

BCG



MIT ZARAGOZA
International Logistics Program



TOGETHER TO HEAL



Global ACT Market

Demand Forecast

November 3, 2011

THE BOSTON CONSULTING GROUP

Goals for this session

Introduce our consortium and describe our forecasting methodologies

- Global demand for pre-qualified ACTs and artemisinin

Share our consortium's forecast of ACT demand for 2011 and 2012

- Discuss some of the key tensions and dynamics we see in the market

Share some preliminary views on 2013

- Key uncertainties and potential demand ranges
- Forecast timeline

Answer any questions you may have and incorporate your feedback

Context on the ACT Demand Forecasting Consortium

The consortium originated from the work of the AMFm Ad Hoc Committee who wanted a global demand forecast order to understand the impact of the AMFm

Previously, several groups had produced different forecasts with differing methods and conflicting results

- Differences in forecasts may have served to confuse the field

The consortium consists of BCG, CHAI and MIT-Zaragoza, three groups who work together to produce a single quarterly forecast of global ACTs demand

UNITAID finances and manages the studies, in collaboration with RBM and other groups who serve on our Steering Committee (WHO, GFATM)

The data presented here incorporates information from a number of different sources and institutions; we are very grateful for their assistance

- Any errors reported here are our responsibility, not theirs

Context for this analysis

This analysis is the third in a periodic series of forecasts

- Some of this analysis was also shared at the recent RBM meeting on artemisinin supply and the AMFm Ad Hoc meeting

The goal of this analysis is to provide a high-level summary of the global ACT demand and supply situation

- As we understand it at this point given data limitations and other constraints

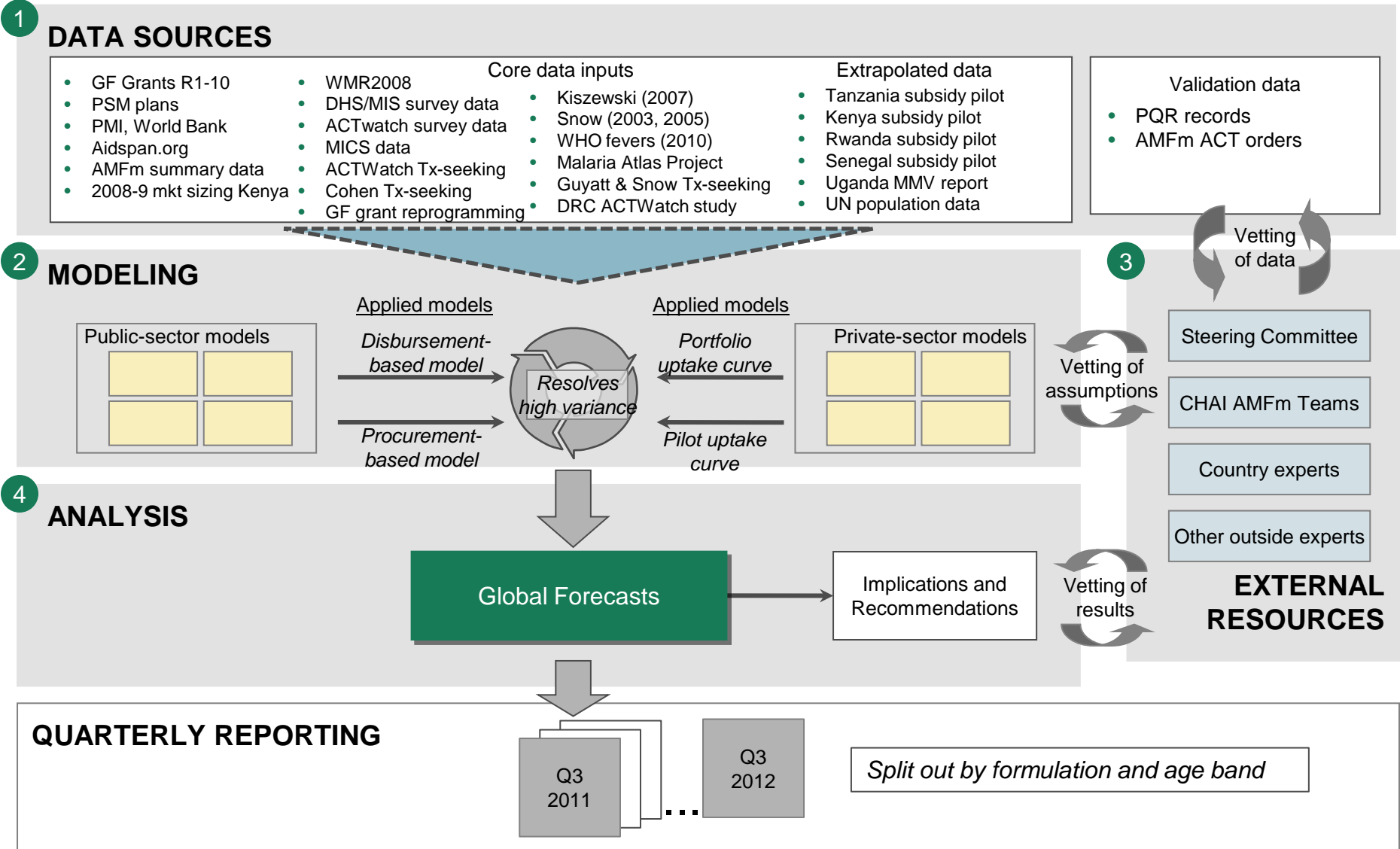
A few specific caveats

- Our analysis is a snapshot in a very dynamic and evolving situation
- It combines modeled results along with reported market information, both of which are only as good as the sources and available underlying data
- Our focus is very much at the global level, and circumstances in specific local geographies may be quite different than the global story

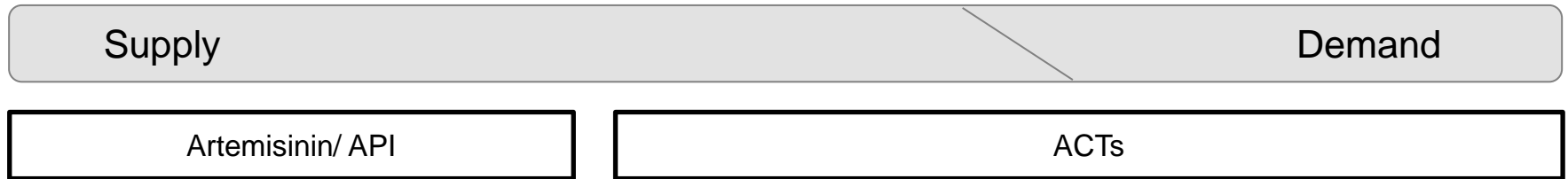
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Methodology and definition of terms

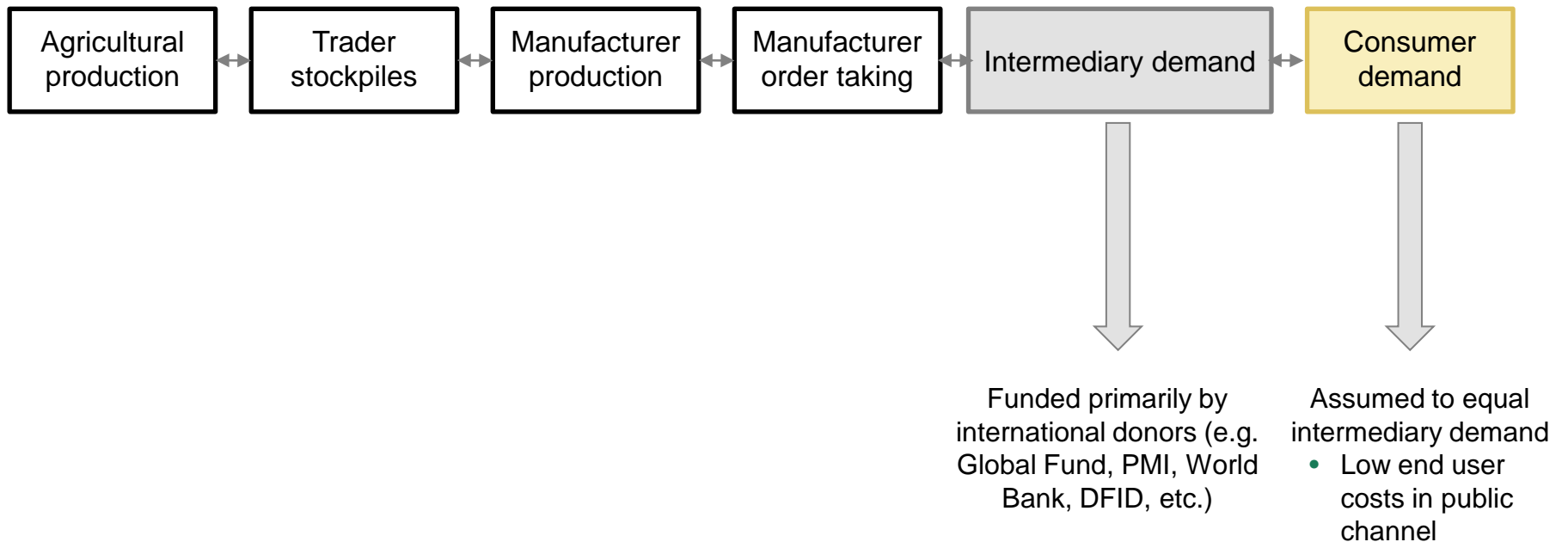
Forecast relies on integration of multiple sources



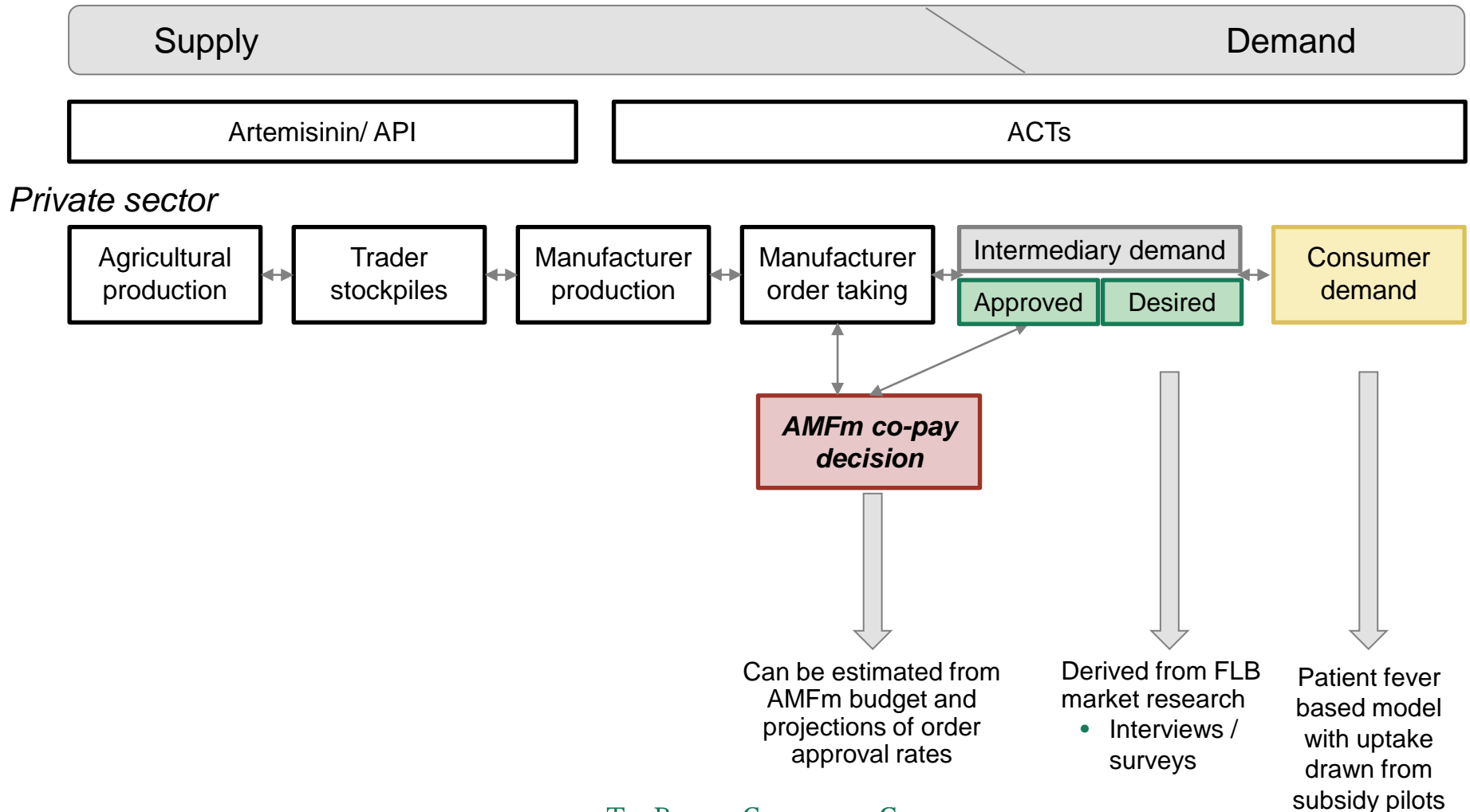
In public sector, demand is calculated at intermediary level



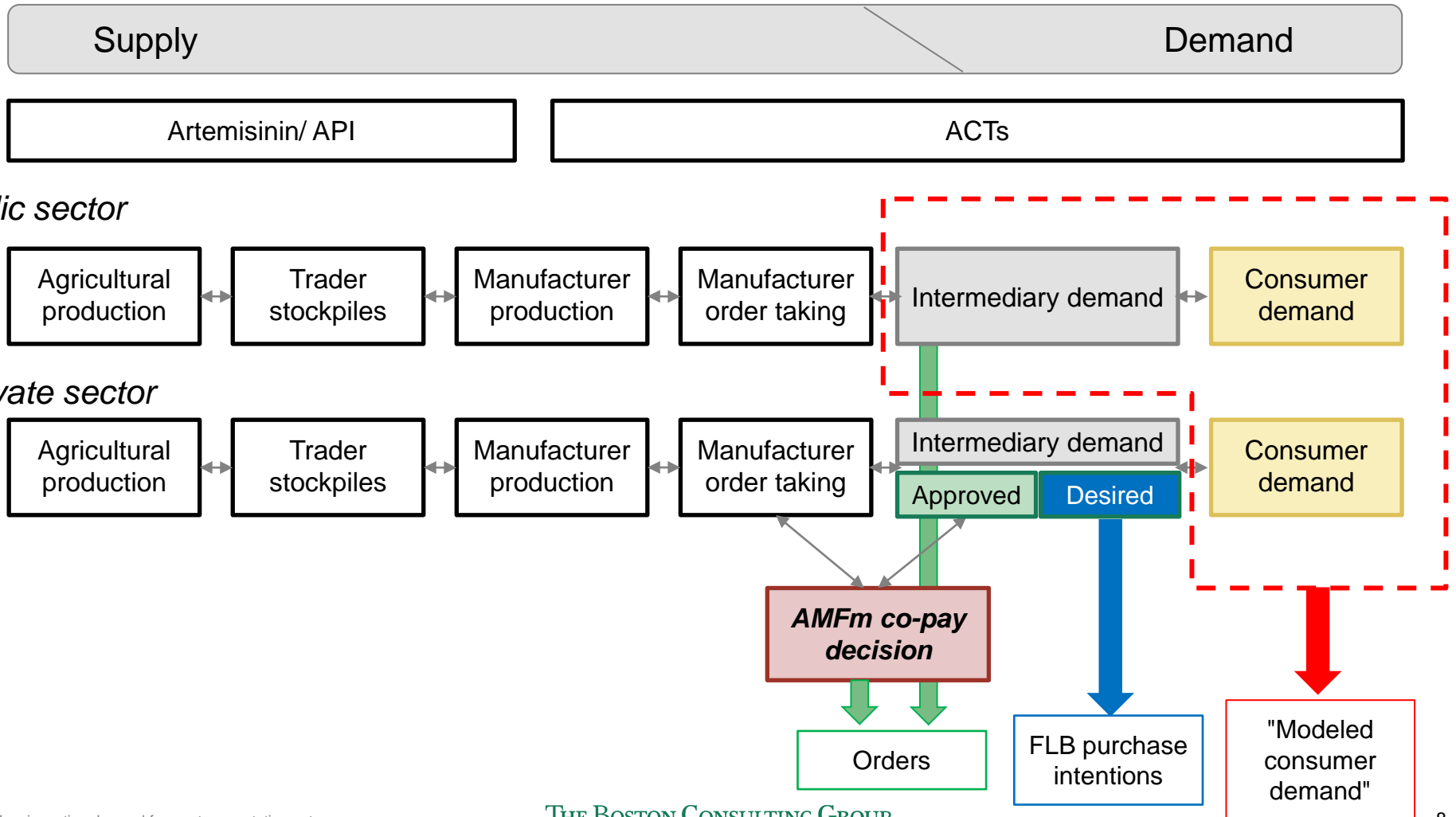
Public sector



With AMFm, demand in private sector can be calculated at multiple levels: Consumer, FLB preference, order approvals



Our forecasts combine different analyses to assess different levels of demand

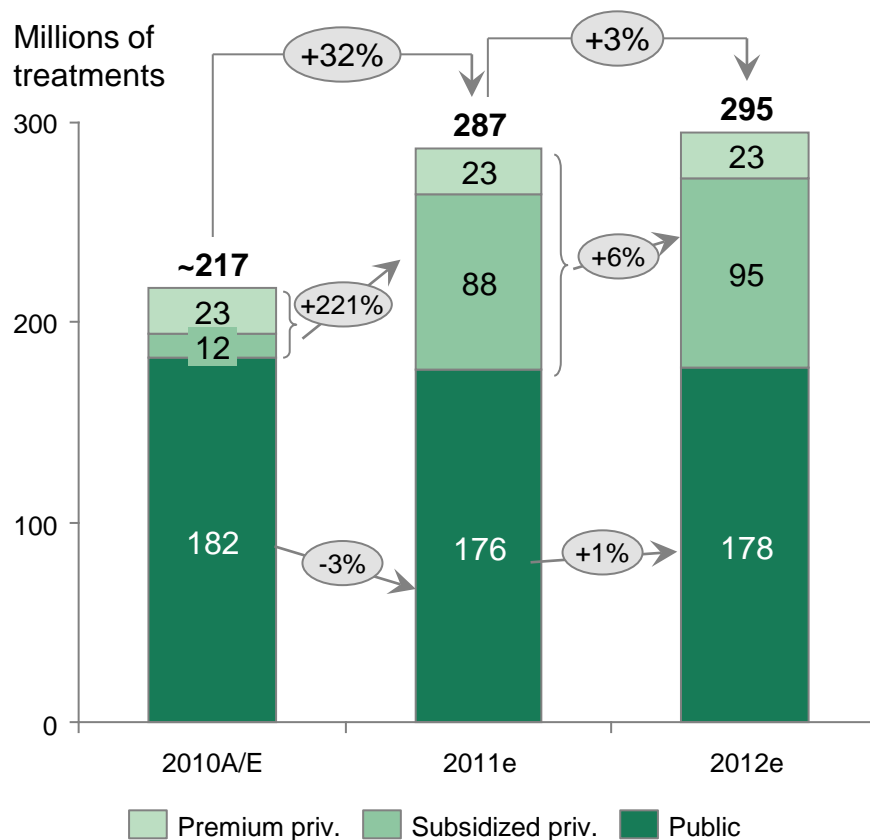


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Demand forecasts

Forecast update: Modeled consumer demand estimated at 287M treatments in 2011 and 295M in 2012

Global pre-qualified ACT consumer demand, 2010-2012



ACT market projections

Rapid growth in global demand from 2010 to 2011, driven mainly by surge in AMFm-subsidized treatments

Growth in 2012 demand anticipated to slow as subsidized market reaches steady state across Phase 1 countries

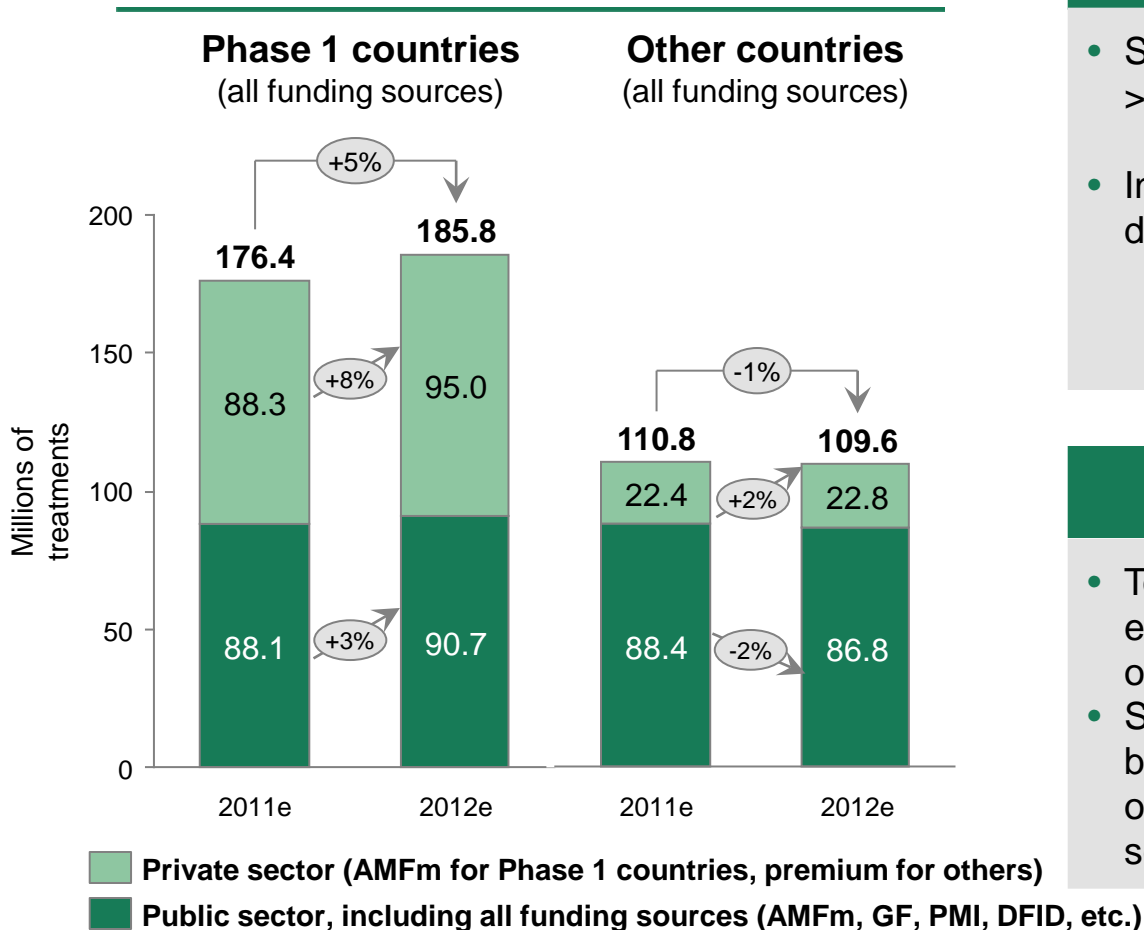
Public channel remains largest segment for ACTs, but now represents only ~60% of global market

- Public sector demand forecast as essentially flat over three year period

AMFm Phase 1 countries driving global growth in demand

Projected to represent >60% of global demand (including AMFm and non-AMFm funding)

Global ACT consumer demand, 2011-2012



Phase 1 countries

- Seven Phase 1 AMFm countries account for >60% of global ACT demand
 - ~40% share of global malaria cases
- In Phase 1 countries demand is nearly evenly divided across private and public channels
 - public channel includes AMFm as well as other public funders (GF, PMI, etc.)

Other (non-AMFm) countries

- Total ACT demand in non-AMFm countries expected to experience slight decrease year on year
- Slightly lower demand in public sector (driven by declining GFATM procurement) nearly offset by slight increase in premium private sector demand

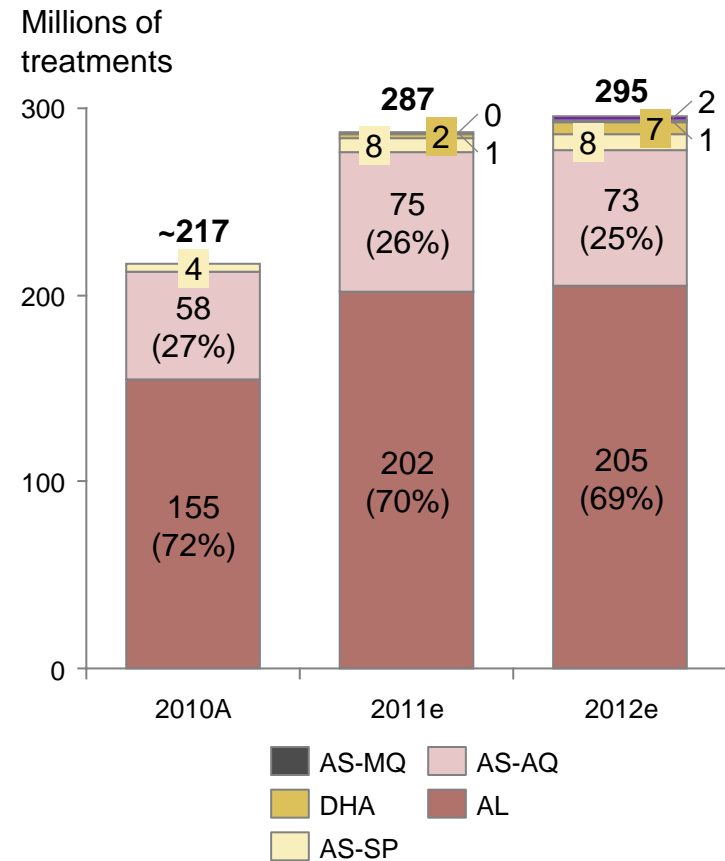
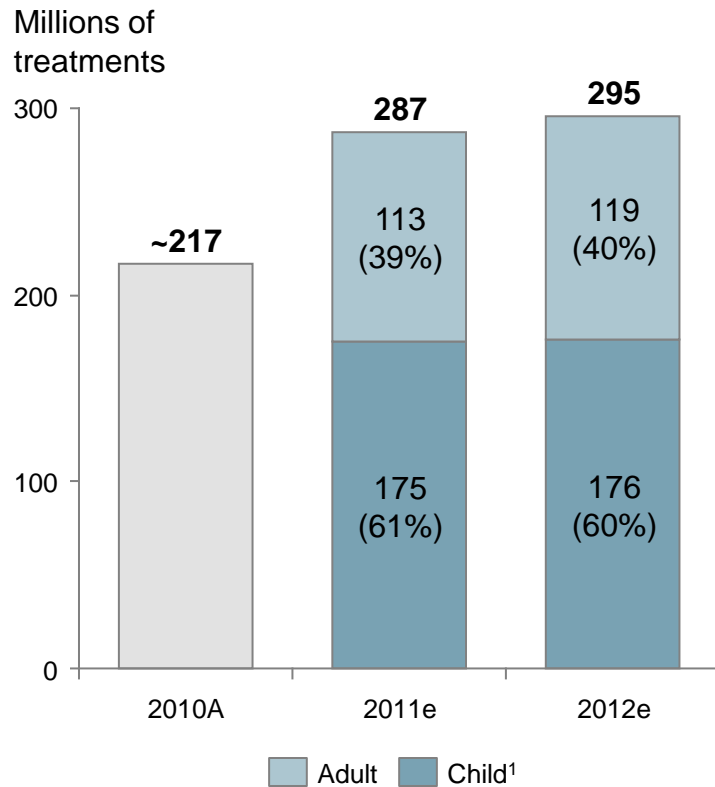
Source: UNITAID consortium forecasts

Hanoi meeting demand forecast presentation.pptx

Forecast indicates greatest demand for child doses and AL formulation

Child doses represent ~60% of forecasted demand

AL and AS-AQ remain ~95% of forecasted demand



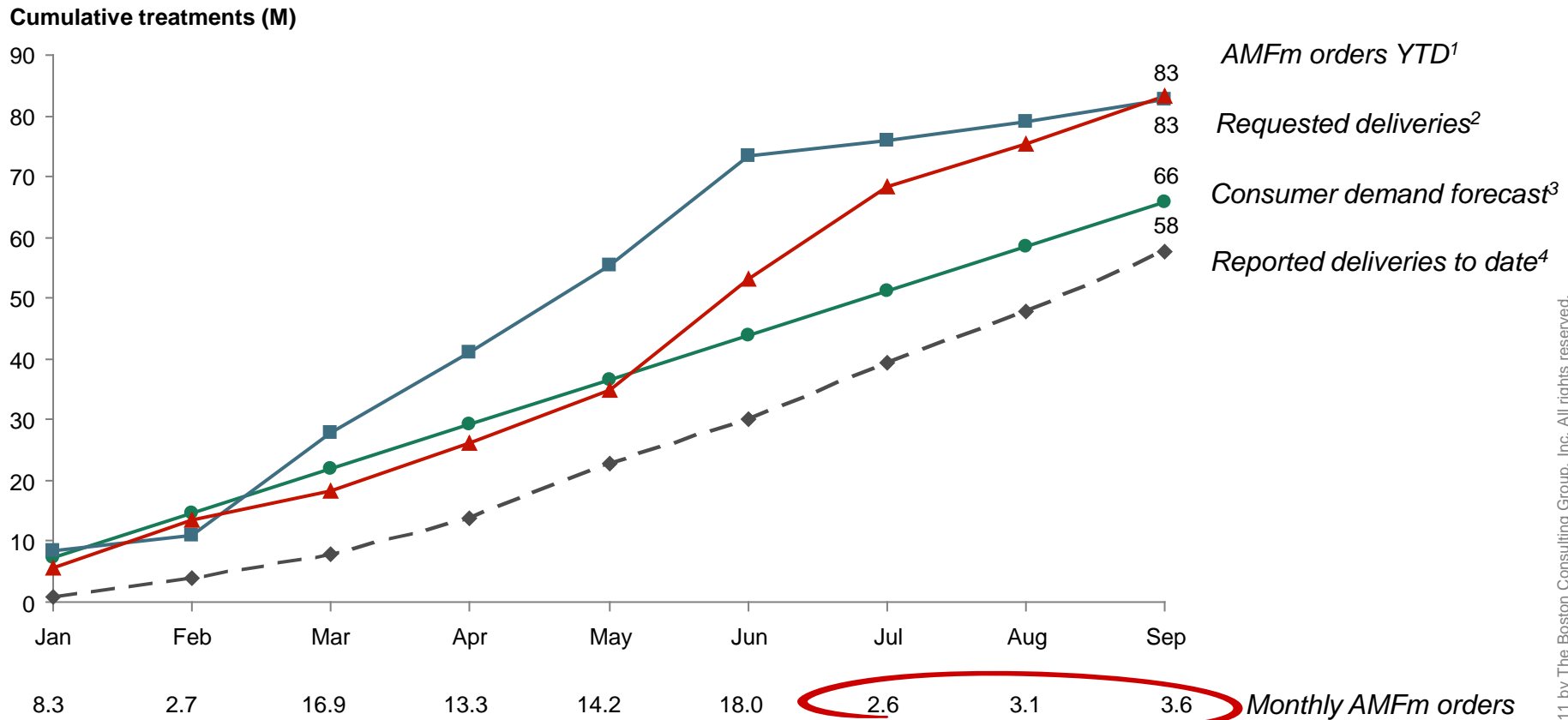
1. "Adult" treatments defined as highest weight band across all formulations (e.g., AL 6x4). "Child" treatments defined as lowest three weight bands (e.g., AL 6x1, 6x2, and 6x3).

Source: UNITAID consortium forecasts

Recent trends show FLB demand outstripping projected consumer demand and AMFm deliveries, but stabilizing

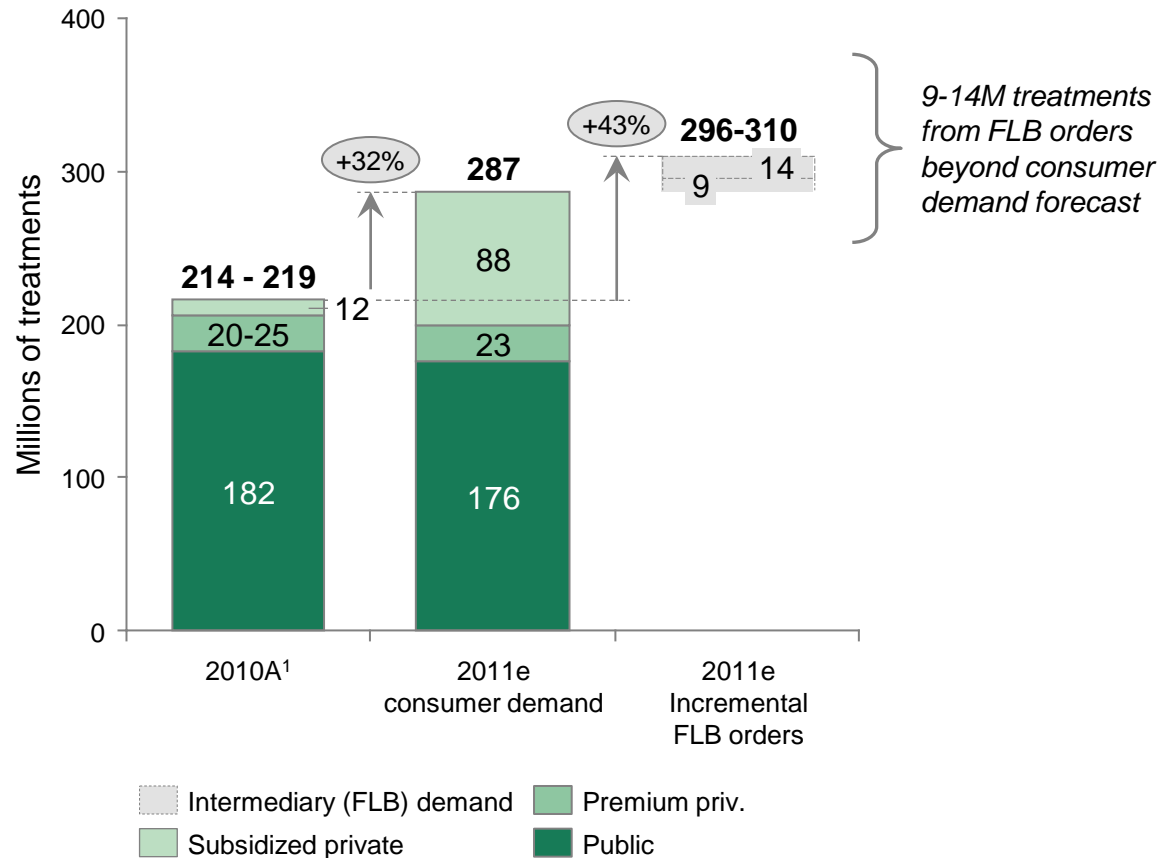
Updated as of October 11th GF AMFm data

NOTE: Private sector only
Year-to-date view



1. Orders with documented 2011 co-payment dates, typically includes current and future requested deliveries 2. Includes all requested delivery dates through September 30 2011, irrespective of when order was placed 3. Total Q3 2011 forecast divided evenly per month across 2011 4. Reported actual deliveries for requested delivery dates in 2011 made through September 30 2011. Actual deliveries may reflect revised agreements between buyers and manufacturers regarding delivery times, and hence the delta between this metric and "requested deliveries" does not necessarily reflect delay. Source: Data on first-line buyer requested deliveries, courtesy of Fabienne Jouberton, GF.

Expect 2011 orders to exceed modeled consumer demand slightly, even under more stringent AMFm order approvals



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Perspectives on 2013 demand

Several major uncertainties cloud 2013 predictions

	Key issues	Potential impact on 2013
AMFM	<p>Phase 1 pilot results evaluated next year</p> <p>Board decision late 2012</p>	<p>2013 likely to look like 2012 under most scenarios</p> <ul style="list-style-type: none">• Assumes funding available
Global Fund	<p>Round 10</p> <ul style="list-style-type: none">• Grant signatures being collected presently	<p>Delays and changes may shift public channel funding down slightly</p>
	<p>Round 11</p> <ul style="list-style-type: none">• Unclear what share of R11 will go to malaria	<p>Given timelines, unlikely to affect 2013 demand</p> <ul style="list-style-type: none">• Bigger impact on 2014
Other Funders	<p>Huge fiscal challenges</p> <ul style="list-style-type: none">• Will funders sustain their commitment to malaria	<p>Unclear impact</p>

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Questions and answers

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Backup on AMFm

AMFm order summary

We have divided the AMFm FLBs into public and private segments – this analysis focuses on private sector (for-profit and not-for-profit)

- Private FLBs represent ~65% of orders to date, or 112.2M since program inception

Analysis of the AMFm ordering data to-date (as of October 11th, 2011) shows that 101.2M treatments were ordered by private-sector FLBs for expected delivery in 2011

- Of these, 83.3M were expected to have been delivered by Sep 30

Deliveries have lagged orders and requested deliveries, with 57.6M reported deliveries posted to the GF database

- As of Sept 30 2011, 69% of requested deliveries were fulfilled (57.6M/83.3M)
- The result is a backlog of about 43.7M unfulfilled 2011 orders (including all requested deliveries until year's end)¹

Decisive order curbing by the AMFm has prevented the backlog from expanding in recent months; ongoing demand-shaping efforts may be needed to reduce order deliveries gap

- Delivery fulfillment rate of 69% is up from 57% at the end of July (39M/68M)

1. To some extent these figures may overstate the true size of the backlog given data entry lags, renegotiation and/or cancellation of deliveries, not yet reflected in the GF database; however, interviews with first-line buyers and other market participants confirmed the underlying picture presented by this analysis.

Some key differences in our order analysis

Forecasting consortium figures

Private sector FLB buyers only

- Public sector demand captured separately in public channel forecast

2011 year-to-date orders and deliveries

- Orders placed Jan through Sep 30
- Requested deliveries for 2011 only
- Orders fulfilled no later than Sep 30

Limited snapshot in time

- Drawn from GF data set at a specific point in time; may not be corrected for recording lags in GF database

vs.

vs.

vs.

AMFm-reported figures

Both private and public sectors

- Larger overall number of orders, slightly higher fulfillment rate

Program-to-date view (since Jul '10)

- Valuable performance metric, but not a parallel comparison to our annual demand forecast

Real-time, evolving dataset

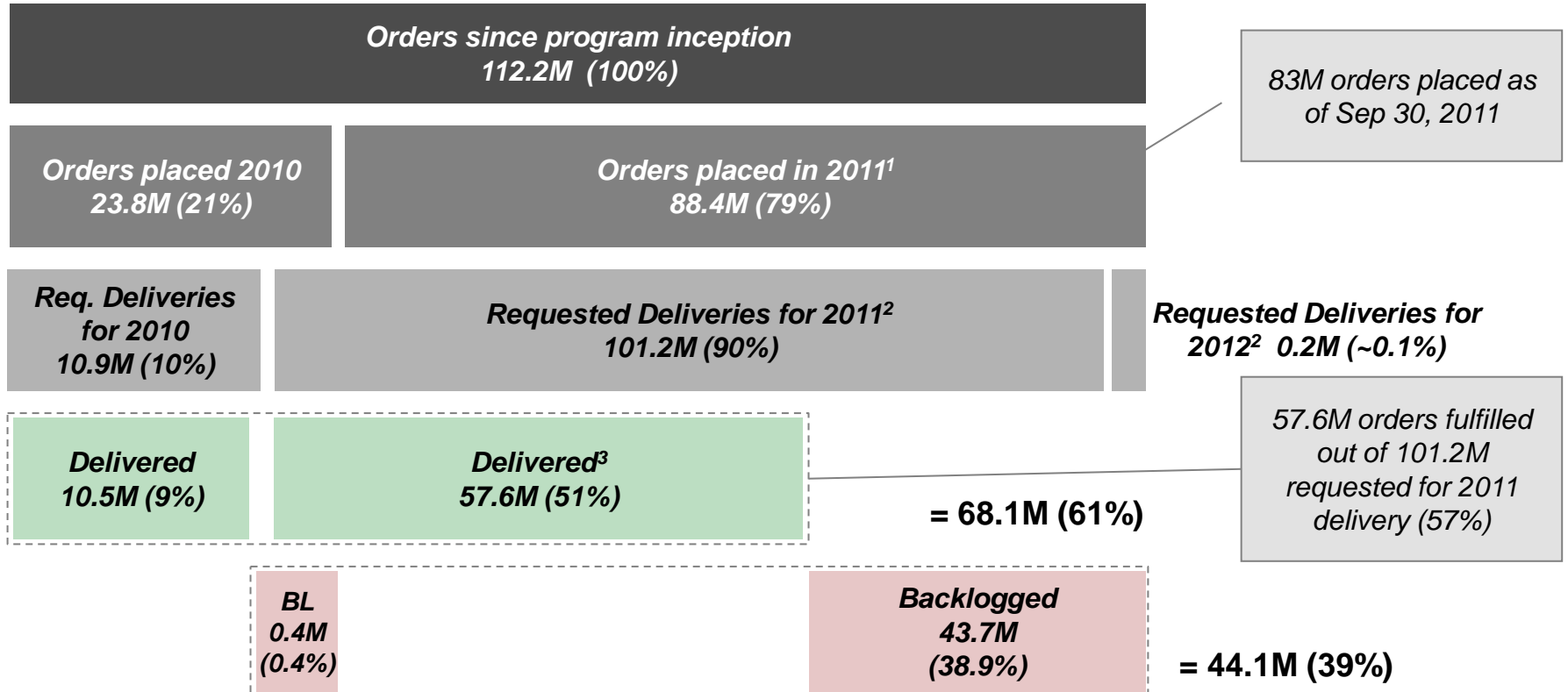
- Capturing latest information, including order cancellations not immediately reflected in database

Meant for comparison to our private sector forecast,
not meant for evaluation of AMFm performance

Growing FLB demand contributes to backlog in deliveries

Updated as of October 11th GF AMFm data

NOTE: Private sector only
Program-to-date view



Note: Numbers may not add up due to rounding; bars not drawn perfectly to scale. 1. Includes private sector orders approved January 1 – October 11, 2011; 82.6M placed between Jan and September, rest in Oct. 2. 2011 Includes requested deliveries Jan 1 – Dec 31st, 2011, reported in GF database as of Oct 11th 2011, including orders placed in 2010.

3. Includes all registered deliveries as of Oct 11th 2011

Source: Data on first-line buyer requested deliveries, courtesy of Fabienne Jouberton, GF.