

MOFO BIOMETER™

A quarterly deal report covering the biotechnology industry



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EARLY STAGE DEALS DOMINATE Q1

Uptick in total dealmaking activity compared with same quarter last year

By Stephen B. Thau, Aaron J. Schohn

The MoFo BioMeter for the first quarter of 2014 shows a decrease in average BioMeter value in a quarter dominated by early stage deals. Total dealmaking activity showed an uptick compared to the same quarter in 2013.

In the first quarter of 2014, the average BioMeter value for all transactions was approximately \$15.9 million, a decrease compared to the same quarter in 2013. As with the same quarter in 2013, the BioMeter value for the first quarter in 2014 was influenced significantly by a deal by Moderna Therapeutics, this one with Alexion, which had a \$100 million up-front payment and covered 10 compounds. Also impacting the results for Q1 was the AnaptysBio/Tesaro transaction for up to three products. If the up-front payments for each of these transactions had been divided by the number of products, the average BioMeter value would have been approximately \$10.3 million.

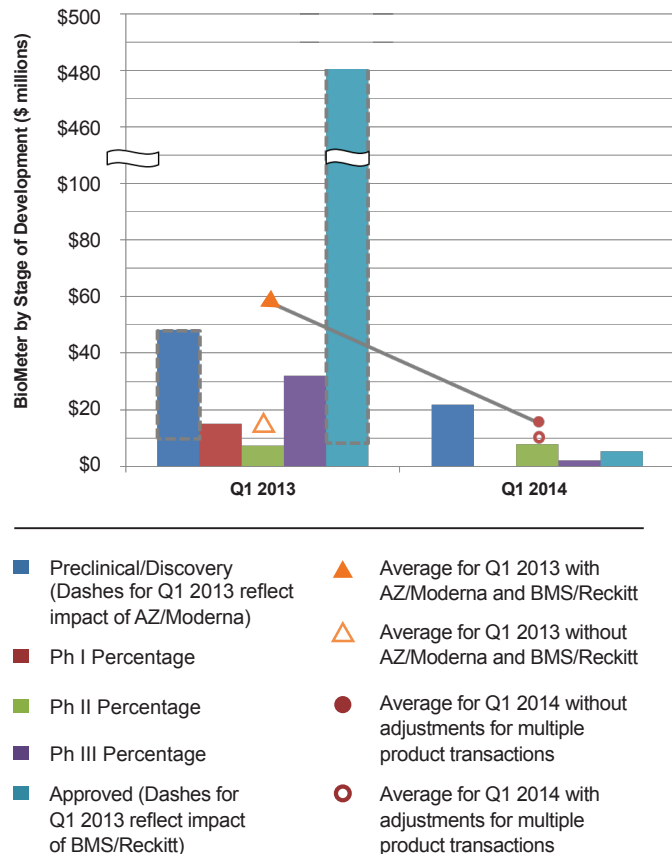
The relatively low BioMeter value is a function of both the relatively high percent of early stage deals, with preclinical/discovery transactions reflecting 68% of transactions reporting up-front payments and stage of development, and also of the atypically low BioMeter values for transactions involving more advanced products. Four reported Phase 2 transactions had an average BioMeter value of only approximately \$7.9 million, and the single reported Phase 3 and approved product transactions had up-front payments of only \$2.0 million and \$5.4 million, respectively.

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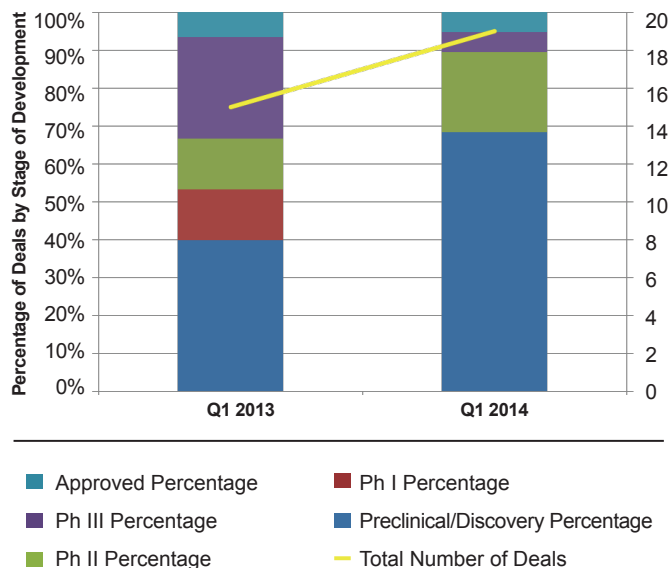
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Table 1: BioMeter Values by Stage of Development and Average for Q1 2013 and Q1 of 2014



compared to the same quarter in 2013, with 19 deals reporting up-front payments and stage of development, compared to only 16 in the same quarter last year. While still below the levels of prior years, the uptick in total dealmaking is hopefully a sign of industry growth.

Table 2: Number and Percentage of Collaboration Agreement by Stage of Development for Q1 2013 and Q1 2014



Q1 has continued a trend that we have reported for the past several quarters, namely the predominance of early stage transactions. Recent announcements may offer some explanation. If Novartis, GSK and Eli Lilly were occupied buying assets from each other, Merck and Bayer were dealing in \$14.2 billion worth of consumer care products and Pfizer and AstraZeneca were occupied trying to acquire or not be acquired, there may simply have been less dealmaking bandwidth across the industry for more significant transactions with later stage assets. And, as previously reported, the ability of biotechnology companies to go public may have encouraged companies that would have entered into licensing transactions for product development funding to instead advance clinical development on their own with capital raised in the public markets.

Overall, we were pleased to see an increase in dealmaking activity in the first quarter of 2014,

UPCOMING EVENTS

Tech Council of Maryland Biotech Roundtable

May 28, 2014 / 8:00 a.m. – 9:30 a.m. / Rockville, MD

During this roundtable discussion, Stephen Thau, editor of BioMeter, will discuss the report's findings through the final quarter of 2013 with biotech executives from Maryland's most promising companies. Attendees will gain insight into current market dynamics for licensing and collaboration deals, and an understanding of the value of licensing assets at different stages of development. Email astief@mofo.com for more details.

Morrison & Foerster Life Sciences Reception

June 24, 2014 / 5:30 p.m. – 8:30 p.m. / San Diego, CA

Join our Life Sciences team for an invitation-only reception during the 2014 BIO International Convention. The reception will take place at The New Children's Museum in downtown San Diego. Email jdubman@mofo.com for more details and to RSVP.

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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