

# MOFO BIOMETER™

A quarterly deal report covering the biotechnology industry



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## Q4 AND FY 2013 BIOMETER SHOWS REBOUND IN VALUE FOR LATE STAGE PRODUCTS AND STRONG RESULTS ACROSS ALL STAGES OF DEVELOPMENT

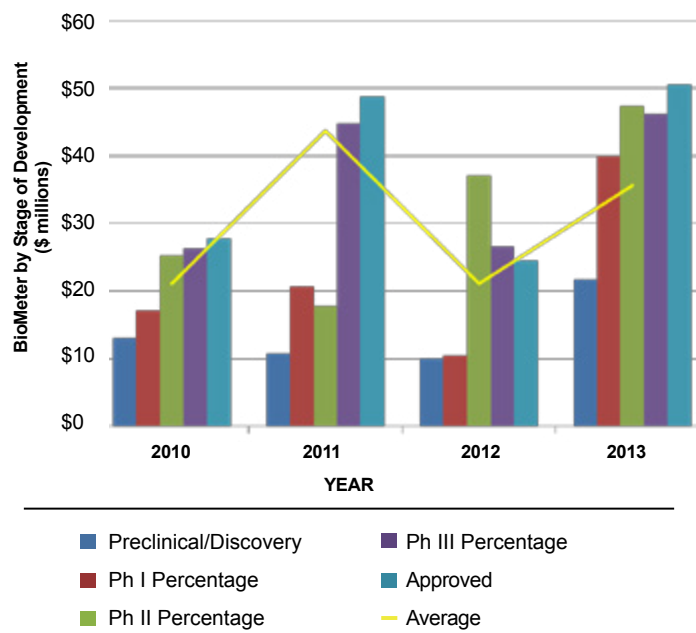
### Regional Analysis Shows SF Leads But Others Are Close (and It's Not Who You Think)

By **Stephen B. Thau, Aaron J. Schohn**

The full-year 2013 BioMeter analysis shows across-the-board increases in BioMeter value, with an average of \$33.9 million for all transactions, up from approximately \$21.2 million in 2012. Increases occurred for each stage of development, with the BioMeter for preclinical/discovery transactions averaging approximately \$21.8 million in 2013, compared to approximately \$10 million in 2012; the BioMeter value for Phase 1 products averaging approximately \$40 million in 2013 compared to approximately \$10 million in 2012; the BioMeter value for Phase 2 products increasing to approximately \$47.4 million in 2013 from approximately \$37.1 million in 2012; the BioMeter value for Phase 3 products increasing to approximately \$46.2 million in 2013 from approximately \$24.6 million in 2012; and the BioMeter value for approved products increasing to approximately \$50.6 million in 2013 from approximately \$27 million in 2012.

This data shows strength for sellers/licensors across all stages of the drug development spectrum. Indeed, the only reason that the overall average BioMeter did not jump more compared to 2012 is because of the mix of transactions. In 2013, preclinical/discovery transactions accounted for approximately 48% of transactions reporting up-front payments and reporting stage of development, compared to approximately 38% of transactions in 2012.

**Table 1a: BioMeter Values by Stage of Development and Average 2010 through 2013**



As these transactions have a lower BioMeter value compared to other stages of development, the larger percentage helped keep the overall average in check. This was the fourth year in a row that showed an increase in the percentage of BioMeter transactions in the preclinical/discovery stage.

The overall number of transactions in 2013 was comparable to 2012, still down compared to 2011 and before.

The average BioMeter value in the fourth quarter of 2013 was \$38.5 million, an increase from the \$30.4 million value in the third quarter, and up even further from the \$22.2 million value in the second quarter. The increase was driven largely by strong results for Phase 1 transactions and approved therapeutics.

The BioMeter value for Phase 1 transactions increased to \$65.4 million in the fourth quarter from \$54 million in the prior quarter, driven largely by the OncoMed/Celgene transaction for six anticancer stem cell therapies. If that transaction were treated as six separate transactions with the same aggregate up-front payment, the BioMeter for Phase 1 transactions in the fourth quarter would have been \$24.5 million. After several strong quarters, the BioMeter value for Phase 2 transactions decreased to \$31 million in the fourth quarter from \$67.3 million in the third quarter, representing only one transaction in the fourth quarter and four transactions in the third quarter.

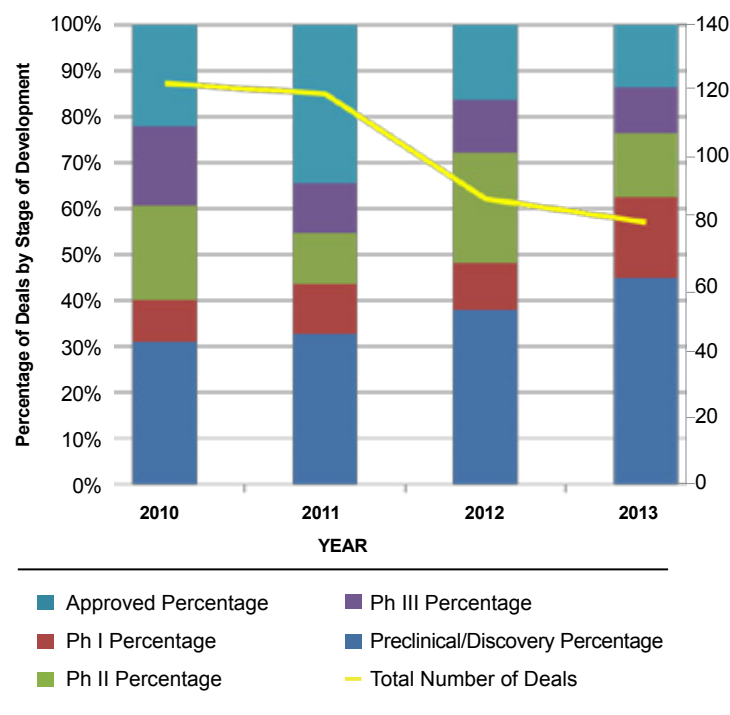
The BioMeter value for approved therapeutic transactions increased substantially to \$77.5 million for the fourth

quarter, reflecting four transactions and driven primarily by the \$240 million up-front payment from Forest Laboratories to Merck for the antipsychotic drug Saphris. This is a substantial increase over the BioMeter value of \$29.4 million in the third quarter, reflecting five approved therapeutic transactions.

Compared to the fourth quarter of 2012, the average BioMeter also increased, with increases in preclinical and discovery (\$17.5 million vs. \$16.8 million), Phase 1 (\$65.4 million vs. \$9.5 million (one transaction)), and Phase 3 (\$77.1 million vs. \$25 million (one transaction)). BioMeter values for Phase 2 and approved products declined compared to the same quarter a year ago, but this in part reflects small data sets (only one Phase 2 transaction in Q4 2013 and only one approved transaction in Q4 2013).

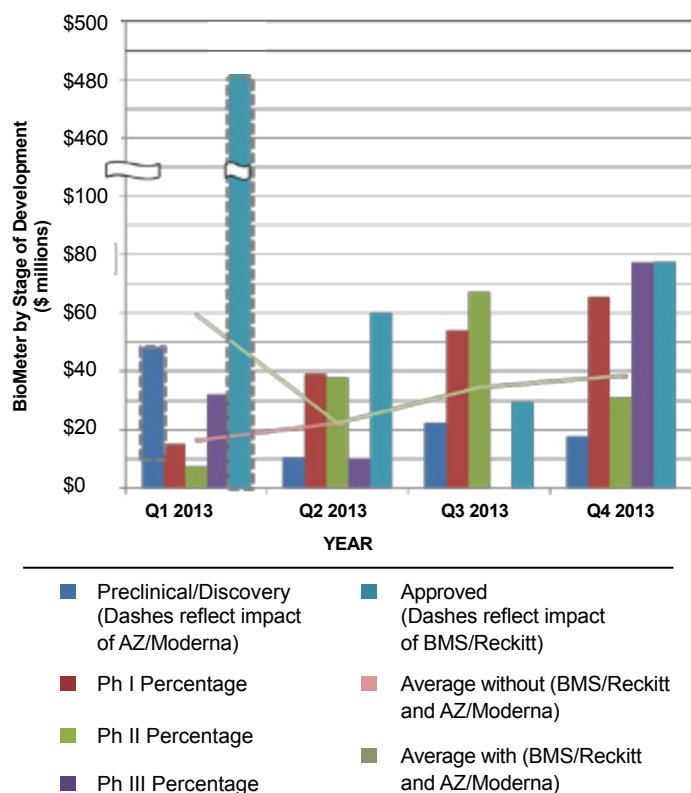
The fourth quarter of 2013 was also notable for the uptick licensing and collaboration agreements for Phase 3 and approved products, with three Phase 3 products and four approved product transactions that disclosed the value of up-front payments. This reverses a trend observed that started at the end of 2012 in which late stage development therapeutics had a diminished presence in licensing and collaboration agreements.

**Table 2a: Number and Percentage of Collaboration Agreement by Stage of Development for 2010 through 2013**

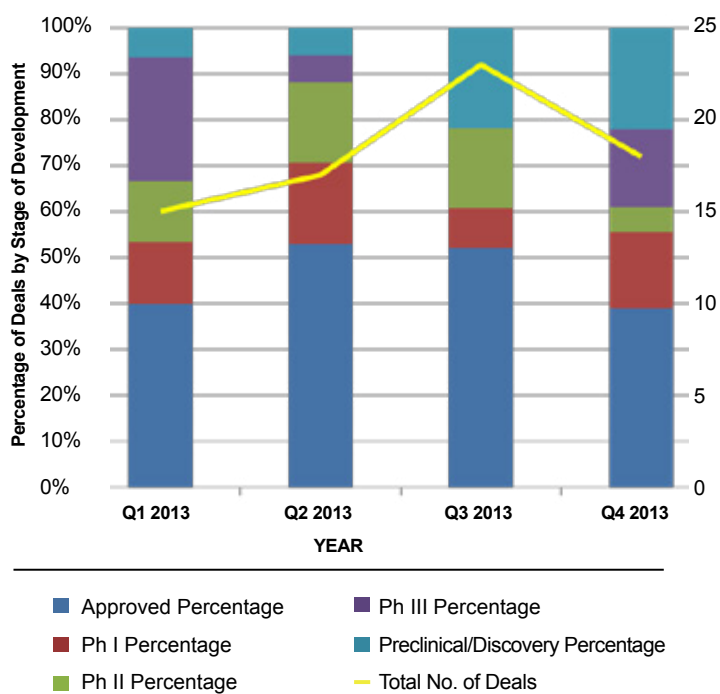


Overall, the number of transactions reporting up-front payments decreased somewhat in the fourth quarter

**Table 1b: BioMeter Values by Stage of Development and Average for 2013 by Quarter**



**Table 2b: Number and Percentage of Collaboration Agreements by Stage of Development for 2013 by Quarter**



(24) compared to the prior quarter and the same quarter in 2012, down from 33 in the third quarter of 2013 and 30 in the fourth quarter of 2012. The decline in number of transactions continues a trend, and reflects the impact of consolidation in the pharmaceutical industry, as well as possibly the availability of capital from the public markets to enable companies to continue to fund clinical development programs.

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## REGIONAL ANALYSIS SHOWS SF BAY AREA LEADS ALL REGIONS WITH DEALS DISPERSED THROUGHOUT BIOTECH CLUSTERS

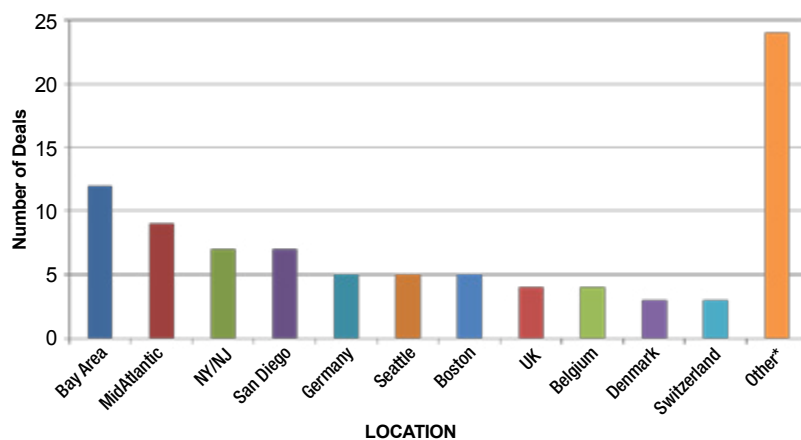
Much has been written lately about which region has the hottest biotechnology cluster. To analyze this with our BioMeter data, we looked for the location of the licensor for each BioMeter transaction that we tracked in 2013. The licensors in these transactions are generally the innovating companies that are developing and licensing products, so seeing their location provides an indication of where innovation is happening. We used individual transactions for our analysis. If a single company in a location had three transactions, for example, the region in which that company is located was credited with three transactions.

Not surprisingly, the region with the largest single number of transactions that reported stage of development and up-front payment came from the San Francisco Bay Area, with a total of 12 transactions in 2013. More surprisingly, the mid-Atlantic region ranked second, counting nine transactions in 2013, and the New York/New Jersey and San Diego regions tied for third, counting seven transactions in each region in 2013. Boston lagged behind these other regions, with five transactions in 2013, the same number as Seattle.

Outside the United States, the country with the greatest number of BioMeter transactions was Germany, with five; followed by the UK and Belgium, each with four; and Switzerland and Denmark, each with three.

This data suggests that while the San Francisco Bay Area continues to lead in biotechnology innovation, other areas—particularly the mid-Atlantic and New York/New Jersey areas—are not far behind. We have analyzed only one year of data, and so captured a particular snapshot in time. We will be curious to see how these trends evolve in coming years.

**Table 3: Deals by Licensor Location in 2013**



\* Australia, California (Orange County), Canada, China, Colorado, Finland, Florida, France, Illinois, India, Ireland, Israel, Italy, Japan, Korea, Texas, The Netherlands

For questions and feedback please contact us at [biometer@mofocom](mailto:biometer@mofocom).

### About MoFo BioMeter

The MoFo BioMeter is an index that measures the health of the biotechnology industry. The BioMeter averages up-front payments in licensing, collaboration, and development agreements between biotechnology companies (broadly defined) and companies that pay for commercialization rights. We focus on up-front payments because they are the most concrete representation of the value of a development-stage asset, and also because in an era of constricted venture funding for unapproved therapeutics, up-front payments from collaboration agreements have become an increasingly necessary source of capital for companies to sustain their development efforts. The BioMeter also allows us to measure changes in the industry, or by sector, over time.

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