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Review Article

Artificial Intelligence in the Pharmaceutical Industry: A Comprehensive Review

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ABSTRACT

Artificial intelligence (AI) is catalyzing a paradigm shift in the pharmaceutical industry, enabling faster, cheaper, and more targeted drug discovery and development. Through machine learning (ML), deep learning (DL), natural language processing (NLP), and generative modeling, AI can analyze high-dimensional, multi-source biomedical data to identify novel therapeutic candidates, optimize drug formulation, streamline clinical trials, and provide real-time post-market safety monitoring. This review synthesizes recent advancements (2020–2025) in AI applications across the pharmaceutical pipeline, examines emerging case studies, addresses regulatory and ethical considerations, and discusses future directions such as quantum computing and federated learning. Our objective is to provide a comprehensive and critical reference for researchers, clinicians, and regulatory professionals invested in AI-enabled pharmaceutical innovation.

INTRODUCTION

The pharmaceutical sector has traditionally faced long development timelines (10–15 years) and high attrition rates, with costs to bring a single drug to market often exceeding USD 2 billion (1). The need for more efficient R&D methodologies has driven widespread adoption of AI-based solutions by leading pharma companies such as Novartis, AstraZeneca, Sanofi, and Pfizer (2,3).

AI leverages advanced computational models to:

- Integrate heterogeneous data sources (e.g., omics data, imaging, electronic health records).
- Rapidly identify and validate drug targets.
- Design and optimize molecules virtually before synthesis.
- Predict drug–protein interactions and patient-specific responses.

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Recent market analyses project the global AI in pharma market will grow from USD 905 million in 2021 to over USD 5 billion by 2030, at a CAGR above 30% (4). This adoption is not limited to discovery but extends to manufacturing optimization, quality control, clinical trial efficiency, and pharmacovigilance. The integration of AI with big data analytics, high-performance computing, and cloud-based infrastructure is enabling a transformation toward precision, efficiency, and scalability.

2. AI Methods and Technologies

2.1 Machine Learning (ML)

ML encompasses algorithms that learn patterns from training data and make predictions on unseen datasets. In pharma, ML models are used for:

- Bioactivity prediction of candidate molecules (5).
- Toxicity risk assessment early in development (6).
- Predictive modeling of patient stratification for clinical trials.

Popular ML algorithms include:

- Support Vector Machines (SVMs) — effective in molecular classification tasks.
- Random Forests — robust for QSAR (Quantitative Structure–Activity Relationship) modeling.
- Gradient Boosting Machines — for improved accuracy in classification/regression.
- Ensemble methods — combining multiple algorithms for better generalization.

2.2 Deep Learning (DL)

DL, a subset of ML, employs multi-layered neural networks capable of learning highly non-linear relationships in data.

- Convolutional Neural Networks (CNNs) excel in image-based analysis, such as histopathology slide interpretation and high-content screening.
- Recurrent Neural Networks (RNNs) and transformer models work well for sequential biological data, such as protein sequences or temporal EHR datasets (7).
- DL models underpin graph neural networks (GNNs) that operate on molecular graphs for property prediction and de novo design.

2.3 Natural Language Processing (NLP)

Given the vast and continuously expanding body of biomedical literature (PubMed, clinical trial registries, patents), NLP tools:

- Automate literature mining for novel targets or biomarkers.
- Extract and standardize adverse event reports.
- Identify prior art and potential intellectual property conflicts.

Advanced models like BioBERT and SciBERT fine-tuned on biomedical corpora are increasingly deployed by pharma research teams (8).

2.4 Generative Models

Generative AI approaches have become a cornerstone of computational chemistry:

- Variational Autoencoders (VAEs) learn a compressed molecular representation (latent space) and generate novel analogues.
- Generative Adversarial Networks (GANs) create chemically valid molecules with desired pharmacological profiles (9).
- These models can jointly optimize for potency, solubility, and safety, significantly cutting down the lead optimization cycle.

2.5 Reinforcement Learning (RL)

In RL, agents learn optimal action policies through trial and error, guided by reward signals.

- Applied to retrosynthetic analysis, RL can identify optimal molecule synthesis routes (10).
- In manufacturing, RL-based control systems adapt in real time to optimize batch yields and reduce defects.

3. AI in Drug Discovery and Design

Drug discovery is a multistage, resource-intensive process that involves identifying promising biological targets, screening candidate molecules, and optimizing them before preclinical testing. Traditionally, this phase alone can take 3–6 years and consume a significant portion of the total development budget (11). AI accelerates and de-risks discovery by leveraging massive datasets—genomics, proteomics, cheminformatics, clinical data—to predict efficacy, safety, and manufacturability before laboratory synthesis.

3.1 Target Identification and Validation

Target identification is the process of pinpointing biological molecules (e.g., proteins, receptors, enzymes) linked to a disease. Validation involves confirming that modulating these targets can produce therapeutic benefit.

- AI-driven omics analysis: Machine learning models mine genomics and transcriptomics datasets to detect aberrant pathways in diseases like cancer or neurodegenerative disorders (12).
- Network biology approaches: Graph neural networks model protein–protein interaction networks to find nodes with strong disease associations (13).
- Example: BenevolentAI's platform identified *JAK1* and *JAK2* pathways as critical in COVID-19 inflammation, aiding the selection of Baricitinib (repurposed within months) (14).

Impact: AI systems can reduce hypothesis-generation time from months to days and increase hit rates for validated targets.

3.2 Virtual Screening and Computational Docking

Virtual screening uses computational models to assess millions of molecules for predicted binding to a given target. AI significantly improves:

- Scoring functions — Deep learning predicts binding affinities with better generalization than rule-based docking engines.
- Chemical space expansion — AI can explore novel chemical scaffolds beyond existing libraries (15).
- Integration with physics-based simulations accelerates prioritization for high-throughput synthesis.

3.3 Lead Optimization

After identifying a 'hit' compound, optimization is required to enhance potency, selectivity, and ADME/Tox properties.AI assists in:

- Predicting structure–activity relationships (QSAR) using ensemble ML models.
- Multi-parameter optimization via reinforcement learning, balancing potency with solubility and safety.
- Reducing candidate attrition due to unforeseen toxicity (16).

3.4 De Novo Drug Design with AI

Generative models can design molecules "from scratch":

- A VAE trained on ChEMBL data can propose analogues predicted to cross the blood–brain barrier while minimizing hepatotoxicity (17).
- GAN-based frameworks allow goal-directed generation, e.g., optimizing dopamine receptor ligands for Parkinson's disease.

3.5 Case Studies of AI-Enabled Drug Discovery

1. Exscientia & Sumitomo Dainippon Pharma — Created DSP-1181, an anti-OCD compound, designed in under 12 months vs the industry average 4–5 years (18).
2. Insilico Medicine — Generated a novel fibrosis drug candidate; preclinical stage reached in 18 months at a cost of ~$2.6M (19).
3. Atomwise — Utilized convolutional neural networks for virtual screening against Ebola virus—identified several micromolar inhibitors within weeks (20).

Table 1: Examples of AI-Driven Drug Discovery Success Stories

Company/ Project	AI Method Used	Target/ Disease	Time to Candidate	Stage Achieved
BenevolentAI/ Baricitinib	Knowledge graphs + ML	COVID-19 inflammation	<3 months	Approved repurpose
Exscientia/ DSP-1181	Reinforcement Learning + DL	OCD	<12 months	Phase I
Insilico Medicine	GANs + RL	Fibrosis	18 months	Preclinical

4. AI in Drug Formulation and Manufacturing

The formulation and manufacturing phases of pharmaceutical production are critical for ensuring drug efficacy, safety, and patient acceptability by optimizing dosage form and production processes. Traditionally, these activities rely heavily on experimental trial-and-error methods, leading to resource-intensive timelines. Artificial intelligence offers a transformative approach by enabling predictive modeling, adaptive process control, and customization of dosages, ultimately improving product quality and manufacturing efficiency.

4.1 Predictive Modeling for Formulation Development

Formulation science requires an understanding of complex interactions between active pharmaceutical ingredients (APIs), excipients, and processing conditions. AI algorithms, especially machine learning models, utilize historical formulation and experimental data to predict critical formulation attributes such as:

- Drug solubility and dissolution rates
- Stability under various storage conditions
- Bioavailability and release profiles

For example, predictive models based on random forests or artificial neural networks can forecast which excipient combinations will produce stable and efficacious formulations, reducing the need for exhaustive laboratory testing (21). This accelerates the development of novel formulations, including extended-release and targeted delivery systems.

4.2 Process Optimization and Quality Control

Manufacturing processes benefit from AI-powered real-time monitoring and control systems. Sensor data streams from manufacturing equipment are analyzed using deep learning and reinforcement learning techniques to:

- Detect deviations and potential failures early
- Adjust process parameters automatically to maintain batch consistency
- Optimize yields while minimizing waste and energy consumption

Such AI systems are particularly valuable in continuous manufacturing paradigms, enabling adaptive control loops that surpass traditional rule-based approaches (22). AI also assists in predictive maintenance of equipment, avoiding costly downtime.

4.3 Personalized Dosage Forms

Personalized medicine requires tailoring drug dosages to individual patient characteristics such as genetics, age, weight, and comorbidities. AI facilitates this personalization by integrating patient-specific data and modelling pharmacokinetics and pharmacodynamics. Advanced manufacturing techniques like 3D printing are coupled with AI algorithms to produce customized dosage forms with specific release rates and compositions (23).

This approach holds promise for complex diseases requiring polypharmacy or for paediatric and geriatric populations with unique metabolic profiles. AI-driven personalization improves therapeutic outcomes while reducing adverse effects.

5. AI in Clinical Trials and Patient Monitoring

Clinical trials are among the most time-consuming and expensive stages of drug development, often taking 6–8 years and accounting for nearly 60% of the total R&D cost (24). AI offers transformative solutions by improving trial design, enhancing patient recruitment, reducing dropout rates, and enabling real-time monitoring of trial participants.

5.1 AI-Driven Trial Design

Traditional trial designs are often static and inflexible, requiring predefined protocols and fixed endpoints. AI enables adaptive trial designs that evolve based on interim data analysis. These designs can:

- Adjust dosages dynamically
- Alter patient cohort allocations
- Modify inclusion/exclusion criteria in real time

Machine learning simulations can model complex trial scenarios before initiation, predicting optimal sample sizes, expected recruitment timelines, and potential bottlenecks (25). Such simulations help sponsors reduce trial failures due to poor planning.

5.2 Patient Recruitment and Screening

AI streamlines recruitment by mining electronic health records (EHRs), medical imaging archives, and genomic databases to identify eligible participants faster than manual screening. NLP tools extract structured insights from unstructured clinician notes, ensuring precise patient matching.

Example: IBM Watson for Clinical Trial Matching reduced recruitment times by automatically parsing medical histories and identifying trial-eligible breast cancer patients in large hospital systems (26).

5.3 Predicting and Preventing Dropouts

Patient retention is critical to ensuring study validity. AI analyzes historical participation data and patient engagement metrics to forecast the likelihood of dropout, enabling proactive interventions. These may include:

- Personalized reminders and education
- Telehealth check-ins
- Adjustments in visit schedules for patient convenience

5.4 In-Trial Monitoring and Safety

Wearable devices, biosensors, and smartphone applications feed continuous health data into AI platforms. Deep learning algorithms detect abnormal patterns such as arrhythmias, fever spikes, or biochemical changes, triggering immediate alerts to trial coordinators.

This not only enhances patient safety but also improves data granularity, making endpoints more robust and reflecting real-world performance.

5.5 Virtual and Decentralized Clinical Trials

Accelerated by the COVID-19 pandemic, virtual trials combine at-home data collection with cloud-based AI analytics. AI ensures data integrity across multiple decentralized collection points and compensates for missing data using advanced imputation techniques (27). This approach:

- Reduces geographic recruitment barriers
- Improves participant diversity
- Cuts trial costs by minimizing physical site overhead

Table 2: AI Applications in Clinical Trial Optimization

Stage	AI Capability	Benefits	Example Technology
Trial Design	Simulation & optimization	Reduced failure risk, efficient planning	Bayesian adaptive models
Recruitment	EHR mining & NLP	Faster recruitment, accurate screening	IBM Watson CTM
Retention	Predictive analytics	Lower dropout rates, improved engagement	ML-based adherence models
Monitoring & Safety	Wearable integration + DL	Real-time AE detection, early intervention	Apple HealthKit + AI pipeline

6. AI in Pharmacovigilance and Post-Marketing Surveillance

Even after regulatory approval, medicines must be continuously monitored for safety, as rare or long-term adverse effects may only become evident when used by larger and more diverse populations. This ongoing safety assessment, called pharmacovigilance, is a legal and scientific duty for manufacturers and regulators. AI is emerging as a powerful tool to automate, scale, and enhance post-market drug safety systems.

6.1 Automated Adverse Event Detection

Pharmacovigilance traditionally relies on voluntary adverse event reports to bodies such as the FDA's FAERS or WHO's VigiBase. AI augments this by:

- Mining structured datasets like EHRs and insurance claims for statistically significant adverse event patterns (28).
- Analyzing unstructured data using NLP — scanning clinician notes, social media, patient forums for safety signals (29).
- Real-time flagging of potential safety concerns before they reach a crisis stage.

Example: A deep learning model trained on FAERS data identified early cardiovascular risk signals for certain kinase inhibitors months before regulatory warnings were issued.

6.2 Signal Prioritization and Validation

Safety databases contain millions of case records, many of which have noise and duplication. AI

techniques — clustering, deduplication algorithms, and Bayesian score ranking — help:

- Filter false positives
- Prioritize high-confidence safety signals
- Guide regulators and pharmas to focus resources on the most urgent safety investigations (30)

6.3 Integration of Real-World Evidence (RWE)

AI allows continuous integration of real-world data (RWD) sources — including wearable devices, home monitoring kits, pharmacy records, and lab test results — to complement traditional pharmacovigilance.

- Machine learning can merge disparate RWD streams to detect evolving trends in drug usage and safety.
- Predictive algorithms can identify patient subgroups at higher risk of adverse drug reactions (ADRs) based on genetic or co-medication profiles (31).

6.4 Regulatory Applications

Agencies such as the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA), and the UK's Medicines and Healthcare products Regulatory Agency (MHRA) are increasingly recognizing the transformative potential of artificial intelligence (AI) in pharmacovigilance. These regulatory bodies are actively exploring and piloting AI-driven tools to enhance the efficiency, accuracy, and scalability of drug safety monitoring processes. By leveraging machine learning and natural language processing, AI can rapidly analyse vast volumes of structured and unstructured data—including adverse event reports, electronic health records, and scientific literature—to detect safety signals earlier and more reliably than traditional methods.

In particular, the EMA has taken a proactive stance through its "Big Data Steering Group," which was established to advance the use of innovative technologies in regulatory science. A key priority for this group has been the integration of AI and advanced analytics into pharmacovigilance frameworks. The goal is to significantly accelerate safety signal detection, enable more timely and evidence-based decision-making, and ultimately support faster, proactive updates to product labelling to protect public health. This aligns with a broader vision to modernize regulatory oversight in an era of data-driven healthcare.

Table 3: AI-Enabled Pharmacovigilance Functions

Function	AI Methodology	Benefit	Example
AE Detection	NLP + Deep Learning	Identifies ADRs in EHRs, social media	MedWatcher Social
Signal Prioritization	Bayesian Modelling	Reduces false positives, ranks true signals	FDA Sentinel
RWE Integration	Predictive Modelling	Detects high-risk subgroups early	Flatiron Health platform
Regulatory Intelligence	Data mining + NLP	Speeds up case review & label change decisions	EMA AI pilot

7. Regulatory Science, Ethics, and Adoption

The integration of artificial intelligence in pharmaceuticals introduces not only technical opportunities, but also regulatory, ethical, and social challenges. For AI-driven solutions to be adopted at scale in drug discovery, manufacturing, and safety monitoring, they must align with evolving compliance frameworks and address fundamental ethical concerns.

7.1 Regulatory Frameworks for AI in Pharma

Regulators have begun issuing guidance on AI/ML use in life sciences:

- FDA (U.S.): The "AI/ML-Based Software as a Medical Device (SaMD) Action Plan" and its Good Machine Learning Practice (GMLP) principles outline expectations for dataset integrity, transparency, and model change protocols in clinical and post-market settings (32).
- EMA (Europe): The agency's "Reflection Paper on Use of AI in the Medicinal Product Lifecycle" (2023) calls for explainability, bias detection, and human oversight during all AI-assisted decisions (33).
- ICH Collaboration: Discussions are underway to harmonize AI validation standards globally, analogous to ICH E6 (GCP) and E8 (R3) guidelines, ensuring multinational trial consistency.

Key regulatory expectations include:

- Transparency: Clear documentation of datasets, model architecture, and decision logic.
- Validation & Verification: Demonstrated model performance across multiple datasets and populations.
- Lifecycle Management: Monitoring and re-validation after model updates, especially for adaptive AI systems.

7.2 Ethical and Social Considerations

The ethical landscape of AI in pharma revolves around patient rights, fairness, and trust.

7.2.1 Data Privacy and Security

AI systems rely on sensitive health datasets. Compliance with privacy laws such as HIPAA (U.S.), GDPR (EU), and similar data protection regulations is mandatory. Techniques like federated learning and homomorphic encryption are gaining traction to analyze patient data without centralizing it (34).

7.2.2 Bias and Fairness

Bias in AI training data — whether demographic, geographic, or socioeconomic — may lead to inequitable healthcare outcomes. To mitigate this:

- Train on diverse, representative datasets.
- Continuously monitor for performance disparities across subgroups.
- Incorporate fairness-aware algorithms.

7.2.3 Explainability

"Black box" models pose a challenge for regulatory approval. Explainable AI (XAI) methods, such as SHAP (Shapley Additive Explanations) and LIME (Local Interpretable Model Agnostic Explanations), can make decision-making more transparent to both regulators and healthcare practitioners (35).

7.3 Adoption Barriers and Enablers

Barriers:

- Resistance from stakeholders due to lack of trust in AI-generated recommendations.
- Scarcity of interdisciplinary expertise combining data science and biomedical knowledge.
- Fragmented and siloed health data infrastructure.

Enablers:

- Joint public–private partnerships to build large, interoperable biomedical datasets.
- Clear regulatory sandboxes for testing AI solutions in controlled environments.
- Demonstrated clinical and economic benefit through real-world deployments.

8. Challenges and Limitations

While artificial intelligence is transforming the pharmaceutical landscape, its widespread adoption faces significant technical, operational, and organizational barriers. Understanding these limitations is essential for realistic expectations, regulatory compliance, and sustainable implementation.

8.1 Data Quality, Availability, and Integration

AI models are only as robust as the datasets they are trained on. In pharma, key data challenges include:

- Fragmentation — Clinical, preclinical, and manufacturing data often reside in separate, incompatible systems.
- Data Noise & Incompleteness — Missing values, inconsistencies, and measurement errors can skew predictions.
- Limited Representation — Underrepresentation of certain demographics or rare disease cohorts can lead to biased outputs (36).

Solutions such as data harmonization standards, ontologies, and secure data-sharing frameworks (e.g., federated learning) are essential to overcome these issues.

8.2 Algorithmic Bias and Generalizability

Bias can occur if:

- Training data is skewed toward particular patient groups.
- Models overfit to specific study populations and fail to generalize to new geographies or patient profiles.

Mitigation strategies include:

- Continuous bias auditing.
- Using more diverse and multimodal datasets.
- Incorporating fairness-aware learning paradigms.

8.3 Explainability and Interpretability

Many high-performing AI algorithms, especially deep learning models, operate as “black boxes,” making it difficult for regulatory agencies and clinicians to verify their decisions (37). Without explainable AI (XAI) techniques,

adoption in regulated environments like pharma will be limited.

Approaches to address this:

- Surrogate interpretable models.
- Visual attention maps for image analysis.
- Post-hoc explanation frameworks such as SHAP and LIME.

8.4 Regulatory and Compliance Uncertainty

- AI-specific guidance from FDA, EMA, and other agencies is still evolving.
- Companies may hesitate to invest heavily in AI without clearer global harmonization.
- Adaptive AI systems that change behavior over time pose unique compliance and lifecycle management challenges.

8.5 Skills Gap and Cultural Resistance

Pharmaceutical organizations often lack sufficient in-house AI expertise, creating dependence on external vendors. Additionally, cultural resistance — from scientists accustomed to traditional methodologies — can slow adoption unless there is:

- Adequate staff training.
- Clear demonstration of AI's clinical and operational benefits.

8.6 Infrastructure and Cost Considerations

- High-performance computing infrastructure and secure cloud environments are prerequisites for advanced AI workloads. Investment costs for data infrastructure, cybersecurity, and skilled personnel can be substantial, particularly for smaller biotech firms.

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Table 4: Major Challenges in Adopting AI in Pharmaceuticals

Challenge	Impact	Potential Mitigation
Data Fragmentation	Limits model accuracy	Data harmonization, federated learning
Algorithmic Bias	Unreliable predictions	Diverse datasets, bias auditing
Lack of Explainability	Regulatory approval delays	XAI methods, documentation
Regulatory Ambiguity	Slows uptake	Clearer guidelines, global standards
Skills Gap	Implementation bottlenecks	Training, cross-disciplinary teams
High Setup Costs	Barrier for SMEs	Partnerships, cloud services

9. Future Prospects

Artificial intelligence in pharmaceuticals is still in an early but rapidly accelerating phase. Over the next decade, several technological and operational trends are expected to significantly expand its capabilities and impact.

9.1 Quantum Computing for Drug Discovery

Quantum computing promises to revolutionize molecular modeling and simulation by solving computational chemistry problems that are intractable for classical computers. Its integration with AI could:

- Enable *exact* quantum-mechanical simulations of molecular interactions.
- Dramatically reduce the time for virtual screening of ultra-large chemical libraries.

- Improve predictions of protein folding and dynamic behavior in physiological environments (38).

9.2 Federated and Privacy-Preserving Learning

Sharing patient data across institutions is often restricted by privacy regulations. Federated learning allows AI models to be trained collaboratively across multiple organizations without centralizing sensitive data.

- Improves dataset diversity while preserving compliance with HIPAA, GDPR.
- Boosts prediction quality for rare diseases and underrepresented populations (39).

9.3 Multi-Omics Data Integration

The next frontier in precision medicine involves integrating genomics, transcriptomics, proteomics, metabolomics, and microbiome data (multi-omics).

- AI models can detect complex, multi-layered biological patterns that single-omics approaches miss.
- Facilitates identification of novel biomarkers and combinational therapeutic strategies (40).

9.4 AI for Rare and Neglected Diseases

AI can prioritize drug candidates for rare diseases where economic incentives for traditional R&D are limited.

- Drug repurposing algorithms can identify existing compounds with efficacy against rare disease pathways.
- Smaller patient datasets can be effectively leveraged using transfer learning techniques.

Example: Healx's AI system has accelerated identification of repurposing opportunities for Fragile X Syndrome and other orphan conditions (41).

9.5 Digital Twins in Pharma and Healthcare

Digital twins — virtual replicas of patients or manufacturing systems — can be used for:

- Simulating individualized drug regimens and predicting patient responses.
- Predicting manufacturing process outcomes before physical trials.
  This concept could transform both patient care and production scaling.

9.6 Convergence with Other Emerging Technologies

- Synthetic biology + AI for designing microbial cell factories to produce complex drugs.
- Nanomedicine + AI for predicting nanoparticle–cell interactions.
- Advanced robotics in automated AI-driven laboratories ("self-driving labs") to drastically reduce experimental cycles.

CONCLUSION

Artificial intelligence has become a strategic enabler in the pharmaceutical industry, transforming processes from early-stage drug discovery to post-market safety monitoring. By leveraging machine learning, deep learning, natural language processing, and generative modeling, AI offers unprecedented capabilities: accelerated target identification, efficient compound screening, optimized manufacturing, adaptive clinical trials, and real-time pharmacovigilance.

Despite these advances, several adoption challenges persist — including data quality issues, regulatory uncertainty, bias, and explainability. Addressing these will require coordinated efforts between AI developers, pharmaceutical scientists, regulators, and patient advocacy groups. Transparent governance frameworks, well-curated datasets, and interoperability standards will be essential for realizing AI's full potential.

Looking ahead, the convergence of AI with quantum computing, multi-omics integration, advanced robotics, and digital twin models heralds an era of highly personalized, safe, and cost-effective therapeutics. If ethical, regulatory, and technical hurdles are proactively managed, AI is poised to fundamentally redefine pharmaceutical innovation over the next decade.

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