



Biotech Funding and Acquisition: How Market Research Can Help You Seal the Deal

February, 2013

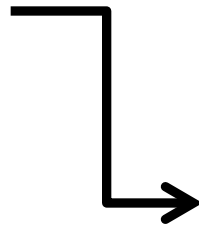
Al Altomari
President and CEO
Agile Therapeutics

Katie MacFarlane, Pharm.D.
Managing Partner, SmartPharma LLC
Commercial Consultant,
Agile Therapeutics

Smaller Company Perspective on Being Acquired

Is M&A the goal or an outcome of value creation?

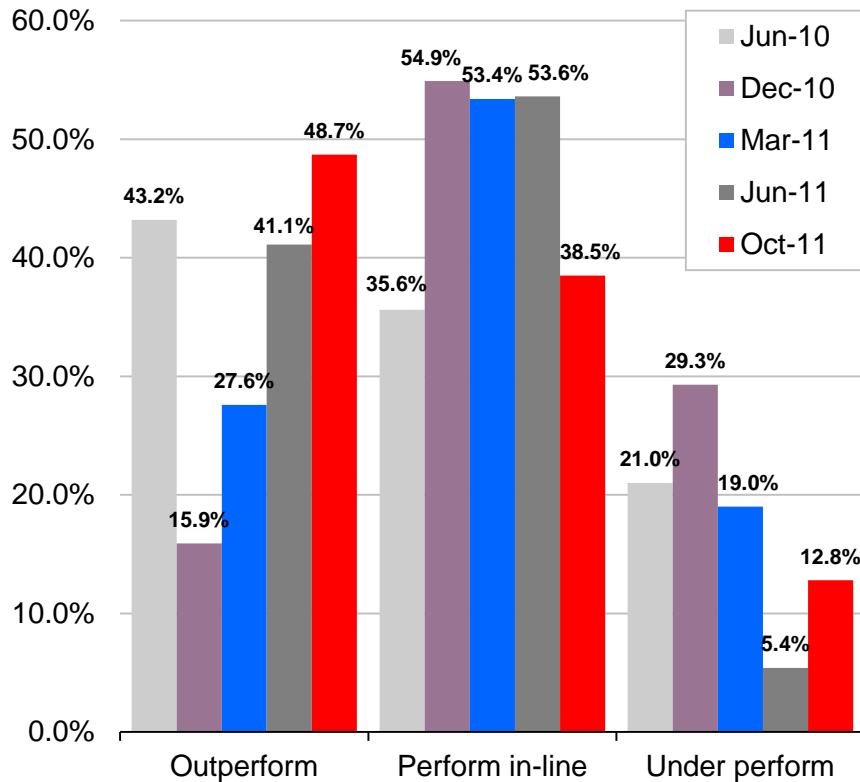
- Utilization of M&A as an exit strategy
- Ensuring accurate evaluations
- Making company attractive to investors



It's tough out there...Small/Mid-Cap

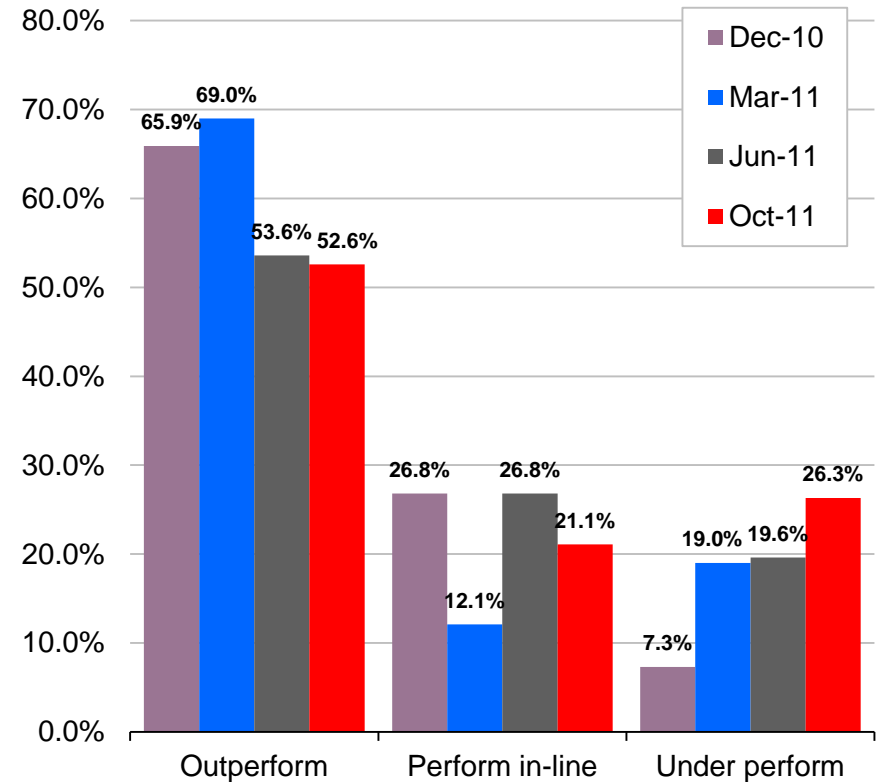
Large-Cap Biotech Investor Sentiment

How do you expect the large-cap biotech sector to perform in next 12 months relative to broader market?



Small/Mid-Cap Biotech Investor Sentiment

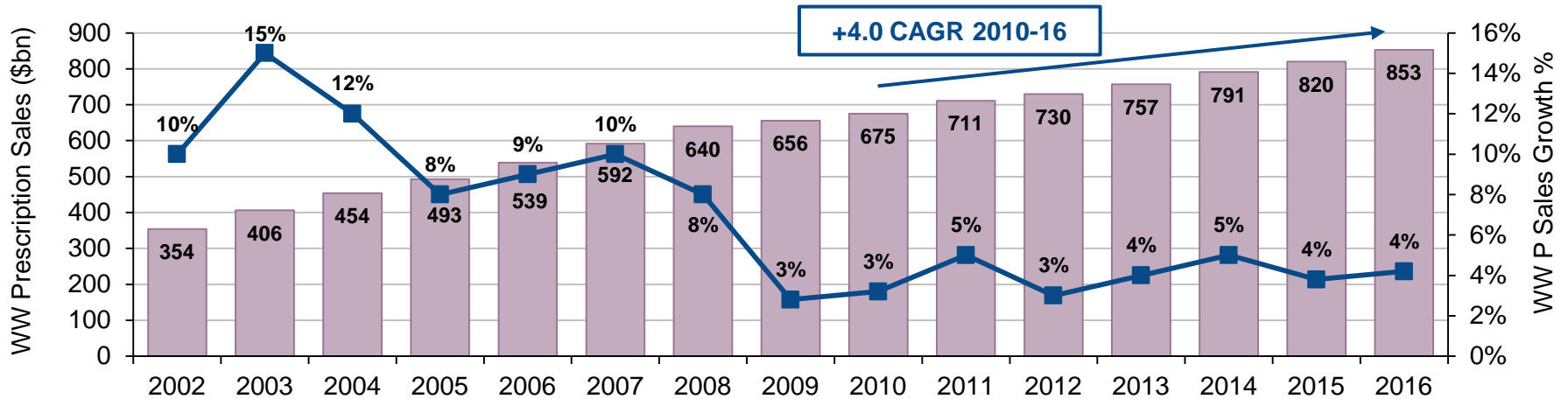
How do you expect the small/mid-cap biotech sector to perform in next 12 months relative to broader market?



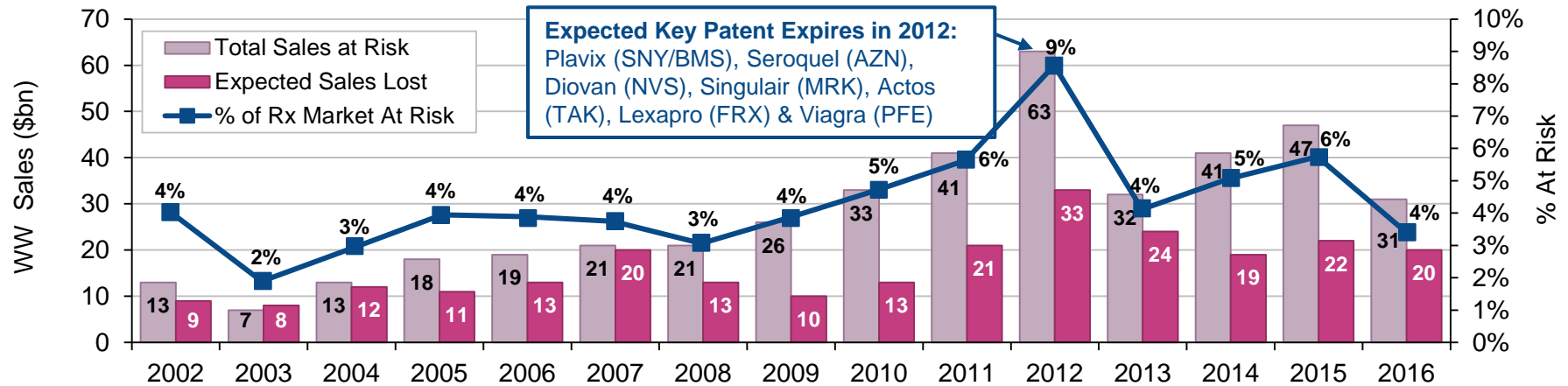
Source: Citi Investment Research and Analysis

Pharma “at risk” should help accelerate M&A?

Worldwide Total Prescription Drug Sales 2002-16



Worldwide Sales At Risk from Patent Expiration 2002-16



Source: EvaluatePharma® (25 MAY 2011)

If you build it...they will come...

The M&A dream of VC, Private Equity and Small-Mid Cap



Reality – you are not alone!

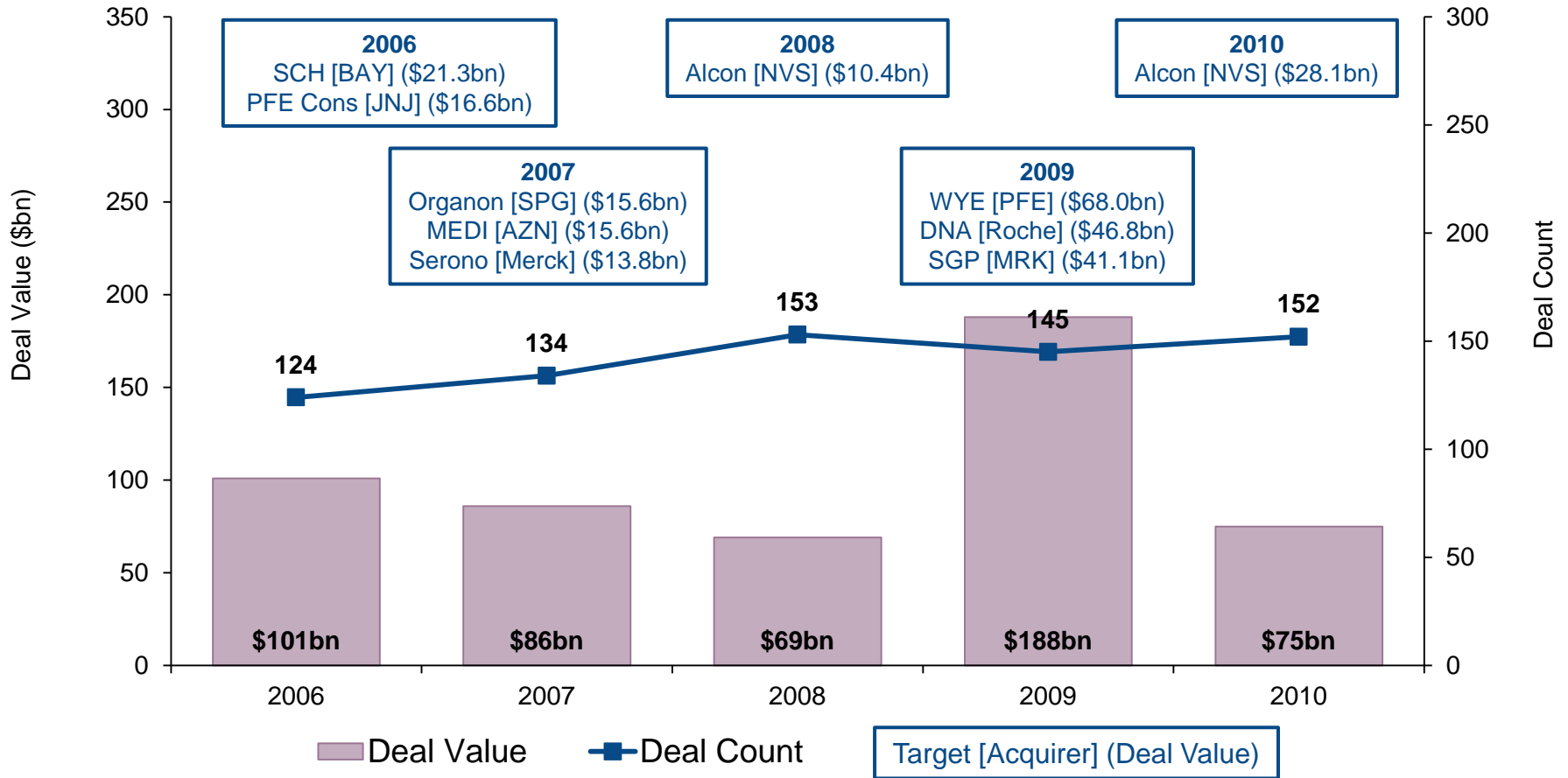


20174 (95) © www.shutterstock.com

- Companies have to distinguish themselves vs. the crowd.
- Business models (funding) have to recognize the reality; it may take longer.
- Pharma has too many internal assets and too many external choices.

Relatively constant deal flow – M&A

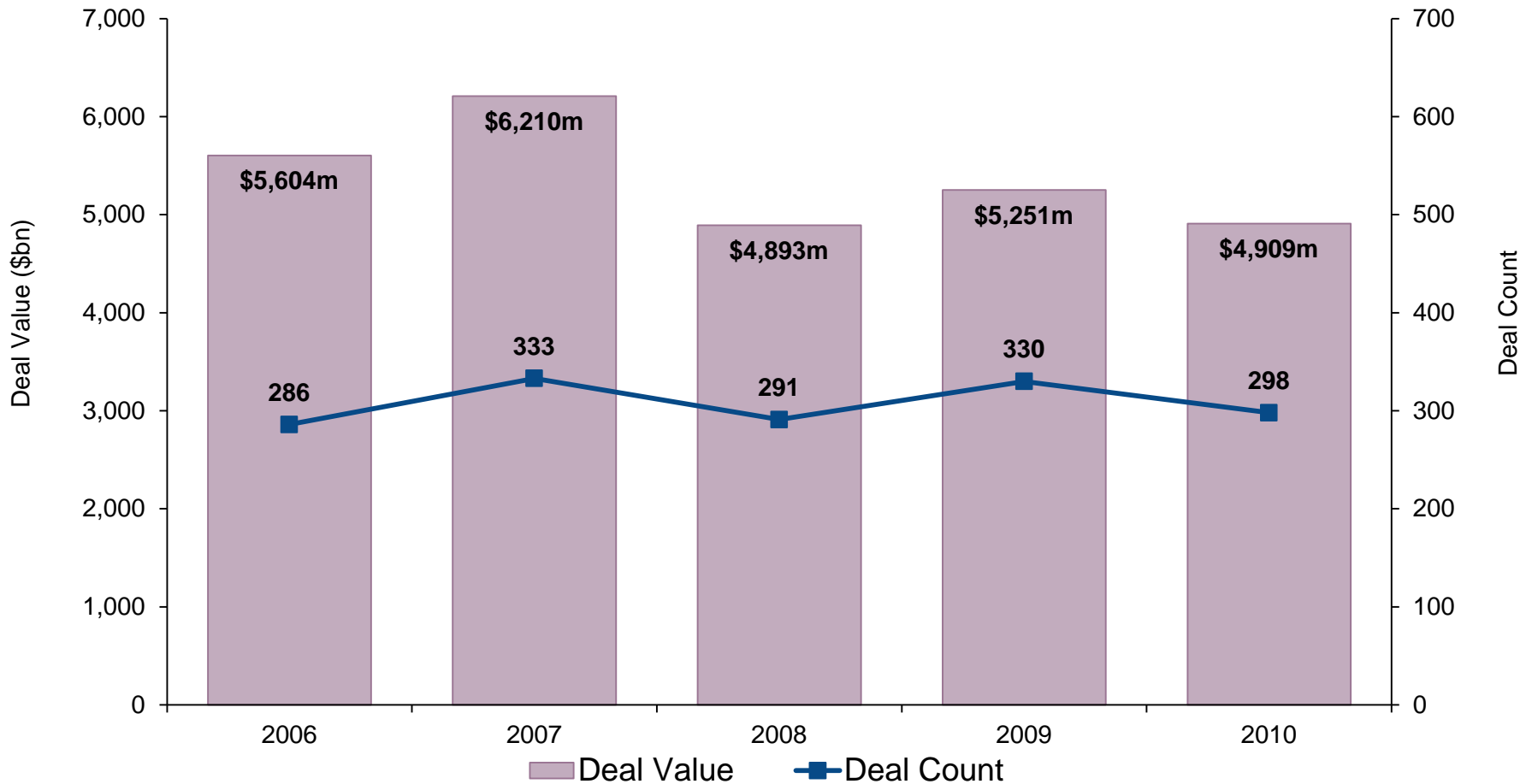
Count of Pharma M&A Deals vs. Total M&A Value (2006 – 2010)



Source: EvaluatePharma® (25 MAY 2011)

Relatively constant deal flow – VC

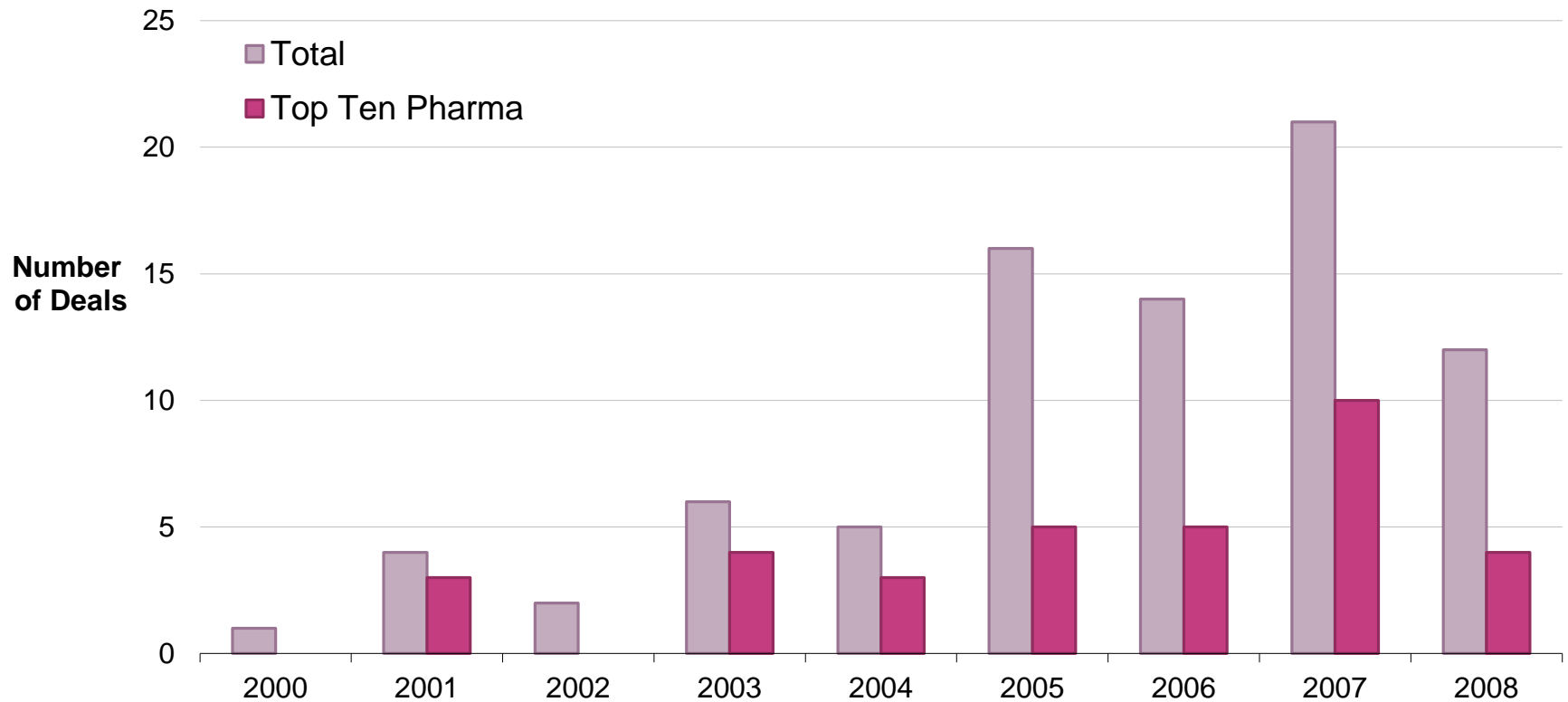
Count of Venture Financing Deals vs. Total Venture Financing Value (2006 – 2010)



Source: EvaluatePharma® (25 MAY 2011)

Licensing is a not always the answer...

Phase II Deals with Up Front >\$25 Million



CampbellAlliance®

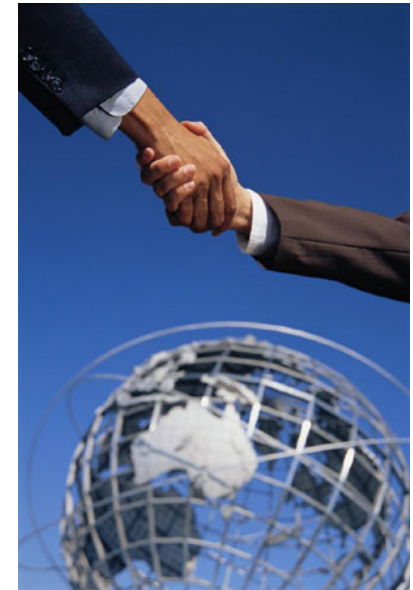
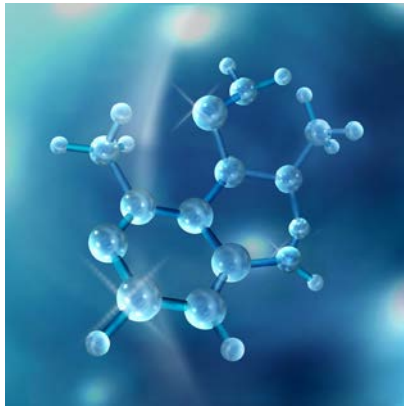
Source: Windhover Strategic Transactions Database, available at <http://www.windhover.com/sis/st-databases.htm>, accessed September 18, 2008.

Ten Top Pharmas: Abbott, AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, Merck, Novartis, Pfizer, Roche, and sanofi-aventis.

How Can Market Research Help in the Deal Process?

Why do You Need Market Research for a Deal?

Translates the science into the value of an asset



Product / Technology:
“The Science”

- Characteristics
- MOA
- Data

Market Research Determines:

- Need for drug/technology
- Where and how it will be used
- Data needed to drive use
- Opinion of “real world” prescribers, payers, and patients

Asset Value

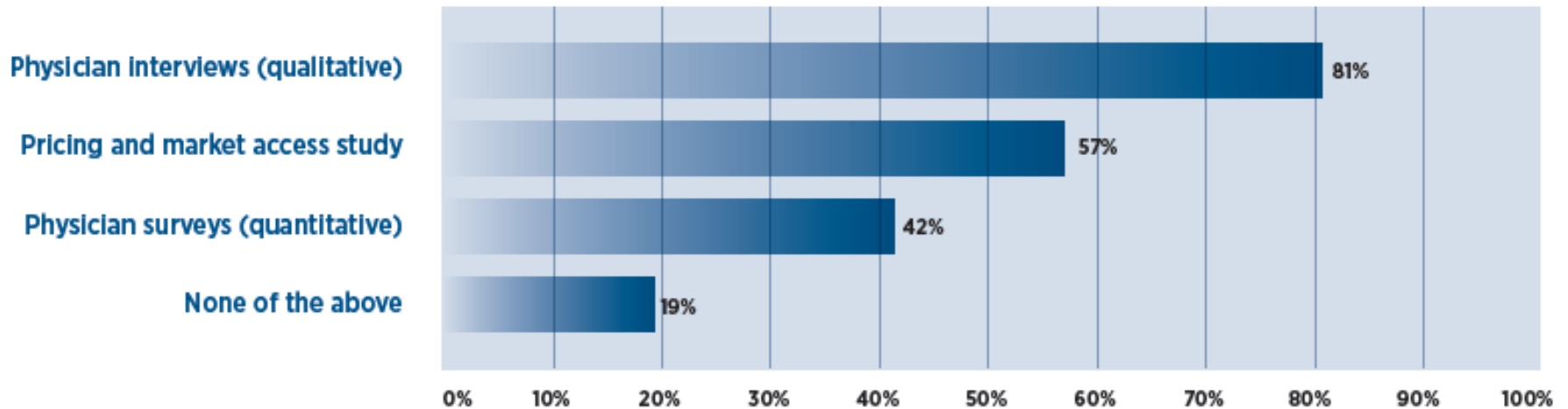
Challenges For Biotechnology Companies

- Initial investments don't always set aside money for market research
 - Dollars are focused on R&D and moving the drug forward in development
- CMOs/CSOs and BODs may not see the need for market research
- Need to convince your current investors of the value of conducting market research
 - § Substantiates rationale for investment / acquisition / in-license
 - § If you don't do it, the buyer will
 - You want to have input on the design, product profile, analysis
 - Well-conducted, objective, balanced market research is usually not repeated by the buyer
 - § Values the asset – gives you power in a negotiation
 - § Uncover hidden opportunities – indications, uses not contemplated in the current development plan
 - § Identify potential pitfalls early
 - Need for certain outcome measures for reimbursement
 - Endpoints important for commercialization, not just approval

An In-Licenser May Rely Heavily on Qualitative Interviews

Biotechs can get a 'leg up' in an in-licensing deal by having high quality quantitative data, including pricing

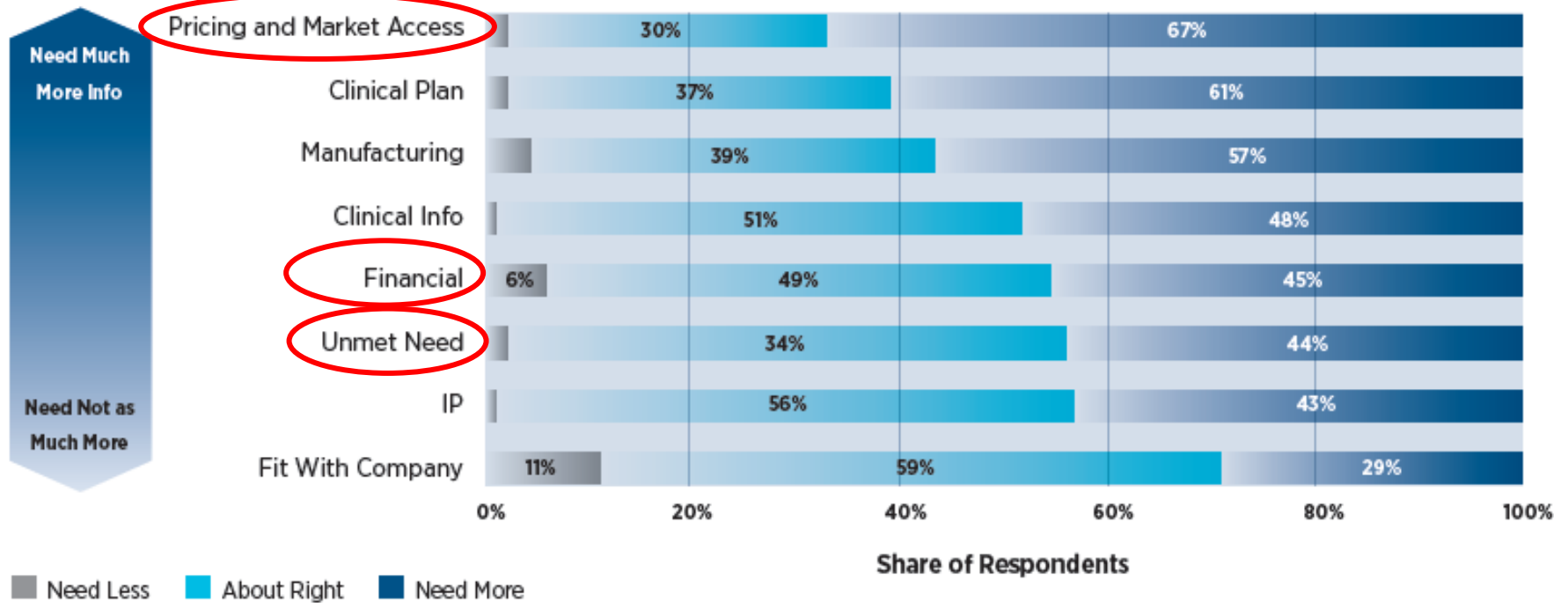
"Prior to an important in-licensing deal, my organization conducts or commissions the following due-diligence study(s)..."



Source: The 2012 Dealmakers' Intentions Survey, Campbell Alliance. N=77 respondents who answered this question

What Information Do Dealmakers Want?

Quality of Non-Confidential Materials
In-Licenser Feedback



Source: The 2012 Dealmakers' Intentions Survey, Campbell Alliance. N=106 respondents who answered this question

How Does Market Research to Support A Deal Differ From That For Commercialization?

Commercialization

- More “emotional” aspects
- Product positioning
- Messaging
- Motivation to use
- Develop advertising concepts
- Behavioral segmentation

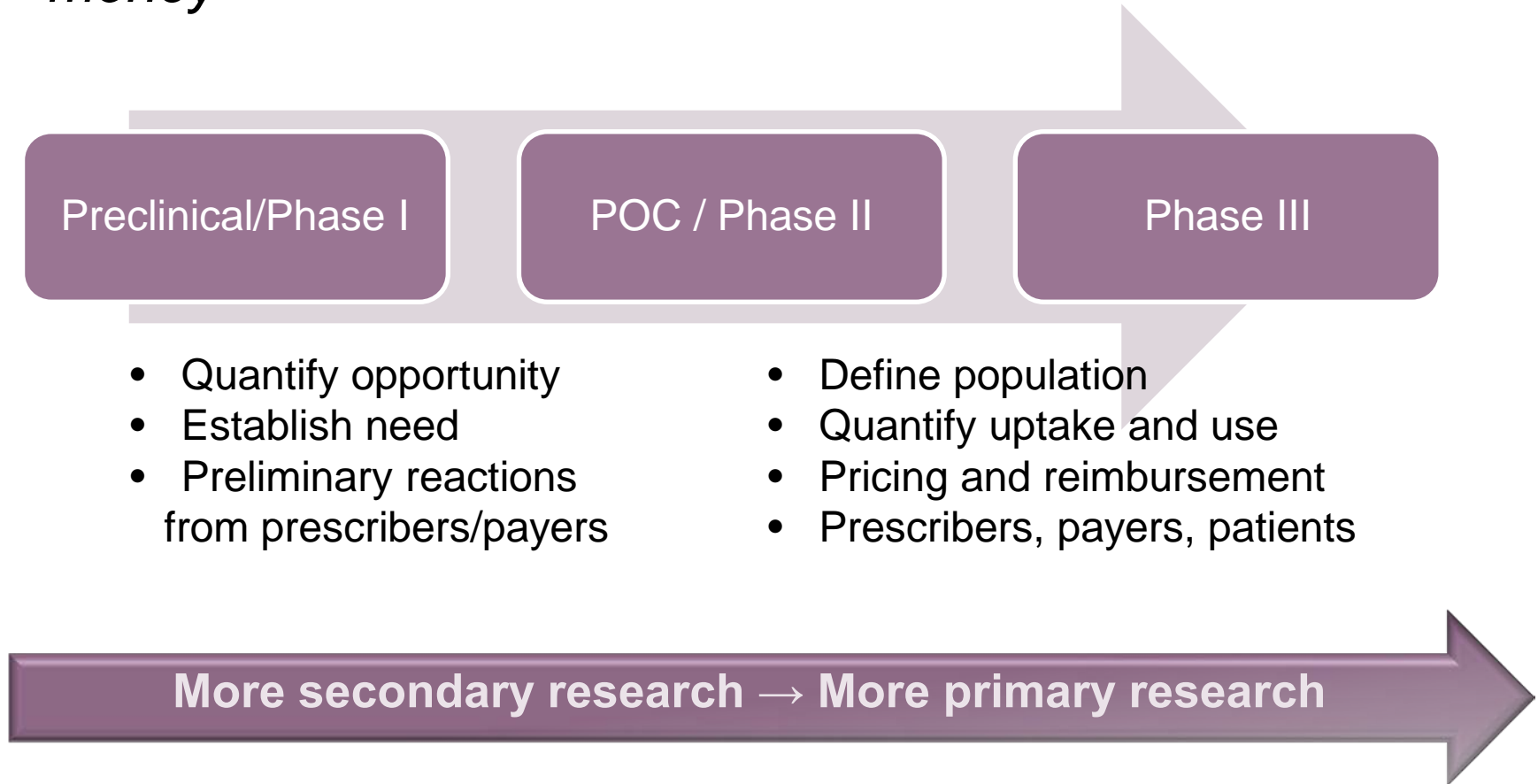


Deal Support

- More “practical” or quantifiable
- Define population
- Quantify need for therapy
- Reimbursement / market access
- Pricing
- Quantify potential uptake for forecasting

When Should you Do Market Research?

It may never be too early, especially if you need to raise money



What Types of Research Can You Do?

Secondary Research (freebies)

Databases— CDC NCHS, NHANES,
Associations

Published literature – epidemiologic
studies, surveys

Primary Qualitative

Can be expensive – do it in
phases, esp. if also doing
quant

Best method for
reimbursement and market
access

Secondary Research (\$\$)

Syndicated studies – may
have market data, but dated

Prescription data – be
judicious in what you buy

Primary Quantitative

Pricing sensitivity

Product uptake and usage

Many new technologies
available to decrease cost

The Product Profile – Reality Check

- Come as close as possible to replicating what a customer would see in eventual advertising and promotion
- Stick to only a few key endpoints (3 or less) to avoid confusion or overload of your respondents
 - Establishing uptake and use based only on endpoints that will not qualify for an approval is of little to no value
- For early-stage products with limited or no clinical data
 - Show whatever actual results you have as ‘experimental’ support
 - Use ‘mocked up’ data that represents the minimum requirements for FDA approval
- For later-stage products with Phase II or Phase III data
 - Use actual study results that most closely resemble what is likely to be in the PI (e.g. average results, not just the best subgroups or cases)
 - Don’t cherry-pick the best data from Phase II and project that to Phase III results – Phase III is almost always less dramatic
 - Include adverse event data in great enough detail to be balanced

Estimating Market Uptake

There is a gap between what physicians say they will prescribe vs. what they actually prescribe

- How do we estimate the gap in stated share vs. actual share?

Low Budget Method

Adjust downward by
50%

(timeworn, but generally-accepted)

More Sophisticated /\$\$\$

Predictive modeling

(need to assure validated model,
accuracy of variables applied)

Source: An Ace in the Hole, *Medical Marketing and Media*, Aug 2009

Avoid the Cookie Cutter Approach

- Choose a market research vendor who has the ability to be your strategic partner

“They [market research firms] have a project management mentality – take things at face value from the client, then design the study without probing to find out what they want to do with that information. They just present the findings; and oftentimes the client will say, “Well, this is interesting, but that's not what I really need.” Of course, by then, it's too late!”

Exec. Director Market Research, Novartis

- You need to anticipate the buyer’s questions and make sure you collecting data to answer them
- You should get more than just a report of the findings – expect strategic insights, analysis, and recommendations

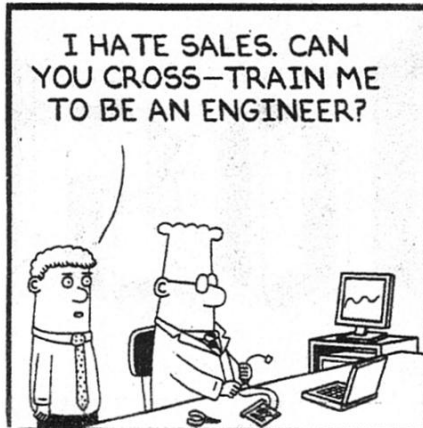
Source: A*/R Knowledge Networks Newsletter, Spring 2008 <http://www.knowledgenetworks.com/accuracy/spring2008/wong.html>

When in Doubt, Be Conservative

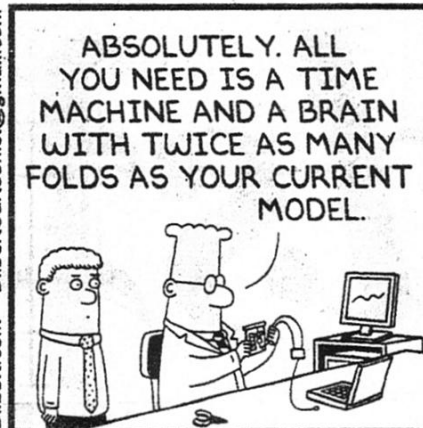
“A pet peeve of many investors is a presentation that overinflates the market”

President, Porter Novelli Life Sciences

DILBERT



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Source: Carnale C, *Nature Biotechnology*, Jun 2009

Thank You

Questions and Discussion