-month average conversion rate of 2.02 Brazilian Real (BRL) per U.S. dollar, as of October 2012.

## Industry statistics

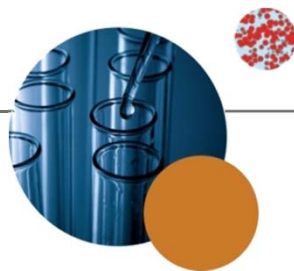
**1.4** Researchers in science, per thousand total employment

Graduate students in science, engineering manufacturing & construction, as a % of total graduate students **12.2%**

**1.2%** Gross expenditure on R&D, as percent of GDP

Total patent applications, residents only **2,705**

# Brazil



## Overview

Over 75.0 percent of Brazil's life sciences companies are clustered among the three states of São Paulo, Minas Gerais and Rio de Janeiro, with 40.5 percent, 24.4 percent and 13.1 percent of companies in each state, respectively. The development of technological innovation is heavily linked to university research centers among these three states.

According to the Brazilian Association of Research Biotechnology, Brazil has around 237 national life sciences companies, most of which are small and have been active for less than 10 years. Half of these companies began operations inside university incubators and shared R&D centers whereas 20.0 percent of them are still in development phase and have not realized any revenue. Although 85.0 percent of these companies employ fewer than 50 employees, they all use a highly educated subset of the workforce, with 40.0 percent PhDs and 20.0 percent Masters of Science.

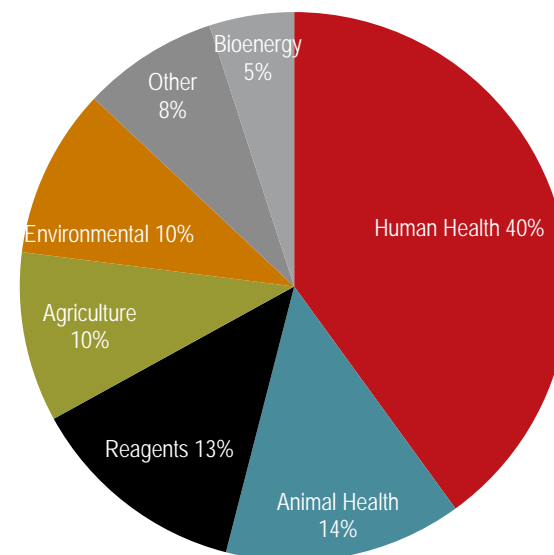
Over the past two decades, the Brazilian government has encouraged development of the nation's innovative industries. With the passage of the intellectual property laws in 1996, patents on pharmaceutical products were granted for first time, marking a major turning point. Since that time, the government has added protections for innovation. The Innovation Law of 2004 offers incentives for developing partnerships between private companies, research institutions and universities; incentives for universities and research institutions to participate in innovation; and incentives to promote innovation within private institutions. The Law of Goods offers private sector incentives to invest in R&D. Additionally, the government's industrial policy prioritizes the development of domestically owned, private pharmaceutical manufacturers. Most notably, the Profarma-Innovation program, operated by the government's development bank, Banco Nacional de Desenvolvimento Econômico e Social (BNDES), is investing about BRL 2.5 billion (\$1.24 billion)<sup>1</sup> in the industry through 2012.

## Outlook

Regarding regional differences, the government has encouraged changes in the geographic distribution of graduate programs in order to strengthen the north, northeast and midwest. It also plans to invest in post-graduation programs, to further bolster the highly-educated Brazilian workforce.

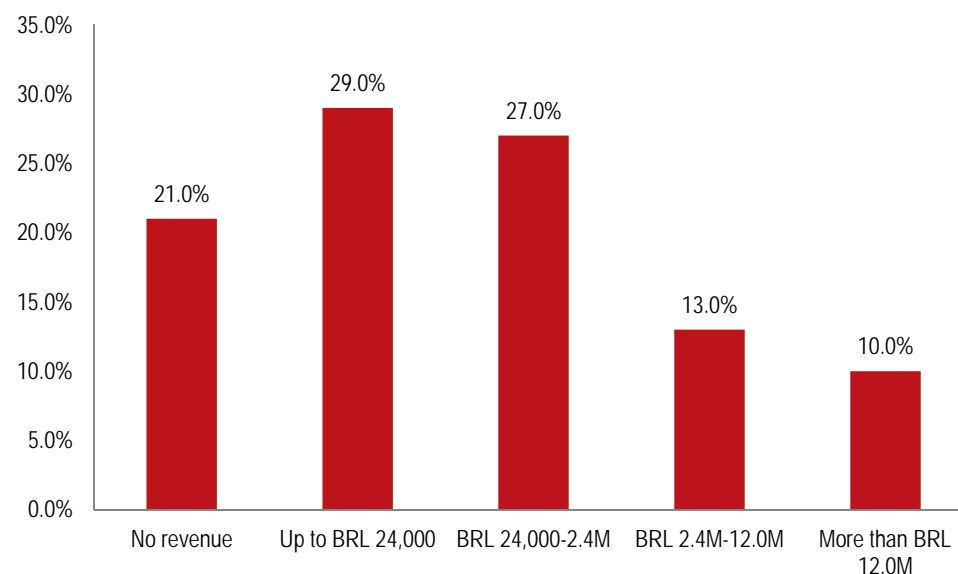
Only 1.2 percent of GDP, including public and private investment, was invested in R&D in 2009. According to the Ministry of Science, Technology and Innovation, 45.7 percent of this investment in R&D is done by companies. To compare, more highly technical and innovative countries typically benefit from 70.0 percent of private-funded R&D investment. Lack of seasoned industry professionals and R&D facilities combined with leery foreign and domestic investors will continue to challenge Brazil's development of a high-tech hub.

## Brazilian life sciences companies by application



Source: BRBIOTEC & CEBRAP, 2011

## Brazilian life sciences companies, percent by revenue<sup>1</sup>



Source: BRBIOTEC & CEBRAP, 2011

<sup>1</sup> Six-month average conversion rate of 2.02 Brazilian Real (BRL) per U.S. dollar, as of October 2012.



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