



Leading from the front

**What the future holds for UK Life
Sciences**

December 2019

home.kpmg/uk/en/uscorridor

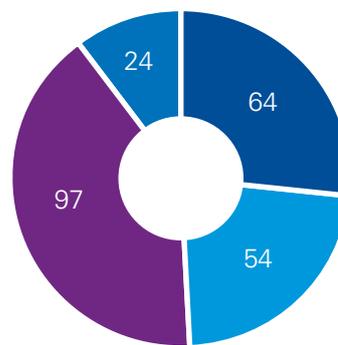
Life sciences: leading from the front

An undisputed trailblazer in global life sciences, the UK is a byword for ground-breaking research and innovation across the industry. Home to three of the world’s top five universities for pre-clinical, clinical and health sciences¹, the country has produced 78 Nobel Prize winners in scientific disciplines – more than any other country apart from the USA.²

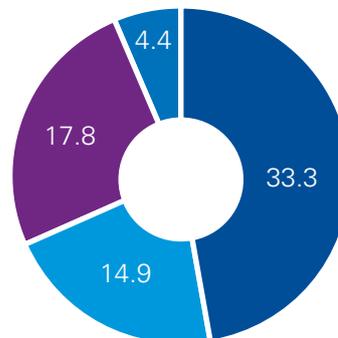
The top destination in Europe for direct foreign investment in health and life sciences³, the UK has the strongest biomedical pipeline in Europe, underpinned by the world-renowned Medicines and Healthcare products Regulatory Agency (MHRA). The UK’s National Institute for Health Research (NIHR) is also the largest funder of clinical trial research in the EU.

The industry is a major pillar of the UK’s economy, contributing over £70 billion a year and 240,000 jobs across the country⁴. Over 5,600 life sciences companies operate in the UK, generating more than 30 billion GBP in exports⁵, across life sciences product development, supply and services.

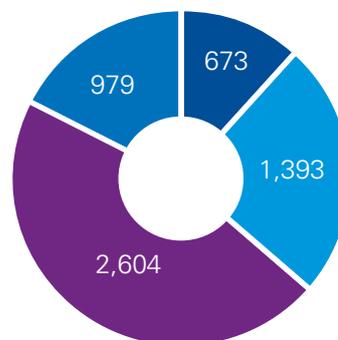
Two of the top 10 European global pharmaceutical players have their headquarters in the UK and all of the leading pharmaceutical corporations operating in the global market have a presence here.



Employment (thousands)
Total = 240,900



Turnover (£bn)
Total = £70.3bn

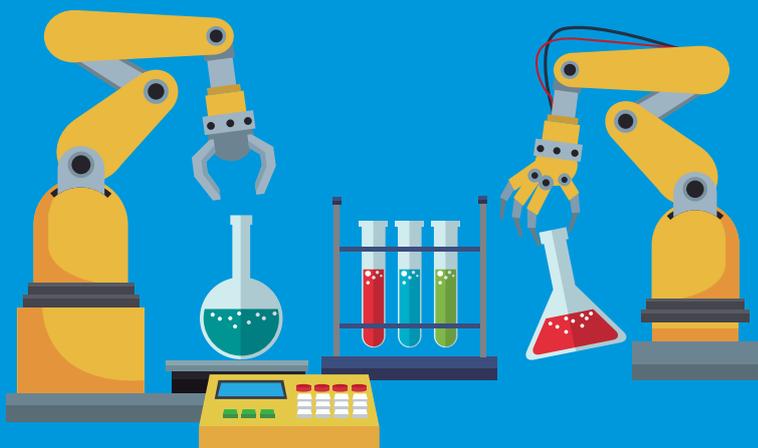


Businesses
Total = 5,649

*Office for Life Sciences

- Biopharma core
- Medical Technology core inc. digital health
- Biopharma Service & Supply
- Medical Technology Service & Supply

¹ <https://invest.great.gov.uk/industries/health-and-life-sciences/>
² DIT
³ <https://invest.great.gov.uk/industries/health-and-life-sciences/>
⁴ Office for Life Sciences (OLS) Strength and Opportunity 2017: the landscape of the medical technology and biopharmaceutical sectors in the UK
⁵ <https://invest.great.gov.uk/industries/health-and-life-sciences/>



Life Sciences manufacturing accounts for nearly

10%

(Gross Value Added)
of all UK manufacturing

Pharmaceuticals sector accounts for more than

20%

of all business research and development in the UK



Two of the

Top 10

global pharmaceutical firms are headquartered in the UK



Sector exports account for more than

£30bn



Source: Department for International Trade

Anticipating Brexit

There's no question that Life Sciences is one of the UK industries most challenged by the prospect of Brexit. Highly regulated under complex EU rules and authorizations, it also involves the cross-border transportation of materials which by their very nature require specialist conditions and are often extremely time-sensitive.

The sector has enjoyed a long and fruitful collaboration with the European Union, in everything from R&D and clinical trials to EU funding for UK university research programmes.

Both the UK Government's and the industry's overwhelming priority is to ensure that the right drugs continue to get to the right patients at the right time at the right price. The Government is committed to minimizing any friction by aiming for alignment with existing EU regulations. Pharmaceutical companies meanwhile have been implementing a range of measures including increasing stocks of medicine, recasting supply routes where necessary, transferring medicine licenses to a EU entity and duplicating testing in the UK and the EU.

At KPMG, we have been advising life sciences and pharma clients, both UK companies and overseas investors with a footprint in the UK, on:

- The necessary **regulatory approval** - the 'license to play' to ensure continued access to EU markets, with the specific EMA authorizations needed to manufacture, import, distribute and market medicines in the EU.
- Creating robust **supply chains**, capable of dealing with materials shipped under cold chain conditions and those with a very short shelf life.
- Maintaining appropriate **stock levels**, to avoid production and supply disruptions.
- A **fit-for-purpose operating model**, including a flexible Transfer Pricing system that accommodates the challenges of multiple tax and regulatory requirements.
- A clear strategy regarding **Intellectual Property** issues, with an evaluation of their IP portfolio holding locations and royalty licensee agreements, to reflect any additional tax related implications.
- A continued pipeline of **highly skilled talent**.
- The uninterrupted **cross-border transfer of essential personal data** following the introduction of GDPR.



The Shard skyscraper in London is shown at sunset, with the sky transitioning from orange to blue. The building's glass facade reflects the warm light of the setting sun. In the foreground, there is a modern building with a curved glass facade and a paved area.

The UK: a unique set of attractions

Whatever form Brexit eventually takes, the UK will remain a magnet for many of the brightest and best in life sciences. Companies looking to push back the boundaries in R&D will find every effort made at national level to support that innovation and bring those ideas to market.

The UK has a tax structure that rewards innovation, a pragmatic forward-thinking regulatory regime and a robust intellectual property system. It also boasts the international language of business, the perfect time zone in between the US and Asia, excellent transport links and a flexible, competitive labour market.

A particular jewel in the crown is the MHRA, the first body, for example, to license e-cigarettes as a means of reducing smoking – and the driver of much of the EU's innovation in regulations, with liberal rules around research.

There is also a mature publicly-funded infrastructure for experimental medicine and clinical trials – with the NHS's huge patient population the ideal platform on which to conduct major clinical trials. The largest biotech cluster outside the United States, the UK is also strong in emerging areas such as digital health and artificial intelligence (AI).

The Government is committed to developing pharmaceutical manufacturing for the health and life sciences technologies of the future. The pharmaceuticals sector alone conducts more UK-based business research and development than any other manufacturing sector, making up more than 20% of all business research and development in the UK.

And it's not just about the golden triangle around Oxford, Cambridge and London, or the Gatwick biotech hub. Facilities all across the UK are carrying out pioneering work, including clinical trial facilities in the Midlands, the South of England, Northern Ireland and London, with the North of England a hub of drug manufacturing.

⁶ <https://invest.great.gov.uk/industries/health-and-life-sciences/pharmaceutical-manufacturing/>

An industry on the front foot

UK life sciences is in very good health – with enormous opportunities for growth ahead. In 2017, a wide coalition of industry and public sector partners published a Life Sciences Industrial Strategy, as part of the UK Government’s wider Industrial Strategy, to invest in the country’s life sciences industry.

The Strategy set a roadmap for the UK to create whole new industries over the next 20 years in areas such as early disease detection and genomics, digital technologies and data analytics and advanced therapeutics.

Stage one has already produced almost £500 million in Government support for major new research programmes and over £1 billion of new industry investment across the health tech and pharmaceutical sectors.

KPMG - the bridge for clients in the US and the UK

KPMG is the only one of the Big 4 accounting firms to have a permanent UK-operated presence in the United States and similar US-operated presence in the UK. We recently opened a subsidiary of the UK business in New York; KPMG UK (Transatlantic) LLC, to support US companies with a presence in the UK – or those looking to establish one there.

Staffed entirely by UK principals and professionals working in partnership with US client service teams and specialists back in the UK, we provide on-the-ground support so that US companies can navigate the UK business environment and its unique growth opportunities.

Our expertise helps businesses hit the ground running, with everything from legal and tax advice, to business remodelling, accessing finance, digital strategies, and growth and right-sizing plans.

We were also the first Big Four firm to appoint a Head of Brexit in the UK and have been advising clients on the frontline ever since. From supply chain issues, to customs, working capital, contracts and people, we've spent the past three years helping our clients to de-risk and identify where the new openings lie.

Contact

To find out more about the investment opportunities within UK life sciences, contact:



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