

MoFo BioMeter™

A quarterly deal report covering the biotechnology industry



Q3 BioMeter Shows Strong Early Stage Deals

By Stephen B. Thau, Anelia V. Delcheva, Aaron J. Schohn

The average BioMeter value in the third quarter of 2013 was \$30.4 million, an increase from the \$22.2 million value in the second quarter. Like last quarter, Phase 1 and Phase 2 transactions showed very strong results, with the BioMeter value for Phase 1 transactions increasing to \$54.0 million in the third quarter from \$39.3 million in the second quarter, and the BioMeter value for Phase 2 transactions increasing to \$67.3 million in the third quarter from \$38.1 million in the second quarter. Phase 2 results were influenced by the \$175 million up-front payment from AbbVie to Ablynx for the experimental drug ALX-061 to treat rheumatoid arthritis and lupus. Excluding this transaction, the BioMeter for Phase 2 transactions in the third quarter would have been \$31.4 million, down slightly from last quarter. Phase 1 results were influenced by the MorphoSys/Cellgene transaction, which included a \$92 million up-front payment.

The BioMeter value for pre-clinical and discovery transactions also increased to \$22.3 million in the third quarter from

\$10.5 million in the second quarter, across twelve transactions, and was the largest category of transactions. Leading the way in pre-clinical and discovery transactions were the \$100 million up-front payment from Biogen to Isis and the \$45 million up-front payment from AbbVie to Galapagos. These transactions demonstrate the value of proprietary platform technologies.

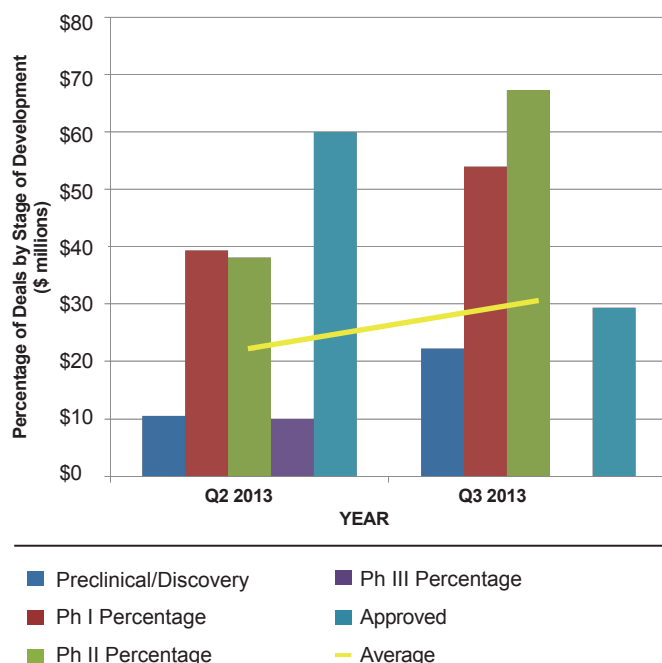
Another striking feature of the third quarter results was the absence of any Phase 3 transactions. As we noted last quarter, this may reflect the impact of the open IPO window and the ability of companies with Phase 3 products to finance late stage clinical trials and manage regulatory risk.

Transactions with approved products also showed relative weakness, with a BioMeter value in the third quarter equal to \$29.4 million, down from \$60 million in the second quarter of 2013, but up from the same quarter in 2012, when there were no transactions reporting up-front payments for approved products.

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Compared to the third quarter of 2012, the average BioMeter value increased for pre-clinical and discovery, Phase 1 and Phase 2 transactions.

Table 1a: BioMeter Values by Stage of Development and Average for Q2 2013 and Q3 of 2013



Overall, the number of transactions reporting up-front payments and stage of development increased in the third quarter compared to the prior quarter and the same quarter in 2012, with an increase in the number of pre-clinical and discovery transactions and transactions for approved products making up for the decline in the number of Phase 1 and Phase 3 transactions.

Table 2a: Number and Percentage of Collaboration Agreement by Stage of Development for Q2 2013 and Q3 2013

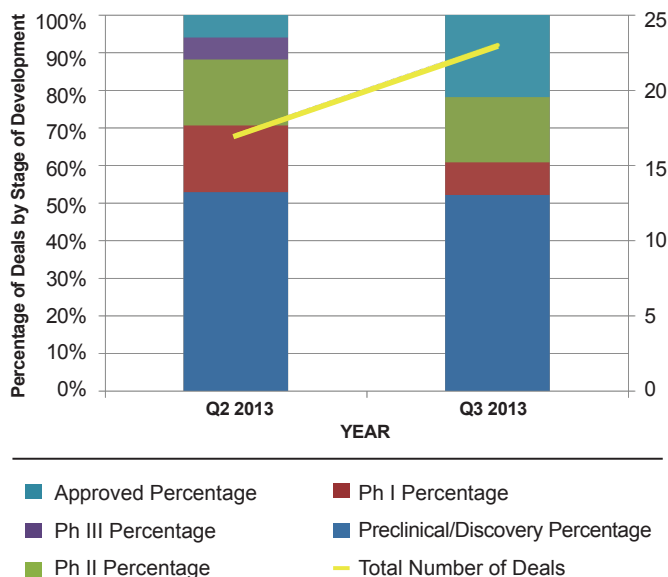


Table 1b: BioMeter Values by Stage of Development and Average by Quarter for Q3 2012 and Q3 of 2013

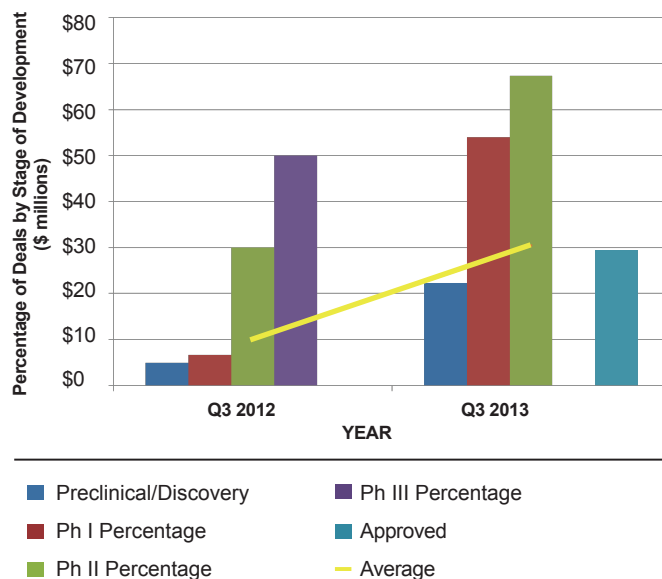
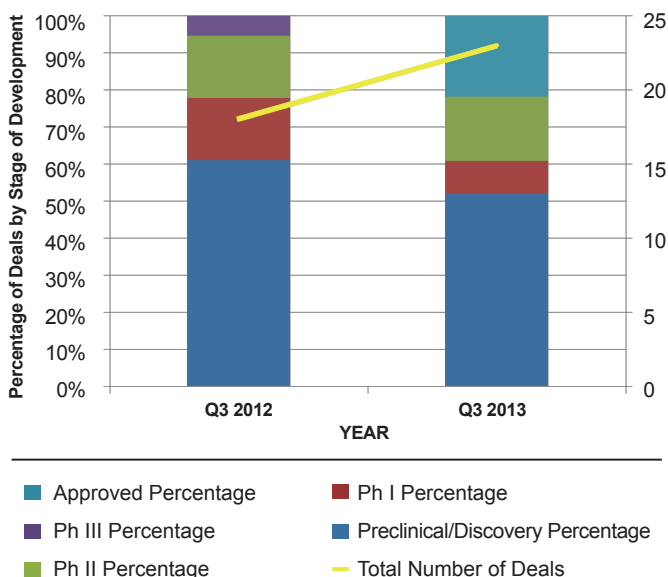


Table 2b: Number and Percentage of Collaboration Agreement by Stage of Development for Q3 2012 and Q3 2013

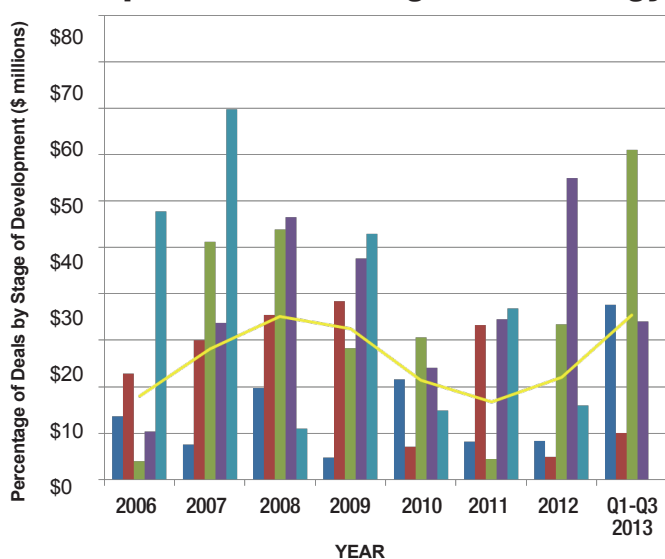


Collectively, the data suggest a continuing strong market for early transactions involving early-stage products, and fewer strong opportunities to license Phase 3 or approved products.

Focus on Oncology

In the past several years, oncology has been the leading therapeutic area for biotechnology/pharmaceutical collaborations. With that in mind, we've gone back to review BioMeter values specifically for companies working in oncology. Table 3 below shows the average BioMeter value for oncology transactions by year since 2006 and for the first three quarters of 2013.

Table 3: BioMeter Values by Stage of Development and Average for Oncology



Overall, the data show that the average BioMeter in oncology transactions increased in value from 2006 through 2008-09, and declined until this year, when oncology transactions so far have shown an increase in value to 2008 levels. The recent increase was helped by the Moderna/AstraZeneca transaction, which could be viewed as more of a technology access transaction than a product-based one. Still, even excluding that transaction, oncology transactions had a healthy average BioMeter value of approximately \$31.7 million through the first three quarters of 2013.

The data also show generally very strong BioMeter values for Phase 1 transactions compared to the BioMeter values across all indications and a larger increase in value from the pre-clinical/discovery phase to Phase 1 in oncology than in transactions across all indications. Pre-clinical and discovery BioMeter values are also generally higher than the industry averages. Collectively these data suggest that buyers are willing to pay higher than average amounts to access compelling science, especially after it has crossed the threshold into clinical trials.

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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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