

Heads of Terms

We hope you enjoy this eighth issue of PharmaVentures' quarterly *termsheet*, which gives an insight from our perspective on how the pharma and biotech sectors are responding to a leaner and perhaps fitter environment for striking deals.

The good news is that the industry really does seem to be 'Back to Business'. PharmaVentures has observed an upturn in transactional activity so far during 2013, and we are certainly busier than ever, working with clients on partnership agreements, and executing more sell-side activities, including licensing and M&A transactions.

Importantly, there's a tangible renewal of confidence within the industry, which PharmaVentures is witnessing first hand, both through our work with clients, and through getting out there and talking to companies at ground level, it's a confidence borne out by the markets. The biotech sector continued its upward trend during the first half of 2013, with the NASDAQ Biotechnology Index moving up 40% by mid July, more than doubling the performance of NASDAQ Composite.

So what has spurred both big pharma and platform biotech to dust itself down, talk deals, and step back into the arena? From our perspective it's largely down to adaptation in response to realism. The major players have a clearer idea of what their goals are, the type of partnerships they are looking for, and how to fit those partnerships into a strategic long-term plan. Big pharma has trimmed down its internal research spending and is looking to outsource more of its R&D and acquire ready-made assets.

Biotech firms have similarly had to develop business models that force them to be more realistic about the level of risk they are carrying. They are more astute when it comes to picking which products they are going to take forward into the clinic because they are more in tune with the needs of the pharma companies that are ultimately their customers. With access to venture capital investment increasingly limited, there's been an increase in the creation of corporate venture funds, either by the companies themselves, or through joint ventures with existing venture capital organisations. Opportunities to secure investment are still out there for promising assets and technologies.

This new environment is not without the pricing, reimbursement and regulatory challenges that have always faced the industry, but key lessons have been learned from the sector shake-up that over the last few years has tested both global drug giant and academic spin-off. The future isn't necessarily about making fewer deals, it's about making smarter deals, and keeping clearer goals.



Dr Fintan Walton
Chief Executive,
PharmaVentures Ltd.

PharmaVentures Advances its Success in Divestments

PharmaVentures is delighted to have worked closely with Sanofi again, this time as transaction advisor and broker to facilitate the latter's divestment of its Zentiva subsidiary production plant in Hlohovec, Slovakia, to Wood Pharma Holding, which is owned by the Czech investment bank Wood & Company. The deal included sale of the production, packaging and distribution part of Sanofi's Zentiva business covering active pharmaceutical ingredients (APIs) and drug products activities, and the transfer of employees. PharmaVentures also aided the firms' agreement on the terms of a future co-operation covering Sanofi's purchase of drug products and APIs produced by Wood Pharma Holding in Hlohovec over the next five years.



"The deal for the Hlohovec site is particularly exciting because it highlights the rise of private equity and confidence in the Eastern European countries and their determination to play a key role within the pharmaceutical space," comments Fintan Walton, PharmaVentures' CEO. "Eastern Europe represents a vibrant emerging market that has the finance and enthusiasm for doing business. The Hlohovec site deal with Sanofi is a fantastic outcome for the Slovakian pharmaceutical industry. Not only does it safeguard jobs at Hlohovec, but it offers the prospect of expanding the existing business and providing new job opportunities in the region." In 2010 Sanofi sold off two European facilities in France and the UK to Covance, in a long-term business services and divestment deal for which PharmaVentures acted as transaction advisor to Sanofi.



Acquisition Due Diligence

The complexity and fast-evolving nature of the life sciences and medical technology industry makes conducting due diligence a particular challenge, as it often requires a very detailed look into technical aspects that are only discernible for those experienced in the technology concerned and in the target market segment. In an acquisition scenario, this requires an analysis of the risks that can come from any part of the value chain, including discovery, clinical trials, manufacturing, regulatory aspects, sales channels, and the partners involved, and includes careful consideration of issues around ownership of and threat to intellectual property that may affect value.

Acquisition Due-Diligence Areas

Market Validation

Business Prospect Analysis

Growth and Value Creation

KOL Interviews

Manufacturing and Operations

Supply Chain

First 100 Days Action Plan

Regulatory Review

The combination of PharmaVentures' specialist expertise in the life sciences and medical technology sector, and complement of people drawn from industry, investment banking, consulting and life sciences research, enables us to provide a fully comprehensive, differentiated and value-added service to clients. We are able to tailor assignments to clients' requirements, and have the capability to assist on complex subject matters on a global basis. The scope of due diligence assignments may change depending on need, but all investigations that are carried out are geared towards understanding the value that resides in the target, while raising red flags to significant risks that may change investment decisions.

For further information:

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Another PharmaVentures' Success Story

PharmaVentures acted as advisor to Turkish diagnostic imaging services provider Doğu Tip, on the sale of the company to Techno Group Investment Holdings, a portfolio company of Abu Dhabi-based private equity firm Gulf Capital. Techno Group provides diagnostic imaging services throughout the MENA region, and acquired an effective 75% of Doğu Tip.

Doğu Tip had recently won a contract to provide diagnostic imaging services to one of Turkey's bigger public-private partnership hospitals, which will propel it into a bigger league as a service provider, explains Ping Shek, who was PharmaVentures' lead advisor for the Doğu Tip transaction. "It made sense at this point for the owners of Doğu Tip to look for a partner who could really help them take full advantage of this opportunity as well as others."



"This deal marks another step in our increased success in M&A generally and in cross-border emerging market deals specifically," states PharmaVentures' CEO, Fintan Walton. "We are delighted to have worked on this transaction to deliver a successful outcome on behalf of our client."

The deal also highlights the opportunities that Turkey offers for healthcare investment, Ping Shek adds, "With the Turkish government having recently passed new regulations to encourage foreign investment in its healthcare sector, and increasing incomes fuelling a growth in private healthcare, Turkey is becoming a key regional hub with a healthcare market that is projected to grow at 6-8%. If you look at emerging markets outside of Asia, then Turkey and Brazil are attracting particular interest. There is already significant M&A activity, and we envisage a continuing high level of investment activity in Turkey over the coming years."



Ping Shek (left) advises Adnan Okur (middle), CEO Doğu Tip and Yuvuz Ahiska (right), co-founder of Doğu Tip.

(It's a hard life but someone has to do it.)

meet the team



Issac Jacob

BA, MIA, MBA
Senior Director

Issac has over 11 years' investment banking experience in M&A and corporate finance, particularly in the healthcare and consumer sectors. With longstanding expertise on North American, European and Asian markets, he has led and executed advisory and financing projects exceeding \$30 billion. Issac brings PharmaVentures a key insight into the healthcare, medtech and specialty pharma sectors globally, and is particularly looking forward to executing M&A and consulting work in emerging markets. His experience is drawn from working at Citigroup and JP Morgan in New York, and Bank of America and Standard Chartered Bank in London. Issac has a BA Economics from Columbia College, an MA in International Affairs from Columbia University, and an MBA from Columbia Business School.



MedGenesis Therapeutix (MedGenesis) is a privately-held biopharmaceutical company committed to developing innovative therapeutics to provide life-enhancing treatments to patients with serious neurologic diseases. It is a world leader in localised CNS therapy. PharmaVentures is assisting MedGenesis out-license its Phase II GDNF (glial cell-derived neurotrophic factor) programme for Parkinson's disease, which has the potential to be the first disease-modifying agent in this difficult to treat condition. GDNF is a key neurotrophic factor for dopaminergic neurons, the loss of which are characteristic of Parkinson's disease. MedGenesis believes that it has solved the key technical challenges of administering GDNF effectively to Parkinson's patients by using its convection enhanced delivery (CED) technology to deliver the drug. Using a procedure similar to deep brain stimulation, neurosurgeons implant MedGenesis' catheter port system which allows neurologists to regularly deliver GDNF direct to the putamen with unprecedented accuracy and precision using

CED. MedGenesis believes that this unique approach will overcome the profound limitations of previous delivery systems and build on the promising results seen in Phase I clinical trials with GDNF. A Phase II trial using this new approach to Parkinson's disease is underway at one of the world's leading movement disorders centres in the UK.

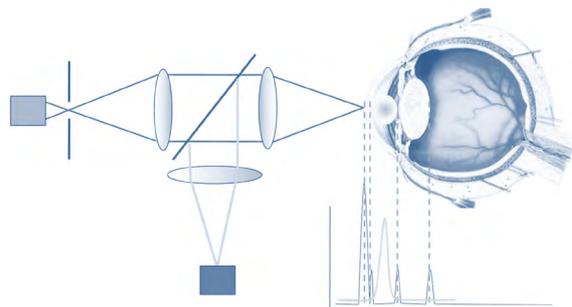
MedGenesis also intends to develop GDNF for additional CNS disorders, including intractable epilepsy and sensorineural hearing loss (SNHL), and leverage the CED platform as a delivery system for therapeutic agents against diseases including aggressive brain cancer.



Lein Applied Diagnostics is an advanced technology company pioneering the development and commercialisation of measurement devices and solutions for the healthcare and industrial markets.

Its core technology is based around a scanning confocal sensor system that can make highly precise, non-contact dimensional and structural measurements of organic and man-made materials. The demand for fast, robust and commercially applicable sensor systems is high and PharmaVentures is assisting Lein with business development activities to leverage the cost-effective system for applications across a wide range of fields, including industrial metrology, bio-metrology, pharmacokinetics and glucose monitoring.

Lein is developing a small hand-held glucose meter that non-invasively measures glucose levels in the eye and addresses many of the issues with the current crop of finger stick and continuous glucose monitors, such as pain, infection risk, nerve damage and social anxiety. Given the advantages over conventional systems, Lein's technology is poised to make a significant impact on the future of diabetes management. The key to Lein's success in this and its metrology applications is the firm's integrated approach to the use of its novel optical, electronic, software and mechanical technologies. When combined, these enable Lein to fulfil customers' high accuracy measurement requirements in both a compact and cost-effective manner.



The 2013 BIO International Convention, Chicago

The BIO International Convention is the year's largest global event for the biotechnology industry, offering networking and partnering opportunities, and providing insight into the major trends affecting the bioindustry.

PharmaVentures successfully showcased a number of clients, including MedGenesis, Innovacell and two European medtech companies.

From the balcony overlooking the exhibition floor, PharmaTelevision filmed interviews with key executives from companies including J&J, Genzyme, Roche and AstraZeneca, who all chose PharmaTelevision as a vital medium through which to communicate their strategy.

This year's BIO programme featured more than 125 breakout sessions across 17 tracks, from achieving regulatory approval and compliance, to biofuels and biobased chemicals, biotech patenting and technology transfer, business development, finance, food and agriculture. The BIO Business Forum hosted a record-breaking 25,573 scheduled partnering meetings between 2,800 companies, and featured 167 company presentations, while the BIO Alliance Pavilion, which connected patients with advocates and academics in the BIO Exhibition, hosted over 500 partnering meetings, nearly 100% up on last year's Academic Zone. Over 1,722 exhibitors packed the BIO Exhibition, which covered 180,000 sq. ft. with 60 state and international pavilions. Exhibitor partnering, in its second year, hosted 5,400 meetings, a 25% increase on 2012.

The social programme included FlandersBio's Belgian Café evening of beer and fritjes at Buddy Guy's Legends and the 'Heaven and Hell party', where the PABNAB Crew excelled themselves this year. Both events provided a great opportunity to socialise informally with the people we do business with. Unfortunately, the PTV cameras were excluded!



BioTrinity 2013 – European Biopartnering and Investment Conference, Newbury, UK

PharmaTelevision was pleased to attend as Media Sponsor for this year's BioTrinity, the major European Biopartnering and Investment Conference. PharmaVentures' CEO Fintan Walton had the opportunity to chat with Chris Torrance of Horizon Discovery and Tim Herpin of AstraZeneca, to find out more about their recent deal ([click here to view video](#)), an exclusive collaboration and license agreement to explore Horizon's first-in-class kinase target programme, HD-001, as a means of developing novel therapies for multiple cancer types.

PharmaVentures' Vice President Nigel Borshell ran a highly successful workshop on 'Conundrums and Conflicts in Licensing Deals'. This interactive workshop considered the ethical dilemmas and challenges in biopharmaceutical licensing deals, and focused on drug pricing policy and founder's altruism, awareness of partner's miscalculations and the basis of royalties – what and why. Attendees had the chance to discuss topics in small working teams, present, and critique issues with no absolute rights or wrongs.

This year at BioTrinity over 850 delegates from 28 countries, and the big pharma, biomed investors and R&D companies, were joined by nearly 80 investment firms. The event included an additional third parallel track that featured nearly 100 company showcase presentations from Europe's best biotech and medtech companies; nine key opinion leader investor and pharma panel discussions, and interactive workshops.



EuroMedtech 2013, Düsseldorf, Germany

261 attendees from 191 companies participated in 600 one-to-one meetings and 44 company presentations at this year's EuroMedtech™, Europe's leading medical technology partnering event for fostering collaboration opportunities.

Adrian Dawkes represented a number of PharmaVentures' medtech clients at the meeting, which highlighted the growing amount of partnering and deal-making in the medtech sector following the favourable investment climate of recent years. Significant interest from emerging markets and in particular China was notable.

EuroMedtech is attended by companies involved in all fields of the advanced medical technology industry, from those focused on mainline therapeutic categories such as orthopedics and cardiovascular, diagnostics, imaging and eHealth, to those developing platform technologies such as biomaterials and regenerative medicine, and service providers, manufacturers, law firms, CROs and distributors.



AsiaBiotech Invest 2013

This conference focused on the emerging biotech sector in Asia, with China as a key element of discussion. PharmaVentures' CEO Fintan Walton chaired the second day, which focused on the unique opportunities of financing biotech companies in the region. Dr Walton commented: "Clearly, China remains a significant opportunity for both pharma and biotech, but the best way of navigating this opportunity is simply 'to get there and be there'. Understanding the 'China way' of doing business is critical for success."

Run jointly with AusBiotech, Hong Kong's biggest biotech conference welcomed over 240 high-level delegates from the life science sector. The two-day event featured panel discussions and keynotes by leading investors, industry advisors, biotech CEOs and big pharma representatives, on a wide range of topics. There were also 17 biotech company investment case presentations, primarily from Australia.

ANGLOBIOTECH NORDIC CONFERENCE

Anglonordic Biotech Conference X

PharmaTelevision was delighted to act as Media Sponsor for the 10th Anglonordic Biotech Conference, which for the second

year was held in conjunction with the Anglonordic Medtech Conference II.

The two-day conference gave PharmaVentures the opportunity to spread beyond pharma and biotech, and into the medtech arena. Our role as Media Sponsor gave us the opportunity to interview biotechs, CROs and investors, including BerGenBio, Smerud Medical Research and Avillion LLP.

As the Anglo-Nordic region continues to be one of the fastest growing biotech regions in the world, the Anglonordic Biotech and Medtech conferences provided a key opportunity to interact, collaborate and invest with and in this region's innovation. An invited audience of decision makers represented drug discovery and medtech companies, and international pharmaceutical and investment firms. Hosted in London, UK, 350 delegates representing the European life science industry and 80 European investors attended this year. The event included one-to-one partnering opportunities and an SME exhibition arena.

conference update

- ▶ **BioPharm America 2013**
The 6th Annual International Partnering Conference
17-19 September 2013, Boston
- ▶ **Nordic Life Science Days 2013**
14-15 October 2013, Stockholm
- ▶ **AusBiotech 2013**
30 October-01 November 2013, Brisbane
- ▶ **BIO-Europe 2013**
19th Annual International Partnering Conference
4-6 November 2013, Vienna

To meet with PharmaVentures' experts at any of these conferences, please contact: Adrian Dawkes, Vice President adrian.dawkes@pharmaventures.com

or

To arrange an interview with PharmaTelevision please contact: Fiona Gardner, Producer fiona.gardner@pharmatelevision.com