

Heads of Terms

Welcome to the June, BIO Special Edition of "termsheet". Recent months have been very busy for dealmakers in our industry and for PharmaVentures also. The first half of 2011 has seen us assist UCB in the sale of three manufacturing sites and as we go to press another site sale for a major pharma client is about to close. We continue to assist multiple clients with other asset divestments as well as valuation, deal structuring, negotiation support, strategy and expert witness services.

This month finds us at BIO in Washington, USA where we look forward to spending time with many of our existing clients and friends as well as meeting new faces and exploring how we can help even more businesses to achieve their goals.

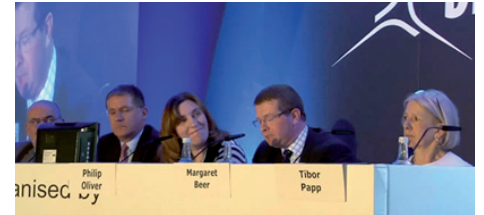
If you are attending BIO, come and visit us on the UKTi stand (Stand Number 1405) and we would be happy to meet up with you to discuss how PharmaVentures can assist you.




Dr Fintan Walton
Chief Executive,
PharmaVentures

Fewer Deals, Less Risk and Filling the Pipeline Can Big Pharma Have Its Cake and Eat It?

At BioTrinity in May, industry heavy hitters from AstraZeneca, GSK, sanofi-aventis, Eli Lilly and Merck & Co took part in a panel chaired by PharmaVentures to discuss how their deal making has had to become more creative in order to overcome the increasing risks posed in commercialisation



of innovation. All of the large pharma companies were keen to embrace flexible collaborative deal structures for increasingly early stage licensing but indicated the bar has been significantly raised in terms of the asset and data quality requirements leading to a sharpening of the scrutiny of development, pricing and regulatory risks. Deal makers are working as hard as always in Big Pharma but new deal structures and greater diligence has resulted in a degree of stagnation in deal numbers plus ongoing financial pressures make licensees more selective. With internal R&D budgets being cut, only a limited number of projects, whether internal or licensed, can be run and more predictability in pipeline attrition is expected especially at early stage. Creative ways of externalising risks has become imperative and various types of 'real options' to limit exposure are now mainstream for all companies. Large pharma companies are also looking further afield and being increasingly business-like when generating deals with academic institutions with all the participants evidencing extensive collaborative and financial agreements with large universities to share data and support early stage pipeline generation from these relationships. Eli Lilly gave further detail on their commitment to a new externalised fund that will be shared with VCs up to the value of \$750m each. These funds are quite different to the Lilly Chorus experiment and will also take on products from outside with their fund managers given the authority to make investment decisions across the portfolio of programmes. Other panellists confirmed that such models were on their horizon, indicating a major shift in thinking to share in the risks but also the returns of their internal projects while increasing access to new qualified innovation.

For more information on PharmaVentures Advisory Services:

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PharmaVentures Strengthens its Dealmaking Team



Ping Shek has joined PharmaVentures as a Senior Director in the Transactions division of Corporate Advisory. With increasing M&A activity PharmaVentures has taken this opportunity to bring on board a high caliber dealmaker to work on a number of key M&A and divestment mandates.

Ping has substantial healthcare and investment banking experience which will be invaluable to clients looking to optimise their business assets.

Ping is a physics graduate from Oxford and has an MBA (with a distinction in Advanced Corporate Finance) from the London Business School. He has previously worked with investment bankers Morgan Stanley International, Lazard Brothers, JP Morgan, Monitor Group and the Anglo Chinese Group.

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Could Your R&D or Manufacturing Plant Deliver More Value?

With an excess of capacity in the marketplace many companies are looking at how they can extract the most value from their manufacturing and R&D facilities. Applying some proven, robust analytical and evaluation methodologies allows all potential scenarios to be evaluated. In many cases options that had not previously been considered have proved fruitful. PharmaVentures have been working closely with Government agencies on an initiative to address this area.

PharmaVentures experts visit all the facilities and conduct a detailed assessment along with in depth discussions with key stakeholders to determine:

- ▶ The future lifecycle of current products or projects
- ▶ A review of market segments served by the sites and implications of the scenarios analysed
- ▶ The impact of the analysis on existing pipelines and the bearing on corporate strategy

PharmaVentures then produce a detailed healthcheck report identifying the

attractiveness of fixed assets and making recommendations for the site on how to retain current jobs, secure additional investments and maximise utilisation of the facility.

This approach has already been used successfully and has received excellent feedback:

"The PharmaVentures consultancy provided a very useful validation of our general current site development strategy, as well as identifying some areas for potential business development. Critically they are also able to identify areas of business risk and suggested strategies to address these. I recommend this as a very useful and relatively non-intrusive business health check for any pharmaceutical manufacturing site."



Gearoid Walsh, VP, Finance & IT,
Astellas Ireland

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Mentoring Emerging Biotech Companies



PharmaVentures is an active contributor in many forums and runs regular workshops providing insight and training in many aspects impacting upon the growth and development of healthcare companies. As part of this activity Adrian Dawkes recently took part in the Europe Unlimited Investment, Atlantic Forum in Oviedo, Northern Spain, where entrepreneurs pitched their investment propositions to a panel of industry professionals who gave advice and insight in addition to selecting the most promising propositions for progression to European semi-finals and finals.

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LES Workshop

Wednesday June 8th London



"Changing Commercial Practices and Ethical Obligations – a Life Sciences Perspective", was a highly successful bio/Pharma workshop held at the annual Licensing Executives Society International (LESI) conference in London. The workshop focused on the current trends in licensing deals, enabling participants to discuss their perception of key trends and issues, such as the growth of options; why have co-promotion rights; is equity a conflict of interest; changes in the balance

of negotiation strength and who gains in the present climate and the growing use of ethical clauses i.e. agree to follow my values or no deal. Fintan Walton and Nigel Borshell of PharmaVentures presented up to date industry analysis to support the discussions and initiated an interactive and very well received session hosted by UK's LESI current president Mark Wilson from GSK. "...Why can't all workshops be like this", one delegate stated at the close.

meet the team

Jansen Jacob PhD, MBA (Advisor)



Jansen's expertise lies in transactions, business strategy & planning as well as market and competitor analysis. His skills include product and technology

valuations, benchmarking, deal structuring and litigation support in the pharmaceutical sector. With over 15 years in the life science sector Jansen's experience covers DNA therapeutics, immunotherapy, animal health and plant science research. Jansen holds a chemistry degree from Gandhiji University, a DPhil in Biochemistry from the University of Sussex and an MBA from Oxford Brookes University.

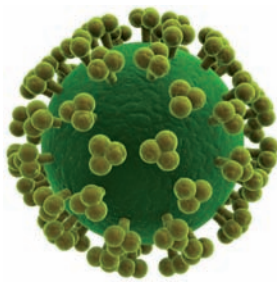
deal highlights



PharmaVentures were engaged by Theratechnologies, a Canadian Biotech company, to find a marketing partner to distribute and license *Egrifita* (Tesamorelin) in Europe. Tesamorelin is a stabilised analogue of the growth hormone-releasing factor (GRF) that reduces visceral fat in HIV-infected patients with abdominal lipohypertrophy. Following a campaign by PharmaVentures, we introduced Theratechnologies to Grupo Ferrer, a privately-held European R&D-based pharmaco-chemical and medical device company based in Spain. A distribution and licensing agreement has recently been agreed providing Grupo Ferrer with the commercialization rights to Tesamorelin in Europe, Russia, South Korea, Taiwan and certain central Asian countries.

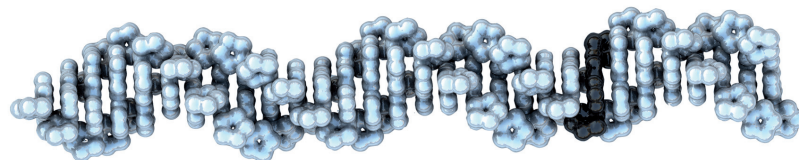
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featured clients

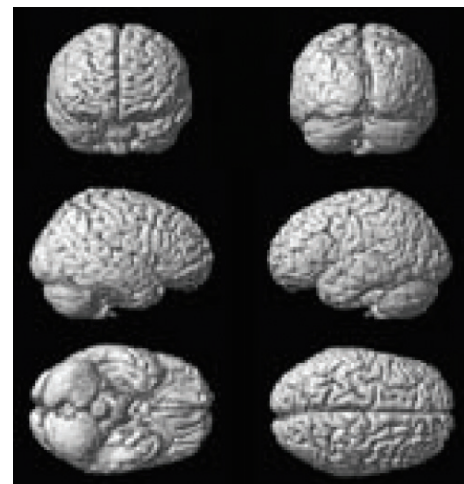
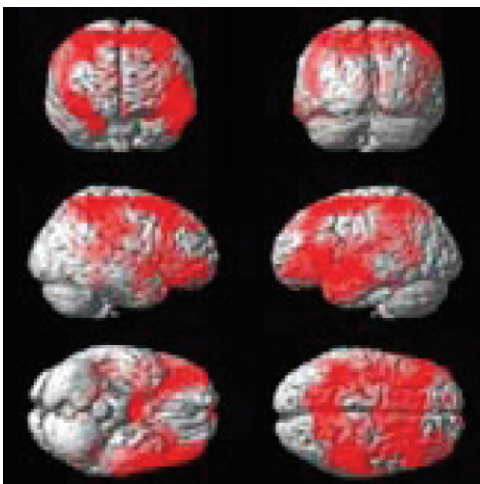


PharmaVentures has been engaged by an Australian Biotechnology company to assist them in partnering a late-phase development treatment for HIV infection. The asset has reached Phase III clinical development and the company is now seeking a commercialisation partner.

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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.



Pharmaventures is currently assisting TauRx to out-license its Phase III asset LMTX for Alzheimer's Disease. LMTX 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.

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conference update

PharmaVentures will be attending the following conferences:

- **BIO International Convention**
27–30th June, Washington, USA
- **BioPharm America**
7–9th September, Boston, USA
- **World Pharma Innovation Congress**
18–20th October, London, UK
- **BioEurope**
31st October – 2nd November
Duesseldorf, Germany

product news

Coming Soon From PharmaVentures

PharmaDeals, the publishing arm of PharmaVentures, and PharmaTelevision will be working with the global publishing giant Bloomberg to provide business critical content to over 300,000 of their customers. As well as a catalogue of expert industry reports, PharmaDeals will provide deal making and related financial data and information to Bloomberg, including content from the latest *PharmaDeals v4 Enterprise Edition*.

PharmaTelevision's growing catalogue of industry insight video interviews will also be available to Bloomberg customers in this unique package of healthcare industry intelligence.

For more information or a demonstration of these products:
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The Royalty Rate Report 2011

A Comprehensive Assessment of Valuation in the Pharmaceutical Sector

Guiding you and your team to maximise the value of your deals:

- ▶ **New survey data and analysis of a recent major survey**
to show changes in deal making over the last 5 years and how royalty rates have evolved
- ▶ **More case studies**
PharmaVentures highlights the issues and pitfalls and gives you the strategies to avoid them
- ▶ **New fully interactive report format**
fully searchable, presentation ready tables and graphics, nine language translations and "cut your own report" function allows you to tailor the report to your needs
- ▶ **Clear guidance on the best methodologies**
to use when calculating Royalty Rates to assist with vital decision making
- ▶ **Opinions and advice from leading industry deal makers**
first hand experiences from the people who did the deals
- ▶ **Contextual information**
exploring the context of deal terms in relation to the value split between licensor and licensee

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The Definitive Industry Reference
Edited by Heather Cartwright
and Nigel Borshell
with the consultants of PharmaVentures Ltd.
Foreword by Dr Fintan Walton

“The report gives the reader full insight into the industry’s latest views on royalty rates and assess valuation and the huge impact that these can have on deals and the consequences for their companies.”

Dr Fintan Walton
CEO of PharmaVentures

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