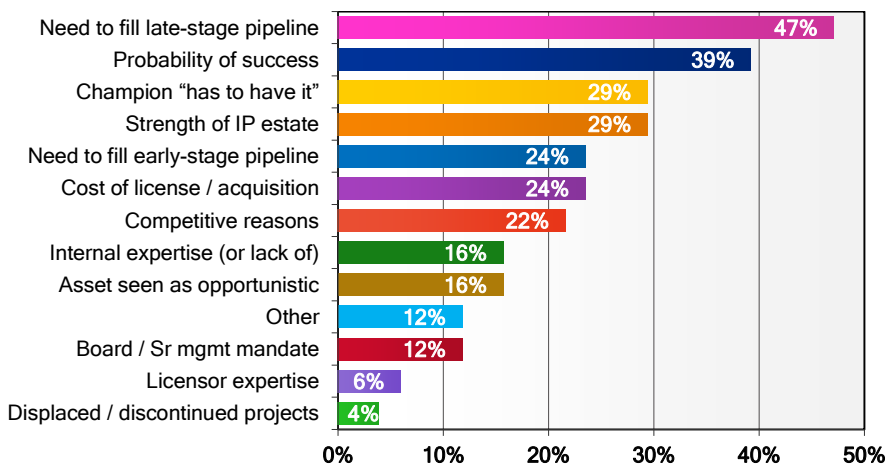


Survey Highlights from “Bridging the Gap Between Sell- and Buy-Sides in Biopharma Business Development”

Overview: The biotech financing drought, combined with increasing externalization of pharma R&D, should be creating an ideal climate for successful deal-making. Yet executing partnerships between biopharma sellers and buyers remains incredibly challenging. **In summer 2011, we surveyed nearly 80 senior business development executives to find the keys to executing mutually satisfying deals.** Survey results and implications for successful deal-making are described below.

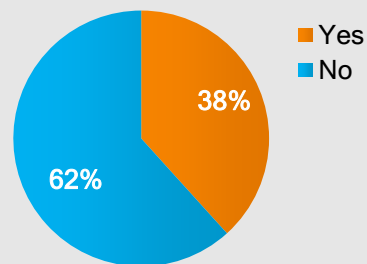
If Biotech Builds It, Will Pharma Come? The Most Important Factors for Buy-Siders to In-License/Acquire an Asset

The biggest driver on the buy-side remains the need to bring in pipeline products, with ~50% of participants noting that accessing late-stage compounds is a critical need. The sell-side’s supposition that “if we build it, pharma will come” may be a false premise when buyers are looking for assets to fill pipeline gaps. **Sellers would be better off engaging with pharma partners who have an obvious interest in a product based on their therapeutic focus or commercial strategy.**



Communication and Relationships are Critically Important

Know the Buyer’s Preferred Channel. Surprisingly, almost two-thirds of buy-side respondents said that they did not mind if the sell-side reaches out directly to the potential champion.



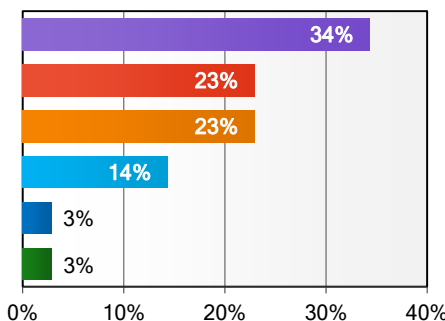
The buy-side BD lead is evaluated on getting deals done, so it is in their best interest to be an open facilitator. But, in many organizations buy-side BD wants to remain in control.

Sellers need to understand how the potential buyer prefers to channel communication, as well as appreciate and tailor to the individual nuances of the BD execs on the buy-side, to enable successful deal-making.

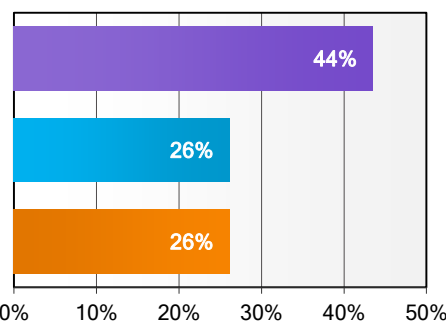
Term Sheets. What’s the Right Play?

Many sellers are likely responding too soon to the first term sheet. In moving toward “the right deal” rather than “any deal,” the seller often is better off reviewing its corporate goals to evaluate whether this deal, with this partner, would help it achieve those goals. Negotiating aggressively without alternatives can be a risky approach.

Sell-Side



Buy-Side



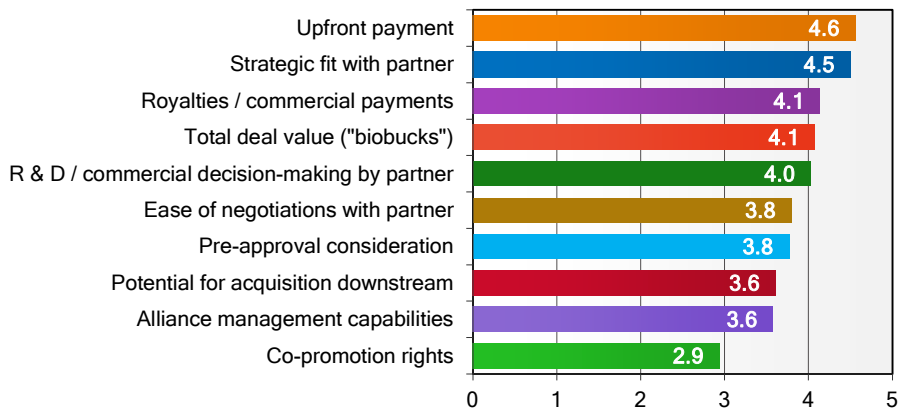
77 web survey respondents self-identified as buy-side BD (45%), sell-side BD (39%), buy-side M&A (8%), or representing both buy- and sell-sides (8%).

- Negotiated immediately with aggressive revisions prior to receipt of 2nd term sheet
- Multiple term sheets were received simultaneously negotiated each in parallel
- Negotiated immediately with minor adjustments prior to receipt of 2nd term sheet
- Waited to negotiate until there were multiple term sheets
- Multiple term sheets were received simultaneously; ran an auction
- Rejected and did not negotiate first term sheets

Locust Walk Partners: Survey Highlights from “Bridging the Gap Between Sell- and Buy-Sides in Biopharma Business Development”

Emerging Themes for Better Deal-making:

- Business development professionals on both buy- and sell-sides cannot overemphasize communication
- We strongly recommend that sellers engage R&D and commercial champions at the buyers as early as possible, in lock-step with their buy-side business development counterparts
- Sell-side needs to understand how their asset achieves proof of relevance, rather than proof of concept, given the increasing need for clear differentiation in the marketplace

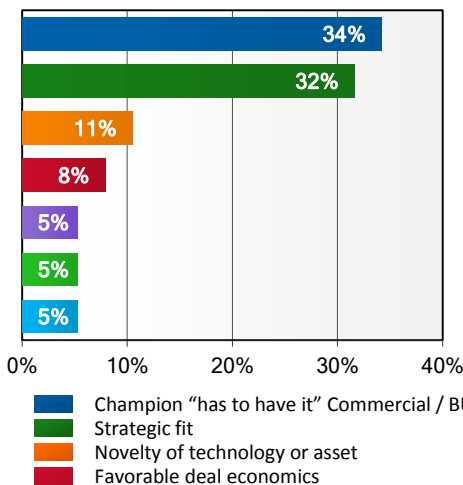


Show Us the Money. Sellers ranked up-front payment as the most important factor in selecting a partner. Co-promotion rights, ranked the lowest by sellers, can help retain enough value in an asset for a buyer to justify an acquisition. Sellers should also think more seriously about alliance management than this data suggests, as alliance management has a direct impact on whether the sell-side ever realizes full value from the asset.

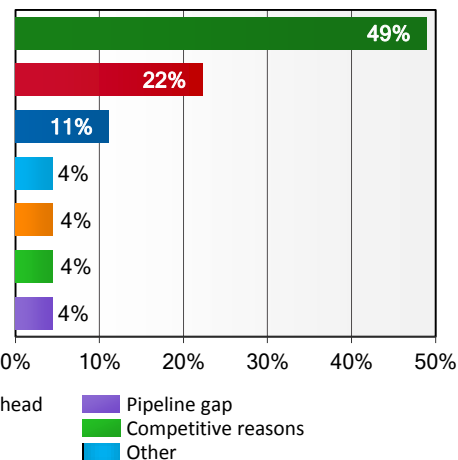
Getting the Deal Done: Critical Factors

Sellers believe that the champion “having to have it” and strategic fit are the most critical factors for buyers. We believe that the pipeline gap or asset quality, factors that were ranked much lower by the buy-side, should be given higher priority in decision-making, especially considering the desire to bring in strong assets that are aligned with a pharma’s global strategy.

Sell-Side



Buy-Side



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The LWP Difference:

- Proven success: Five transactions and four strategic / commercial consulting engagements completed in the last year
- Our team has extensive industry operating experience with a strong commercial perspective
- A senior level team leads and executes all assignments
- We employ sophisticated analytical tools and capabilities
- We become a part of your team, diving into the details and providing strategic insights and advice based on experience

