May Pharmaceuticals is a global, research-based biopharmaceuticals company. May is a leader in the Cardiovascular (CV) Drug Market due to its patented “Blockbuster” drug, HeartPlus®.

After an era of booming growth, May’s profits drastically declined, and have flattened out.

The CEO has hired you to determine the cause of the declining profits, and to propose a recommendation on how May should respond.
May Pharmaceuticals: Revenue and Cost Data

Revenue Breakdown

Revenue

- $40B
- $30B
- $20B
- $10B

CAGR

- 2011-12
- Profit (33%)
- COGS (40%)
- Fixed Costs 0%

Revenue Breakdown for years 2009 to 2013.
May Pharmaceuticals: Revenue Breakdown per Product

Net Sales in May Pharmaceutical’s Product Lines

- **HeartPlus®**
- **Total**
- **Other**
Cardiovascular Drug Industry: Competitive Landscape

Global Market for CV Drugs

Year

Revenue ($B)

2009
2010
2011
2012
2013

Schroeder
Hu
Jacobs
May
# M&A Cost and Revenue Estimates

<table>
<thead>
<tr>
<th></th>
<th>Generic Decongestant Co.</th>
<th>Branded HIV Drug Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value</td>
<td>$9,250,000,000</td>
<td>$47,500,000,000</td>
</tr>
<tr>
<td>SG&amp;A Cost</td>
<td>$5,750,000,000</td>
<td>$2,500,000,000</td>
</tr>
<tr>
<td>Selling Price/Pill</td>
<td>$10.00</td>
<td>$200.00</td>
</tr>
</tbody>
</table>

**Production Cost/Prescription**

<table>
<thead>
<tr>
<th></th>
<th>Generic Decongestant Co.</th>
<th>Branded HIV Drug Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 200M Pills</td>
<td>$200.00</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>Next 100M Pills</td>
<td>$150.00</td>
<td>$3,500.00</td>
</tr>
<tr>
<td>Additional</td>
<td>$150.00</td>
<td>$3,000.00</td>
</tr>
</tbody>
</table>

*1 Prescription = 25 Pills. Assume that one prescription will last one patient one month.*
2015 Market Forecasts

Prescriptions Sold in 2015

<table>
<thead>
<tr>
<th>Prescription Breakdown</th>
<th>500M</th>
<th>40M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decongestants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIV Cocktail</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Generic: 75%
- Branded: 25%

Prescription Sales:
- Decongestants: 75M
- HIV Cocktail: 35M