

## Heads of Terms

**The issue is not M&A but how in the future we find effective medicines**

The recent debate and discussions in the UK media on the attempted bid by Pfizer for AstraZeneca (AZ) have largely revolved around the short term impact on jobs in the UK as well as the rights of shareholders and how corporations exploit tax loop holes.

In the end the real question is how we as a society can actually find the drugs that are desperately needed for many incurable diseases? The Pfizer bid for AZ is only a symptom [no pun intended] of the continuous reconfiguring and restructuring of how pharmaceutical R&D can be performed so that we can efficiently find these cures.

How drugs are selected and finally make it to market is determined, quite correctly, through the scrutiny of the regulatory authorities such as the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA). There is an inherent risk in taking a drug through clinical trials and less than 10% of drugs entering human clinical trials will make it to the patient. So how can companies reduce this risk and increase the chances of success?

Pharmaceutical companies have been grappling with the 'how' for the past two decades. Furthermore, in recent years the landscape has been changing, for example, the regulatory hurdles, quite correctly, have been raised so the chances of finding the 'right' drug are lower and so more difficult. Both the pricing and reimbursement (P&R) of drugs place additional hurdles and additional risk on whether a drug actually gets to the patient. In the UK, P&R is regulated through the UK's Department of Health via the Pharmaceutical Price Regulation Scheme (PPRS) and the National Institutes of Clinical Excellence (NICE) respectively. This changed landscape has meant that pharmaceutical companies have had to rethink how they do their research. The concept of large companies doing all their own drug research has been on the wane for years. Great ideas cannot emerge in one place, they happen everywhere and there is evidence that smaller R&D groups are more productive than larger ones. As such, pharmaceutical companies have become more dependent on external R&D provided by universities, charities and venture capital backed biotechnology (biotech) companies. Moreover, pharma companies have been refocusing their efforts to a smaller group of therapeutic areas with the greatest unmet clinical need. For the past five years all major pharmaceutical companies have been reducing their internal R&D efforts and this, by the way, independent of the world economy.

Furthermore, pharmaceutical companies have been moving their R&D activities to locations with the highest research skills, these include Cambridge, Mass, and Cambridge, England.

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## industry insight

### Can pharma restructuring save or even create jobs?

As PharmaVentures completed its 10th successful divestment in May we asked: can the divestment of R&D and manufacturing facilities by pharma really secure jobs?

Although closing sites might sometimes appear to be the easiest option, the intangible benefits to the pharma seller's ongoing business will often drive the strategy towards a desired sale to a new owner or site operator. Finding a buyer who, at the right purchase price, can retain skilled staff employment, and continue to supply products or services to the seller's required quality as part of a mid-term contractual agreement is typically the goal of the pharma company.

In our experience selling to either a CRO or CMO can not only secure some of the existing jobs, but often leads to more jobs being created. Sometimes, however, the best solution for the facility, particularly where all the jobs have gone, is to repurpose the site. Rather than finding a single 'corporate' occupant such as a CMO or CRO, the site can become home to a variety of smaller spin-out and emerging biotech companies, operating within a science or technology park. An example of this is the Merck & Co. (MSD) Newhouse, Lanarkshire site for whom PharmaVentures helped to secure its future with a deal with BioCity Scotland to turn it into a science park. This former Organon research facility became the home to a joint venture between the already established science park operator BioCity, in Nottingham and Scotland's Roslin BioCentre. The 130,000 sq ft of purpose-built laboratories and offices is now home to 20 companies from university spin-outs and entrepreneurial start-ups to established firms in the UK and outside.

The Novartis Horsham facility, for which PharmaVentures has been appointed to secure a future, presents a broader opportunity. Since it has received significant investment in its R&D buildings over the years and has a history in manufacturing, it presents a range of options for, amongst others, CROs/CMOs, science park operators or even universities and other not-for-profit organisations all of which can create highly skilled jobs. The evolution of the pharma model anticipates the continued emergence of biotechs discovering the next generation of therapies and the CMOs and CROs to develop them to the point at which pharma can step back in and commercialise. It's a win-win situation where pharma legacy can continue to benefit the advance of medicine long after the divestment.

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Merck, Newhouse UK



Novartis, Horsham UK

**Pharma restructuring** ... continued from front page

As stated above, in April this year, we secured a buyer for a large US pharma company's biologics manufacturing site in the US. The buyer, a US-based CMO, bought the site and will provide ongoing jobs.

It appears, therefore, that if the divestment by pharma of its R&D and manufacturing sites need not necessarily be a negative step. If managed properly, this can both preserve and bring new jobs as part of our industry's evolution and could be seen as a potential "change for good".

meet the team



**Valeria Uribe**

Advisor

PharmaVentures is pleased to announce the appointment of Latin American expert Valeria Uribe as associate to significantly enhance the global reach of the Corporate Advisory team.

A dynamic professional with formal education in Medical Sciences and international experience in business development in the pharmaceutical and biotechnology industry, Valeria brings knowledge in developing and commercialising products and technologies in Latin America and worldwide.

Valeria received her graduate degree from the University of British Columbia, while conducting research in Dr. Michael Hayden's laboratory, where she worked on target validation in Huntington Disease. She obtained her bachelor's degree cum laude with distinction in Cognitive Neuroscience from Boston University.

[valeria.uribe@pharmaventures.com](mailto:valeria.uribe@pharmaventures.com)

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This has meant moving away from 'remote' R&D sites which originated as manufacturing sites, such as AstraZeneca closing its Cheshire, Alderley Park site and moving to Cambridge and Pfizer moving away from Sandwich in Kent. Most of the large pharmaceutical companies have done similar moves.

This changed landscape means that pharmaceutical companies have had to raise the scrutiny of their existing drug candidates and abandon more of them. To replace them they need to either find more candidates from biotechs or acquire them through acquisitions like Pfizer's attempted bid for AZ or through deals such as Novartis acquiring GSK's oncology franchise.

In the end a key driver is a focus on building the strongest product pipeline. Simply put, companies can strengthen their pipeline through acquisition by keeping the best of the combined businesses and spinning out or axing the weaker candidates. Regardless of Pfizer's bid, the change in 'how' R&D is done will lead to further rationalisation of R&D and a

greater role for biotech to be the key innovators and, as such, we should see a further rise in licensing and partnerships.

Independent of M&A some jobs will be lost forever and individuals will either leave the sector completely or will find jobs or become entrepreneurs in new ventures or the successful expanding parts of the sector including stronger pharmaceutical companies.

Last, and by no means least, what about patients? In the end patients need access to drug therapies that are both effective and affordable. Both of these two elements are out of their control, they are dependent on a strong, buoyant biotech sector to discover them, efficient, well-capitalised pharmaceutical companies to take the risk to develop and commercialise them, and a private and public payer sector willing to pay for them.



Dr Fintan Walton  
Chief Executive,  
PharmaVentures Ltd.

**BIO 2014**

PharmaVentures' Dr Adrian Dawkes will be attending the **2014 BIO International Convention** from 23-26 June at the San Diego Convention Centre, California, USA.

Independent surveys show that partnering events such as BIO drive the majority of successful deals in the biopharma industry.

With the greatest number of private company-to-company meetings in the world, PharmaVentures will use BIO to showcase our current M&A and licensing portfolio as well as meeting with companies that are seeking expert advice for their dealmaking.

To arrange a meeting with Adrian or one of the PharmaVentures Team during BIO please contact [adrian.dawkes@pharmaventures.com](mailto:adrian.dawkes@pharmaventures.com)



PharmaVentures and PharmaTelevision are also delighted to be Media Sponsors at **The European Bionetworks Summit, 7-8 July 2014, Central**

**London.** This important and timely meeting will allow biotech, pharma, academic and funding organisations to evaluate how they partner with other stakeholders in the field to accelerate research and reduce costs.

You will be able to watch case studies, presentations, roundtables and panel discussions on the hottest topics, from leading experts as they demonstrate how to create winning strategic partnerships from modern day collaborations!

Speakers will discuss the key milestones involved and what you need to know before, during and after the partnering process including:

- ▶ The 4 musketeers... pharma, biotech, academia and venture capitalists! Taking advantage of each other's strengths to drive drug discovery and R&D
- ▶ Aligning pharma and venture capitalists... Reviewing how this is impacting on early stage investment
- ▶ Funding for the future – where is the money right now and where is it heading?
- ▶ Positioning your organisation to win new deals by introducing alliance management tools
- ▶ Deal making tips – working through the timeline for creating successful partnerships

**Adrian Dawkes, Vice President, PharmaVentures will be presenting 'Where and how are licensees and acquirers spending their money? An overview of deal trends, structures and deal values.'** This is definitely not to be missed!

# A favourable time to sell a business?

M&A activity has had its best first quarter since 2006. In the three months to 31 March this year, \$277 billion of deals were announced, of which over \$63 billion (22% of deal value) were in healthcare, making it one of the most active sectors.

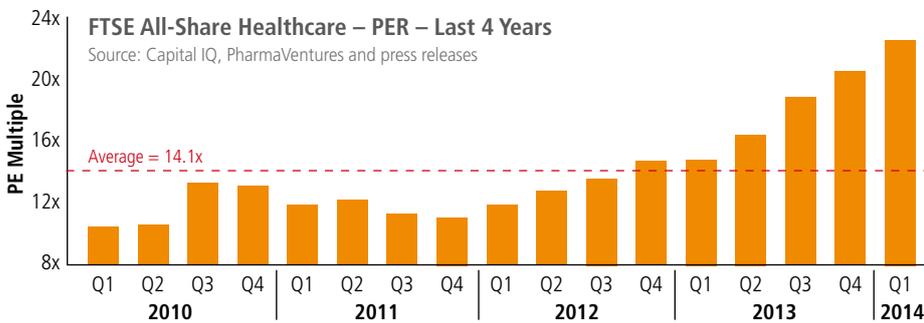
The principal drivers for this marked upswing in healthcare M&A activity include: the continued search for growth in a low growth environment; the \$240 billion plus undeployed cash in healthcare corporates and \$1 trillion private equity 'dry powder'; healthy credit markets; and improving sentiment on the global economy, which is expected (by the IMF) to post an expansion of 3.7% in 2014 (an upward revision to their estimate of 3.0% back in 2013). Market valuations, which are at their highest in four years, are also attracting sellers to divest to eager acquirers. With so many factors being favourable to sellers, PharmaVentures believes that this could be a particularly good time to consider selling a business.

Organic earnings growth for large pharma and medtech is estimated to be a low 3-4% per year and so companies are adopting strategies to position themselves for higher levels of future growth with many companies undergoing M&A-based restructuring. Within biopharma, the large corporates are competing to acquire pipeline products or strengthen their core platforms. An example of such a recent transaction was GSK's asset multi-billion swap with Novartis, which enabled each party to strengthen core strategic areas (vaccines and oncology respectively).

Medtech is undergoing significant industry reconfiguration with some large players acquiring add-on businesses to their key strategic areas, while others are divesting non-core assets. Examples of these deals include: ThermoFisher's \$14 billion takeover of Life Technologies, Smith & Nephew's \$1.7 billion acquisition of Arthrocare and Stryker's \$1.7 billion purchase of MAKO Surgical.

Large companies that can materially impact the future strategy and prospects of global players can achieve high valuation multiples (eg. Stryker/MAKO at over 11x sales). With also healthy equity and debt markets, the environment for divesting large companies is particularly buoyant at present. That said, top premia can only be achieved in situations where a large business can help achieve a significant transformation for or strengthening of a number of global players who have intent.

For smaller organisations, mid-sized healthcare companies have been particularly keen to acquire complementary businesses. An analysis of Capital IQ data by PharmaVentures shows that there were approximately 650 smaller healthcare acquisitions in Q1 2014 (under £100 million). The vast majority of these were made by smaller or mid-sized firms seeking to add platform and expand. About 5% of smaller transactions were made by large MNC type groups seeking technological or geographic add-ons. Finally, approximately 10% of smaller healthcare acquisitions were made by financial buyers such as private equity firms.



Accordingly, there is also good liquidity for owners of smaller businesses who are finding that it is easier to conclude a sale successfully and at a more favourable price during this current period. However, for most smaller businesses, it is worth recognising that the exit is more likely to come from a medium-sized player than a large global one and any sale process and positioning strategy may need or want to reflect this.

PharmaVentures is a specialist in life science/healthcare company sales. If you wish to discuss options in relation to your business, please contact:

Ping Shek, Vice President  
ping.shek@pharmaventures.com

# Calculating and Negotiating Financial Terms Workshop

Following the success of our popular Calculating and Negotiating Financial Terms Workshop in March we are delighted to be running another one on 16-17 June.

We will be holding the event in the Saïd Business School Executive Education Centre at Egrove Park, where excellent onsite accommodation will no doubt add to the immersive experience. There will be a drinks reception and dinner included on night one which is a fantastic networking opportunity.

Facilitated by Nigel Borsshell, the course focuses on valuation techniques and negotiating skills. It is highly interactive with role-play sessions and small seminars which allow delegates to really enter into the spirit of negotiations. During the March course it was great to see how the participants from big pharma and from biotech became immersed in the role play and the feedback was superb.



**Philippe Leca**  
at Provepharm SAS:

*These two days spent with the PharmaVentures' team were highly valuable for the following:*

- ▶ *The methodology was clear and exhaustive, introduced by highly skilled professionals.*
- ▶ *The comprehensive knowledge of the process by the team was critical to make sure that the attendees now have control on all the inputs to run a win-win transaction.*
- ▶ *Knowing that this methodology is accepted and shared by the major players in the industry gives undeniable credit to this workshop.*

*I'd also add that this value was given in very pleasant and welcoming atmosphere.*

*I definitely recommend that people who are in the loop with pharma or biotech strategic alliances attend this seminar.*

**We still have a few spaces on the June course so if you would like to join us please contact Ali Whittaker or Fiona Gardner and they will be happy to help:**

ali.whittaker@pharmaventures.com  
fiona.gardner@pharmaventures.com



PharmaVenture's Elena Lovo attended **SynBioBeta** on 3 April in the entrepreneurial and highly innovative environment that is Imperial College, London.

A forum for start-ups and more veteran players in the synthetic biology field, the conference is now at its second year and growing rapidly. A highly technological and potentially game-changing industry, with applications ranging from healthcare to energy and from environment to material, synthetic biology is blooming in the UK, where the number of scientific papers published in this sector is second only to the US. Regarded as a top priority and highly profitable industry by the UK government, this has launched a significant funding campaign – through the Research Councils and the TBS – to support synthetic biology training and research with a £100M investment part of which, a £30M investment fund, has been set up specifically to support start-ups and spin-offs. A Synthetic Biology Leadership Council will also provide sector-specific strategic support and coordination of activities.

The conference featured more than 30 company presentations grouped in different areas of application and showcasing the high pace of technological progression and keen entrepreneurship spirit in this area. Keynote speaker Dr. Tim Gardner, Director, Research Programs and Operations at Amyris Inc., whose pioneering work on E. Coli's was instrumental to the launch the field of synthetic biology, addressed the issue of data reproducibility and public media and remarked how sequencing and programmable biology will drive standardisation and reproducibility in this field and allow scientists to build on each other's work, becoming a sort of a "stackable" biology.

Deputy Mayor Kit Malthouse also attended the conference and gave the community an update on MedCity and on how the government is highly committed to foster innovation and entrepreneurship in the Life Science/Medical field in the UK.

PharmaVentures is eager to see next year's conference and follow the successes synthetic biology companies and the rapid growth of this industry, whose market is forecast to grow to £10B in 2018 from a current £1.3M.

For more information on this event: <http://synbiobeta.com/event/synbiobeta-london-2014/>



### Anglonordic Medtech/BioTech

PharmaTelevision were delighted to be Media Sponsors again at the Anglonordic Medtech and Biotech Conferences.

The Anglo-Nordic region continues to be one of the fastest growing biotech and medtech regions in the world and these conferences provided the ideal one-stop opportunity to discover, collaborate and invest in this success. The select audience was restricted to decision makers representing drug discovery and medtech companies from the Anglo-Nordic regions and international pharmaceutical and investment firms.

Over the two days there were some excellent panels and a wide range of presentations on topics such as:

- ▶ medical and dental detection technologies
- ▶ manufacturing technologies
- ▶ synthetic biology
- ▶ cell therapy
- ▶ rare disease therapies
- ▶ novel approaches to cancer treatment
- ▶ updates on commercial research funding

A selection of these can be viewed here:

[http://anglonordicmedtech.com/programme\\_2014](http://anglonordicmedtech.com/programme_2014)

[http://anglonordicbiotech.com/programme\\_2014](http://anglonordicbiotech.com/programme_2014)

With over 243 delegates and 300 partnering meetings over the two days the 2014 conference was a great success and we look forward to participating in the Anglonordic Life Science Conference XII.



### BioTrinity 2014

PharmaTelevision and PharmaVentures continue to be sponsors of BioTrinity and this year joined over 1,000 delegates including over 90 investment firms and 30 major pharma companies at the new location in London.

The BioTrinity programme took place over three days from 12-14 May and included ten opinion leader investor and pharma panel discussions, and company showcase presentations from Europe's best biotech and medtech companies.

New for 2014 the main social get-together of the conference was **The Big London Networking Party** with drinks and buffet-style food. This proved to be a tremendous success, receiving great feedback from delegates.

We look forward to continuing as Media Supporters for the 2015 event.

## meet the team



### Nigel Trim

Advisor

Nigel Trim has joined us at PharmaVentures as an associate to significantly enhance our Corporate Advisory offering to the CRO space.

Over the last 30 years, Nigel has worked extensively across Europe, USA, CEE and South East Asia in the CRO and healthcare industry. Nigel has worked across multiple therapy areas within the pharmaceutical, biotechnology and medical device sectors and brings strategic and operational expertise to the team.

Nigel has extensive experience in M&A, integration, and creating and managing growth, having successfully built and sold several of his own companies, including Matrix Contract Research. He has also held several senior positions in international contract research organisations, most recently working as Managing Director of Venn Life Sciences. Prior to that, Nigel held the position of European Managing Director of Novella Clinical.

[nigel.trim@pharmaventures.com](mailto:nigel.trim@pharmaventures.com)