Heads of Terms

Welcome to Issue 4 of termsheet, PharmaVentures’ quarterly publication providing expert knowledge and insight from our team into the deal-making sector. This year has been a challenging year for all those involved in deal-making. Not only have businesses adapted to the many pressures and constraints continuing to shape and condense the industry, but we’ve also noticed a huge increase in how risk-averse the industry is. Now, more than ever, deal-makers are enlisting the help of experts to facilitate deal-making, partnering and fund-raising. Whilst helping PharmaVentures’ clients, I have recently met with many of the leading figureheads of global Biotech industries, representatives from Canada, Australia, UK and Europe, all of whom share one unifying notion: the need for expert advice in order to succeed is crucial.

Large pharma companies are still rationalising their businesses through cost-cutting and consolidation, but continue to look for opportunities to invest and secure future profits. Opportunities for investment and collaboration, although fewer, command higher total deal values; deal-making is becoming more dynamic and creative in order to successfully adapt. We must compete through innovation.

In recognition of the pivotal economic role of our industry, governments are providing greater support. Just last week, I listened to UK Prime Minister David Cameron spell out how he plans to invigorate innovation and growth in our industry in the immediate future.

Many of those companies looking to grow and thrive as we go forward are enlisting the help of PharmaVentures to maximise profitability and ensure that the necessary higher deal values are achieved. Knowledge, experience and expertise are needed more than ever before in deal-making. PharmaVentures has facilitated such profitable expectations and are proud of the part we have played in helping companies thrive.

PharmaVentures will be at a number of conferences through the year, starting with JP Morgan in Jan 2012, and would welcome the opportunity to meet with you and discuss how we can assist your company. Call or email us if you’d like to arrange a meeting or an informal discussion.

We look forward to speaking with you and wish you season’s greetings, and a very prosperous New Year.

Dr. Fintan Walton
Chief Executive
PharmaVentures Ltd.

The Fund-raising Environment – ‘what do you make when you only have lemons?’

The news from the Life Science sector has been weaker than many hoped with respect to fund-raising. On the private side, venture capitalists have withdrawn from making new therapeutic investments, while PriceWaterhouseCoopers’ most recent quarterly analysis of venture investing confirms a continuing reduction in activity. Fund-raising by VCs themselves continues to be prolonged and in the public markets, IPOs have performed poorly. On the plus side, the great white hope for the sector is the corporate venture fund, but this group of investors is increasingly sophisticated in the type, terms and valuations at which they invest. Engaging with and raising investments from this subsector requires a careful approach and management.

We are living down the bubble period that started in the late 1990s and accompanied the sequencing of the human genome. This decline, amplified by firstly the credit crunch and then European sovereign debt defaults, has shifted the investor universe away from risky life science companies, back to the low level it was in the early biotech era of the 1980s.

What do companies do in this environment and how can they survive? Those who survive and thrive will need to harness all the expertise available to ensure they capitalise effectively in this environment.

PharmaVentures is here to help our clients survive. We have a strong track record in valuation, negotiation and transactions and, with the recent additions to our team, are ideally placed to help clients, portfolios and funds consolidate now in order that more survive the unwelcome attention of the liquidator later. Whether you are a company, investor or Limited Partner, we have the connections, skills and the reach to help you be one of the survivors. Big pharma trusts us to divest their assets and act as an intermediary in licensing. Just give us a call to discuss your options.

For more information, please contact Andy Smith: andy.smith@pharmaventures.com
BIO-Europe 2011, Düsseldorf

PharmaVentures recently attended BIO-Europe 2011®, where Life Science dealmakers from around the world engaged in thousands of partnering meetings and shared insights on strategies for building new and productive partnerships. Europe’s largest partnering conference, held October 31–November 2 at the CCD Congress Centre in Düsseldorf, Germany, included Business Development ‘heads of state’ meeting with hundreds of highly innovative life science firms for three days of intensive partnering meetings, many of which will blossom into exciting deals. The seventeenth edition of the event saw nearly 3,000 delegates from more than 1,600 companies participating in 14,765 one-to-one partnering meetings. PharmaTelevision gathered the latest insight from the figureheads shaping the industry, including Peter Brenders, (President and CEO of BioteCanada), Mark Bamforth (CEO of Gallus), William Vickery (Hybrigenics) and Dr John Burt (Chief Business Officer of PolyTherics).

Expert Commentary on the Latest Top Deals

PharmaVentures experts keep abreast of all the deals that matter so that we can best inform our clients.

Lundbeck invested $16 million in Proximagen in a strategic CNS collaboration on 29 September.

Andrew Lomas (Analyst) says: “This deal is all about Lundbeck getting a larger R&D footprint in order to strengthen their pipeline in the medium term. Lundbeck have recently experienced a raft of drug candidate failures; on top of this, the company’s top two selling drugs, Cipralex and Ebixa, lose patent protection in the US in 2012 and in the EU in 2014. In this light taking a 9% stake in Proximagen, a company with a pipeline of CNS assets, makes strategic sense in a CNS market that is becoming ever more competitive.”

Gene-therapy is on the way out with Merck & Co. out-licensing its gene therapy portfolio to Finnish start-up FKD Therapies.

Andy Smith (Corporate Finance) says: “Gene therapy has had its ups and downs over the years and for some conditions like haemophilia, it still offers the greatest hope for a cheap, drug-free therapy after the initial treatment. However the regulatory failures by the UK’s Ark Therapeutics and Holland’s AMT, plus the side effect issues seen in patients in France currently relegate gene therapy away from mainstream medicine and commercial primetime. Hence Merck’s divestment of its gene therapy portfolio to a small start-up. Don’t expect many more transactions involving gene therapy; rather expect the area to go quiet for a while”.

HCV is becoming increasingly current, with Roche expanding its HCV pipeline with Anadys Pharmaceuticals acquisition and Gilead recently acquiring Pharmasset for $11 billion as it is hoping to build one of the largest HCV pipelines.

Andy Smith (Corporate Finance) says: “The approval and launch of the first two direct-acting protease inhibitors as treatments for hepatitis C virus (HCV) infection have galvanised the investor and corporate community to either respond well to positive news, or acquire promising compounds, respectively. Prior to this year, patients treated for HCV infection have had to undergo treatment for a year or more with a number of agents that include the i.v. interferons which have significant side effects. Now the prospects for treatment are starting to look like a combination of direct-acting, highly potent oral anti-virals which will at least transform the quality of lives of patients infected with HCV. Two words of caution are also warranted. The incidence of HCV infection in the developed world is falling because of effective screening of blood transfusions and a biotech company that has had product failures in HIV and HCV previously, may not be the next expensive acquisition for its anti-HCV molecule.”

PharmaVentures to attend J P Morgan

PharmaVentures will be attending the J. P. Morgan 30th Annual Healthcare Conference in January 2012. During the event, we will be showcasing our client companies looking to out-license, in-license or divest/acquire assets. The J.P. Morgan conference is one of the premier industry events attended by senior executives from Pharma and Biotech as well as the investment community.

To arrange a meeting with PharmaVentures during the event or if you would like PharmaVentures to showcase your company or technology, please contact: lucy.cowdery@pharmaventures.com
PharmaVentures has been engaged by Australian biotech company, Avexa Limited to seek an out-licensing partner for OXARA®, a nucleoside reverse transcriptase inhibitor with an FDA approved, abridged Phase III trial design with accelerated approval endpoint. It offers a new extension to existing therapies in the treatment of drug-resistant HIV, especially for patients with limited remaining therapeutic options.

For further information:
Shreesh Saurya
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PharmaVentures is acting on behalf of a major Swiss pharmaceutical company to acquire approved, cancer critical care products for sale in the USA. Attractive terms are achievable for the right products. Our client has an experienced sales force in place to begin commercial exploitation immediately.

For further information:
Kate Moore
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PharmaVentures is working with a global biopharma company who are looking to divest two standalone pharmaceutical manufacturing facilities based in India and North America. Our client wishes to find a suitable buyer for a long term strategic partnership, supplying key products to the parent under long term contracts.

For further information:
Kevin Bottomley
kevin.bottomley@pharmaventures.com

PharmaVentures is currently assisting TauRx to out-license its Phase III asset LMTM for Alzheimer’s Disease. LMTM is a Tau Protein aggregation inhibitor and is possibly the first therapeutic that offers disease modifying capabilities to Alzheimer’s sufferers. In their Phase II clinical trial, TauRx were able to demonstrate significant reduction in disease progression of over 80% at 50 weeks and over 70% at 102 weeks.

For further information:
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PharmaVentures is assisting a company who is seeking to out-license a unique, implantable pulmonary artery monitoring system that records and transmits cardiac and thoracic parameters. The device has therapeutic applications across a range of respiratory and circulatory indications as well as having a significant role in the drug discovery and development processes by determining efficacy, measuring key pharmacodynamic parameters and reducing attrition rates.

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Shreesh Saurya
PhD, MBA
Senior Advisor
Shreesh is a seasoned expert in corporate strategy and financial analysis, a trusted advisor to senior executives of leading Pharmaceutical and Biotechnology companies. With nearly twelve years of experience in the Pharma/Biotech industry he has worked in multiple sectors of academia, pharmaceutical corporations and Life Sciences management consultancies. His experience spans several therapy areas and whole value-chain, from R&D to Marketing and Sales. His expertise lies in corporate strategy, growth strategies, industry and company analysis, strategic planning, competitor analysis, valuations, simulations, innovation management and marketing strategies. Shreesh has a PhD from the University of Cambridge and an MBA from the University of Oxford, Said Business School. He is also a Level II pass participant of the CFA program. At PharmaVentures, Shreesh has worked on a range of strategy, opportunity assessments, investment advisory, valuations, deal structuring, competitive deal activity assessment, licensing and transaction projects for pharmaceutical/biotech companies and private equity/venture capital clients.

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Deal-Structuring
Understanding the value of an asset is an important preparation for deal-making but translating that value into deal terms is a complex and challenging process. A seemingly small change in a royalty tier structure, for example, can have a major effect on value share between deal makers. Fortunately, PharmaVentures’ help is at hand. Using our proven deal-structuring tools, we can create or analyse terms for our clients with the necessary sensitivity and functionality to handle the myriad iterations and variations to preserve target values and uncover deal shares across a broad range of potential future outcomes.

Deal terms value split ratio across peak year sales scenarios

“As sales increase the value split increasingly favours the licensors share. Hence: the deal terms need to reflect this.”
Nigel Borshell

Case Study
A European biotech was hoping to in-license an early stage oncology drug, with the aim to advance it through the clinical pipeline and out-license post proof-of-concept. The deal terms for the in-licensing needed consideration from an initial perspective - getting a fair share of the value for a fair price with affordable milestones, and from a longer term out-licensing perspective - ensuring the expected future deal would give them a fair and valuable reward in the light of their initial licensor’s reach through terms. Poorly constructed initial deal terms can have disastrous effects on ability to out-license, a situation which affects all parties if the future deal would create ‘negative equity’ for the client. PharmaVentures was able to help craft initial terms to satisfy both parties. Terms that could handle the changing value from range of possible commercialisation sales scenarios whilst maintaining our client’s fair share of that value. Thanks to PharmaVentures rapid analytics and strategic term structuring the deal was successfully closed in early 2011.

Premium Contract Sachet-filling Services
cGMP accredited
On behalf of our client, RottaPharm, PharmaVentures is proudly advertising a state of the art pharmaceutical manufacturing facility, based in Ireland.

It is able to offer a highly flexible, premium sachet-filling service, tailored to meet the individual requirements of its customers. The multi-product facility is EU licensed for both commercial pharmaceutical. The company has an exemplary compliance record and has held the excellence through people Gold Standard award for HR practices since 2008, awarded by the Irish Government.

The facility has 5 high speed sachet packaging lines located in its clean rooms. Products currently manufactured at the facility are currently shipped to over 50 markets in Europe, Asia and South America.

Key advantages:
- cGMP accredited and licensed for both commercial manufacturing and clinical trial supply
- Full service offering, including quality control testing and product release by qualified person
- Fully paper-less management system giving electronic batch records and full traceability
- Wide variety of sachet shapes and sizes

For more information, please contact Kate Moore: kate.moore@pharmaventures.com

PharmaVentures Increases Range of Capabilities to Corporate Finance

Andy Smith PhD MBA
Andy has recently joined PharmaVentures to help our clients raise money, value, divest and realise their portfolios and structure transactions. Andy has considerable experience as an investor at 3i Group, Schroders, SV Life Sciences and AXA and before that in R&D and global marketing in the pharmaceutical industry. In his career as an investor, Andy managed 3i Bioscience Investment Trust plc, International Biotechnology Trust plc and the AXA Framlington Biotech fund. Andy was awarded the FTSE techmark Technology Fund Manager of the year in 2006.

Andy joins PharmaVentures from OBN, where he was Director of Business Development, Scrip, where he was a Contributing Editor and Regent’s College, London where he was a Visiting Lecturer.

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