

US BIOTECH CORPORATE PARTNERING WITH EUROPEAN PHARMAS

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FERGHANA PARTNERS GROUP

What is Corporate Partnering? - 1

First, let's decide what it is not:

- a simple licensing agreement
- a simple marketing/promotion arrangement
- an acquisition



What is Corporate Partnering? - 2

It might be in a joint venture if a separate company format is used.....



What is Corporate Partnering? - 3

For an US Biotech Company with a product, compound or technology, It will most likely be a giant club sandwich with many layers:

- license/technology access fee
- R&D support payments
- milestone payments
- royalties
- perhaps with the extra, piquant flavoring of equity



Why Pursue a Corporate Partnership? - 1

US Biotech

- Get cash in
- Access to:
Markets - foreign/ US
Clindev expertise
Manufacturing base

Euro Pharma

- Buy R&D at less costly price than in-house work to fill a product gap
- Use existing costly infrastructure in sales/marketing and regulatory/clinical affairs



Why Pursue a Corporate Partnership? - 2

US Biotech

- Validation of technology to outside investors
- (Without necessarily selling more equity)

Euro Pharma

- Access to innovative technology/ products
- (Without an acquisition of an outside company)



Who Partners?

Euro Pharma Transactions May Differ From US Pharma Transactions - 1

- **Big Euro Pharma has a globally-oriented and voracious appetite**
- **more medium-sized companies in Europe than in the US (many still family-dominated)**
- **Medium Euro Pharmas tend to have a regional focus on European markets**



Who Partners?

Euro Pharma Transactions May Differ From US Pharma Transactions - 2

- **access to public capital, for investment in acquisition or alliance deals, is often limited**
- **European management is often risk-averse**



When is Corporate Partnering Done? - 1

The US Biotech usually wants to partner at proof-of-principle (still pre-clinical) or Phase I.

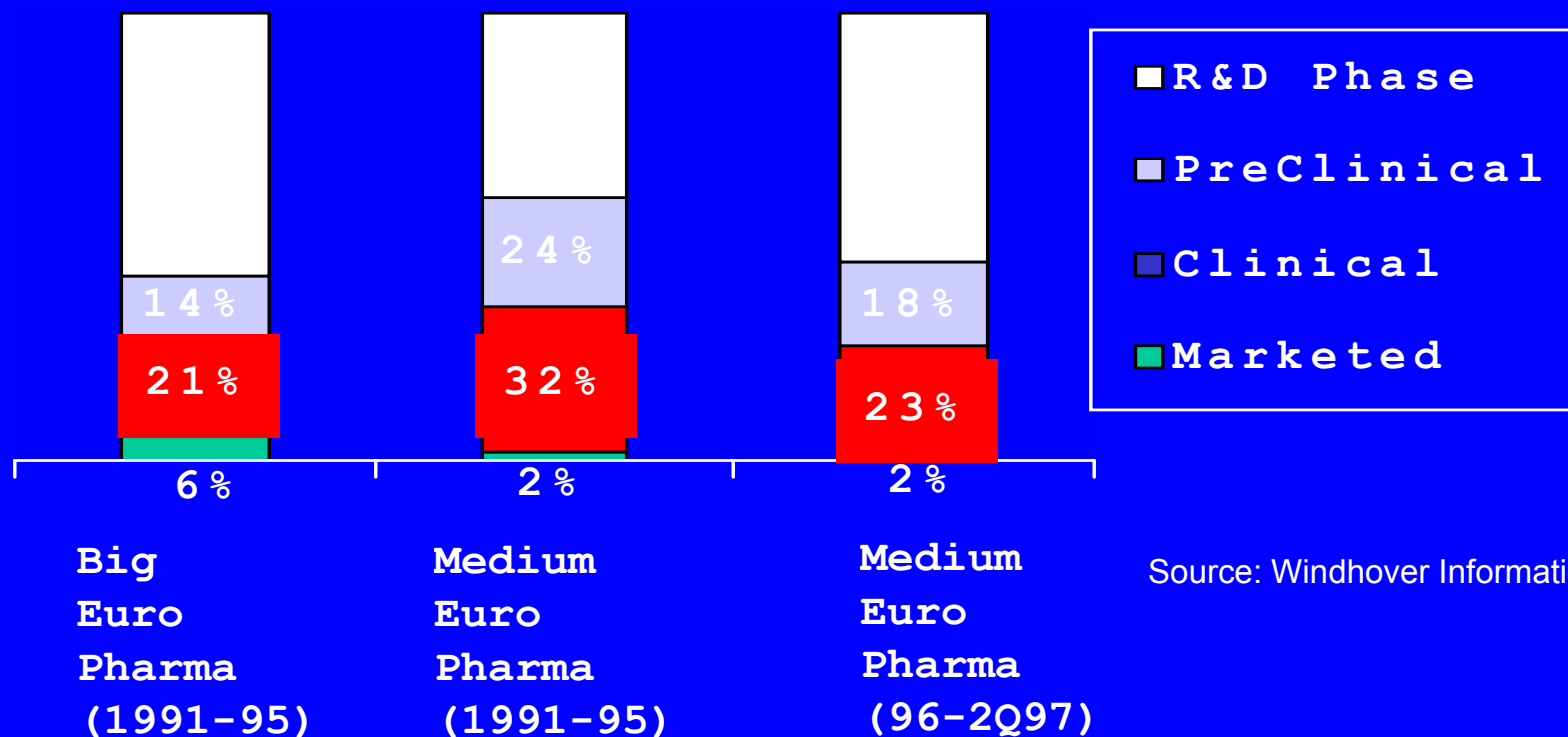
Vs.

the Euro Pharma usually wants proof-of-efficacy as shown in Phase II (not just pre-clinical research and Phase I)



When is Corporate Partnering Done? - 2

Overall Corporate Partnering Timing Trends With Euro Pharmas



How Is Corporate Partnering Done?

- by scientists who know each other
- by the corporate development/business development teams at both the US Biotech and the Euro or US Pharma company
- by outside advisors like Ferghana Partners who are aware of the current strategic trends



Reasons Not to Create a Corporate Partnership

- **inadequate opportunity to build internal infrastructure**
- **fear of runaway technology**
- **concern over loyalty, or long-term financial security, or independence of the Corporate Partner**



Are There Alternatives to a Corporate Partnering Transaction?

- **IPO**
- **a simple license**
- **co-marketing/promotion**
- **joint venture**
- **acquisition**



What Elements to Look for in Picking a Partner From Europe - 1

A. Fit - Fit - Fit

- by indication
- by mechanism of action
- by salesforce target audience
- by therapeutic category
- by availability



What Elements to Look for in Picking a Partner From Europe - 2

B1. Style - Internal elements

- **who makes decisions**
- **is the partner company science-based or market-driven**
- **how open is the Corporate Partner's culture to new ideas**
- **is the transaction defensive or offensive**



What Elements to Look for in Picking a Partner From Europe - 3

B1. Style - Internal elements (cntd.)

- **how “easy” are the inter-personal relationships**
- **who is the internal “champion” for your product/technology and what is his/her standing**



What Elements to Look for in Picking a Partner From Europe - 4

B2. Style - External Role for the Corporate Partner

- shovel money in your direction
- add pre-clinical expertise
- add clinical development trials experience
- do the regulatory filings
- manufacture the product
- sell the product



What Elements to Look for in Picking a Partner From Europe - 5

C. Geographic Focus

- global or regional operating strength
- export markets
- sublicensing intentions



What Elements to Look for in Picking a Partner From Europe - 6

D1. Money

- how badly the Euro-Pharma wants your product/technology
- how rigidly committed are the cash resources for prior R&D efforts
- how much cash are you aiming to extract for your company how much will the deal really cost



What Elements to Look for in Picking a Partner From Europe - 7

D2. Big Euro Pharmas: Pay more, do more deals

Benelux

- Akzo

Scandinavia

- Astra
- P&U

France

- RP
- Sanofi

UK

- SKB
- Glaxo
- Zeneca

Germany

- Boehringer
Ingelheim
- BASF
- Bayer
- HMR
- Schering

Switzerland

- Roche
- Novartis
- Ares Serono

and lots (50+) of Medium Euro Pharma want to play



What Elements to Look for in Picking a Partner From Europe - 8

E. Timing

- **US Biotech needs cash and operating inputs now**
- **Euro Pharma has pre-existing Research, Development, Manufacturing and Alliance commitments**
- **The Goal? Make sure both parties are “in synch” with each other**



Key Items on the Corporate Partnering Negotiation Agenda - 1

- **field-of-use**
- **territory**
- **license/technology access fees**
- **R&D support payments**
- **milestones**
- **equity linkage**



Key Items on the Corporate Partnering Negotiation Agenda - 2

- **royalties**
- **clawback and reversionary rights**
- **allocation of tasks**
- **who prepares the documentation**
- **with whom to negotiate**



Summary of Tips from “The Context of Corporate Partnering”

- **Protect your Intellectual Property from “spillover” damage**
- **Be prepared to delay corporate partnering for innovative science until proved up in Phase II trials**



Summary of Tips from “How to Pick a Corporate Partner from Europe” - 1

- There is no such animal as an “European Pharma” or “European Biotech”
- The real story is: FIT, FIT and FIT
- Never skimp on the provision of detailed scientific explanations



Summary of Tips from “How to Pick a Corporate Partner from Europe” - 2

- **Always take care covering sub-licensing of rights**
- **Ensure that your partnering needs are synchronous with those of the potential partner: Capex, pipeline, alliance obligations**



Summary of Tips from “Negotiation Agenda Items” - 1

- Offer a contractual option, at a price, to expand field-of-use coverage
- Holding onto commercialization rights will reduce royalties and milestones
- Prepare a strong argument to support a large, but commercially justified, license/technology access fee



Summary of Tips from “Negotiation Agenda Items” - 2

- **Accept a reasonable and justifiable level of R&D support payments, based on standard \$/FTE levels**
- **Try to ensure payment for “earliest” occurrence of milestones, such as IND filing**
- **Price any share issue at a 30% to 50% premium to last financing, but limit share ownership of the Corporate Partner**



Summary of Tips from “Negotiation Agenda Items” - 3

- Offer a Board seat to clinch the deal
- Euro Pharms will generally be receptive to a Big Royalty if the front-end payments are not too heavy
- Retain the services of an experienced lawyer for Clawback and Reversionary Rights



Summary of Tips from “Negotiation Agenda Items” - 4

- **Plan carefully the allocation of all task responsibilities**
- **Ensure comprehensive legal protection of all Intellectual property**
- **Target the highest possible person on the corporate ladder of the Corporate Partner to lead their negotiating team**

